



**MEDICAL CARE DEVELOPMENT, INC. AND AFFILIATES**

**COMBINED FINANCIAL STATEMENTS**

**AND**

**ADDITIONAL INFORMATION**

**December 31, 2009 and 2008**

**With Independent Auditors' Report**

# MEDICAL CARE DEVELOPMENT, INC. AND AFFILIATES

## Audited Combined Financial Statements and Additional Information

Years Ended December 31, 2009 and 2008

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Medical Care Development, Inc. and Affiliates

We have audited the combined statements of financial position of Medical Care Development, Inc. and Affiliates as of December 31, 2009 and 2008, and the related combined statements of activities and net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of Medical Care Development, Inc. and Affiliates as of December 31, 2009 and 2008, and the combined changes in their net assets and their combined cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2010, on our consideration of Medical Care Development, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information contained in Schedules 1 and 2 and the accompanying Schedule of Expenditures of Federal Awards are presented for purposes of additional analysis. The Schedule of Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These additional schedules are not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Berry, Dunn, McNeil & Parker*

June 4, 2010

**MEDICAL CARE DEVELOPMENT, INC. AND AFFILIATES**

**Combined Statements of Financial Position**

**December 31, 2009 and 2008**

**ASSETS**

	<u>2009</u>	<u>2008</u>
Current assets		
Cash and cash equivalents	\$ 2,237,185	\$ 2,712,675
Resident funds	72,472	73,483
Accounts receivable, net of allowance for doubtful accounts of \$39,000 in 2009 and \$82,000 in 2008	1,509,179	1,797,403
Grants receivable	3,010,650	3,115,594
Prepays and other current assets	143,604	289,351
Resident security deposits	20,757	21,374
Trustee-held funds	<u>256,291</u>	<u>258,137</u>
Total current assets	<u>7,250,138</u>	<u>8,268,017</u>
Other assets		
Construction escrow	68,965	65,559
Other escrow accounts	207,045	214,379
Deferred financing costs, net	113,024	123,937
Goodwill, net of accumulated amortization of \$188,570 in 2009 and \$171,250 in 2008	137,876	155,111
Investments, Board designated	792,140	657,534
Other	<u>22,445</u>	<u>410,571</u>
Total other assets	<u>1,341,495</u>	<u>1,627,091</u>
Property and equipment		
Land	1,528,637	1,577,155
Building and improvements	18,878,091	19,095,202
Furniture and equipment	2,039,551	2,049,344
Vehicles	2,119,448	1,959,220
Construction in progress	<u>-</u>	<u>5,593</u>
	24,565,727	24,686,514
Less accumulated depreciation	<u>(12,617,864)</u>	<u>(11,808,760)</u>
Net property and equipment	<u>11,947,863</u>	<u>12,877,754</u>
Total assets	<u>\$ 20,539,496</u>	<u>\$ 22,772,862</u>

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The accompanying notes are an integral part of these combined financial statements.

## LIABILITIES AND NET ASSETS

	<u>2009</u>	<u>2008</u>
Current liabilities		
Line of credit	\$ -	\$ 2,000,000
Current portion of long-term debt	<b>922,000</b>	949,000
Accounts payable and accrued expenses	<b>1,417,686</b>	1,222,477
Accrued wages and amounts withheld	<b>1,462,294</b>	915,348
Resident security deposits	<b>20,757</b>	21,374
Deferred grants and contract revenue	<b>2,577,536</b>	2,615,116
Resident funds	<b>72,472</b>	73,483
Estimated third-party settlements	<b><u>1,920,598</u></b>	<b><u>2,052,036</u></b>
Total current liabilities	<b>8,393,343</b>	9,848,834
Long-term debt, excluding current portion	<b>8,576,432</b>	9,651,845
Long-term portion of estimated third party settlements	<b>496,663</b>	-
Other long-term liabilities	<b><u>22,445</u></b>	<b><u>410,571</u></b>
Total liabilities	<b><u>17,488,883</u></b>	<b><u>19,911,250</u></b>
Commitments (Notes 3 and 4)		
Net assets		
Unrestricted	<b>2,714,632</b>	2,341,737
Temporarily restricted	<b><u>335,981</u></b>	<b><u>519,875</u></b>
Total net assets	<b><u>3,050,613</u></b>	<b><u>2,861,612</u></b>
 Total liabilities and net assets	 <b><u>\$20,539,496</u></b>	 <b><u>\$22,772,862</u></b>

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# MEDICAL CARE DEVELOPMENT, INC. AND AFFILIATES

## Combined Statements of Activities and Net Assets

Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Changes in unrestricted net assets		
Revenue, gains, and other support		
Project grants and contracts	\$ 34,074,966	\$ 34,416,431
Residential services	6,159,756	5,912,779
Rental elderly housing	444,312	435,114
Sales of goods and services	159,784	197,673
Interest and investment expense	(1,986)	(13,683)
Other project revenue	328,982	590,231
Net assets released from restrictions	<u>443,342</u>	<u>213,229</u>
Total revenue, gains, and other support	<u>41,609,156</u>	<u>41,751,774</u>
Expenses		
National programs	1,095,846	721,203
International programs	13,794,248	12,528,762
Offsite programs	2,580,555	2,751,764
Developmental disabilities services	8,728,323	9,384,985
Mental health	3,844,948	4,422,236
Residential services	5,561,412	6,282,158
Interest expense	575,212	705,351
Depreciation and amortization	1,288,972	1,284,757
General and administrative	3,560,293	3,525,622
Other project expenses	<u>241,194</u>	<u>270,763</u>
Total expenses	<u>41,271,003</u>	<u>41,877,601</u>
Operating gain (loss)	338,153	(125,827)
Nonoperating revenues		
Unrealized gain (loss) on investments	136,861	(192,548)
Loss on sale of asset	<u>(102,119)</u>	<u>-</u>
Change in unrestricted net assets	<u>372,895</u>	<u>(318,375)</u>
Changes in temporarily restricted net assets		
Contributions	259,448	268,228
Net assets released from restrictions	<u>(443,342)</u>	<u>(213,229)</u>
Change in temporarily restricted net assets	<u>(183,894)</u>	<u>54,999</u>
Total change in net assets	189,001	(263,376)
Net assets, beginning of year	<u>2,861,612</u>	<u>3,124,988</u>
Net assets, end of year	<u>\$ 3,050,613</u>	<u>\$ 2,861,612</u>

The accompanying notes are an integral part of these combined financial statements.

# MEDICAL CARE DEVELOPMENT, INC. AND AFFILIATES

## Combined Statements of Cash Flows

**Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Change in net assets	\$ 189,001	\$ (263,376)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,288,972	1,284,757
Loss (gain) on sale of property and equipment	102,119	(4,842)
Realized and unrealized (gain) loss on securities	(120,539)	227,088
Provision for doubtful accounts	(42,311)	46,623
Decrease (increase) in		
Accounts receivable	330,535	313,509
Grants receivable	104,944	(548,353)
Miscellaneous receivable	-	302,835
Prepays and other current assets	145,747	195,448
Other assets	388,126	383,328
Increase (decrease) in		
Accounts payable and accrued expenses, accrued wages and amounts withheld	742,155	(254,657)
Deferred grants and contract revenue	(37,580)	(137,608)
Estimated third-party settlements	365,225	(340,011)
Other liabilities	(388,126)	(383,478)
Net cash provided by operating activities	<u>3,068,268</u>	<u>821,263</u>
Cash flows from investing activities		
Purchases of property and equipment	(359,915)	(825,400)
Net withdrawals from (deposits to) construction escrow, trustee-held funds and debt reserve accounts	5,774	(43,673)
Proceeds from sale of property and equipment	56,972	27,597
Purchases of investments	(81,785)	(220,466)
Proceeds from sale of investments	67,718	248,305
Net cash used by investing activities	<u>(311,236)</u>	<u>(813,637)</u>
Cash flows from financing activities		
Repayment of long-term debt	(1,232,522)	(968,448)
Net (payments) borrowings from line of credit	(2,000,000)	1,425,000
Net cash (used) provided by financing activities	<u>(3,232,522)</u>	<u>456,552</u>
Net (decrease) increase in cash and cash equivalents	(475,490)	464,178
Cash and cash equivalents, beginning of year	<u>2,712,675</u>	<u>2,248,497</u>
Cash and cash equivalents, end of year	<u>\$ 2,237,185</u>	<u>\$ 2,712,675</u>
Supplemental disclosures		
Cash paid during the year for interest	<u>\$ 563,287</u>	<u>\$ 705,810</u>
Noncash transaction - vehicles financed with notes payable	<u>\$ 130,109</u>	<u>\$ 72,118</u>

The accompanying notes are an integral part of these combined financial statements.

# MEDICAL CARE DEVELOPMENT, INC. AND AFFILIATES

## Notes to Combined Financial Statements

December 31, 2009 and 2008

### **Background Information**

Medical Care Development, Inc. (MCD, Inc.) is a not-for-profit organization which promotes health throughout the world. MCD, Inc. receives funding from international, national, and State of Maine grants to provide health-related services. MCD, Inc. also operates numerous licensed boarding and developmental disabilities services homes located throughout Maine which were established to meet the needs of its residents and are primarily funded through reimbursement and fee for service agreements with governmental entities. MCD, Inc.'s operations are, therefore, dependent upon continuation of such grants and agreements and MCD, Inc.'s ability to operate within funding limits. Medical Properties, Inc. (MPI) owns real estate and equipment which is primarily used by MCD, Inc. Parkwood Institute, Inc. (PWI) is a for-profit entity established to develop and promote health systems projects in conjunction with MCD, Inc. PWI works with local partners to secure private funding for business development that is only available to for-profit corporations.

A separate corporation using the name "Medical Care Development International" exists in South Africa that is considered to be an Association incorporated under Section 21A of the South Africa Companies Act, 1973. As a requirement of Section 21A, a separate annual independent audit of the operations of Medical Care Development in South Africa is required for years ended September 30. The programs that this audit covers are included within the Medical Care Development and Affiliates Combined Financial Statements.

### **1. Summary of Significant Accounting Policies**

#### **Principles of Combination**

The combined financial statements include the accounts of MCD, Inc., PWI and MPI. MPI is a separate legal entity which, prior to 1996, had the same Board of Directors as MCD, Inc. In 1996, an entirely separate Board of Directors for MPI was appointed by MCD, Inc. The financial statements of MCD, Inc. and MPI are combined since, upon liquidation, the net assets of MPI would revert to MCD, Inc. In 2008, the financial statements of MCD, Inc. and PWI are combined since they share common management and control. Upon combination, all significant intercompany activity and accounts have been eliminated. PWI ceased operations at the end of 2008, accordingly no activity is reported in 2009.

#### **Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) 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 financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant areas involving estimates include accounts receivable, grants receivable, deferred grants and contract revenue, and estimated third-party settlements.

# MEDICAL CARE DEVELOPMENT, INC. AND AFFILIATES

## Notes to Combined Financial Statements

December 31, 2009 and 2008

### **Concentration of Credit Risk**

Financial instruments which subject MCD, Inc. to credit risk consist primarily of cash equivalents, accounts receivable, and grants receivable. The risk with respect to cash equivalents is mitigated by MCD, Inc.'s policy of investing in financial instruments with short-term maturities issued by highly rated financial institutions. Amounts receivable from government-related programs comprised approximately 93% of accounts receivable at both December 31, 2009 and 2008. Grants receivable consist of expected payments under contractually agreed-upon performance contracts. Amounts due from governmental agencies represent 63% and 30% of grants receivable at December 31, 2009 and 2008, respectively. The remaining grants receivable are due from private funding sources.

### **Contributions**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities and net assets as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same year as received are reported as unrestricted contributions in the accompanying financial statements. The Organizations had no permanently restricted net assets in 2009 and 2008.

The Organizations report gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organizations report expirations of donor restrictions for contributions restricted to purchases of long-lived assets over the estimated useful lives of the long-lived assets.

### **Cash and Cash Equivalents**

Cash and cash equivalents in the statements of cash flows include unrestricted cash which is either held in demand deposit or short-term money market accounts, and highly liquid savings deposits and investments with original maturities of three months or less when purchased.

The Organizations maintain their cash in bank deposit accounts which, at times, may exceed federally insured limits. They have not experienced any losses in such accounts.

# MEDICAL CARE DEVELOPMENT, INC. AND AFFILIATES

## Notes to Combined Financial Statements

December 31, 2009 and 2008

### **Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible accounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written-off through a charge to the valuation allowance and a credit to accounts receivable.

### **Investments**

Investments in equity securities with readily determinable fair values, and all investments in debt securities, are measured at fair value in the statement of financial position in accordance with the provisions of ASC Topic 820, *Fair Value Measurements*.

### **Agency Funding, Deferred Grants and Contract Revenue**

MCD, Inc.'s programs are primarily funded by health and welfare grants, reimbursement contracts by governmental units, fee for service Medicaid (MaineCare) agreements and other public and private support. Revenues derived from reimbursement for services by governmental units and fee for service MaineCare agreements are recognized when the services are rendered. Adjustments to estimated settlement amounts under state and federal contracts are recognized when final settlements are determined. Cash received to fund future services is deferred until the related services are rendered.

### **Residential Service Revenue**

Residential service revenue is reported on an accrual basis in the period which services are provided, net of third-party contractual adjustments. Revenue under third-party payor agreements is subject to audit and retroactive adjustments. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year determined.

### **Resident Funds**

Resident funds represent amounts held by MCD, Inc. on behalf of its residents.

### **Deferred Financing Costs**

Deferred financing costs represent the costs incurred in connection with the refinancing of long-term debt. These costs are being amortized over the life of the related debt using the straight-line method.

# MEDICAL CARE DEVELOPMENT, INC. AND AFFILIATES

## Notes to Combined Financial Statements

December 31, 2009 and 2008

### **Goodwill**

Goodwill represents costs incurred to acquire the developmental disabilities services (DDS) operating division that were in excess of the estimated fair value of identifiable assets. These costs are being amortized over 20 years using the straight-line method.

### **Accrued Health Insurance Reserves**

MCD, Inc. manages an insurance fund for health insurance claims. The insurance program is a "large-deductible policy," managed with the assistance of a professional insurance consultant, and is funded according to actuarial projections. The Organization determines health insurance expense based on actual claims experience and historical trends as evaluated by a professional actuary. The expense is allocated between the divisions based on actual premiums. Reserves for claims incurred but not reported are included in accounts payable and accrued expenses.

### **Property and Equipment**

Property and equipment are stated at cost if acquired or at fair value at the date of donation. Depreciation is determined using the straight-line method in a manner which is intended to amortize the cost of related assets over their estimated useful lives. Items which do not extend the useful lives of these assets are charged to expense in the years incurred.

Upon completion of programs under international contracts, equipment and capital construction remains in the host country and title is held by the funding agency. Accordingly, such equipment and capital construction has been expensed.

### **Construction in Progress**

Construction in progress represented costs associated with the renovation of a boarding home and pre-construction costs related to the installation of an elevator at a residential care facility. These projects were finished during 2009 and placed into service.

### **Trustee-Held Funds**

Trustee-held funds consist of funds held in trust and required by the terms of the Maine Health and Higher Educational Facilities Financing Authority (MHHEFA) bonds payable. Such amounts are used to make semi-annual payments under the note and consist of cash and cash equivalents.

# MEDICAL CARE DEVELOPMENT, INC. AND AFFILIATES

## Notes to Combined Financial Statements

December 31, 2009 and 2008

### **Income Taxes**

MCD, Inc. and MPI are exempt from federal income taxes under Section 501(c)(3) and Section 501(c)(2), respectively, of the Internal Revenue Code. Accordingly, no provision for income taxes is required.

### **New Accounting Pronouncements**

In June 2009, Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Codification (ASC) 105, *Generally Accepted Accounting Principles*, which establishes the FASB ASC as the sole source of authoritative GAAP. Pursuant to the provisions of FASB ASC 105, MCD, Inc. has updated references to GAAP in its financial statements issued for the year ended December 31, 2009. The adoption of FASB ASC 105 did not impact MCD, Inc.'s financial position or results of operations.

In May 2009, FASB issued a change to ASC 855, *Subsequent Events*. ASC 855 establishes general standards for the evaluation, recognition and disclosure of events and transactions that occur after the balance sheet date. Although there is new terminology, the standard is based on the same principles as those that previously existed in the auditing standards. The standard, which includes a new required disclosure of the date through which an entity has evaluated subsequent events, is effective for periods ending after June 15, 2009. The adoption of ASC 855 did not have a material effect on the Organization's financial statements.

### **Subsequent Events**

For purposes of the preparation of these financial statements in conformity with GAAP, MCD, Inc. has considered transactions or events occurring through June 4, 2010, which was the date that the financial statements were available to be issued.

## 2. **Lines of Credit**

MCD, Inc. has a \$3,700,000 line of credit available from Savings Bank of Maine (SBM). There was \$2,000,000 outstanding at December 31, 2008. There were no outstanding advances at December 31, 2009. Borrowings under the line are collateralized by accounts and grants receivable (advances are limited based upon a formula of outstanding accounts receivable). Advances under the line bear interest at SBM prime plus 0.5% (5.5% at December 31, 2009). The line of credit expired on February 21, 2010. MCD is required to comply with various financial covenants related to the line of credit. At December 31, 2009, MCD, Inc. was in compliance with all of the covenants. Subsequent to year end, MCD renewed its line of credit with SBM. Advances under the new line bear interest at SBM prime plus 1.0%. The new line of credit expires in June 2010.

# MEDICAL CARE DEVELOPMENT, INC. AND AFFILIATES

## Notes to Combined Financial Statements

December 31, 2009 and 2008

MCD, Inc. has an additional \$330,217 line of credit available from SBM. This line of credit is for the purchase of vehicles only. Each vehicle purchased will be funded by a separate loan amortized on terms up to 48 months. Each loan will reduce the availability of the line of credit by the amount of the loan. The interest rate on the loan is SBM prime (5.00% at December 31, 2009). The line of credit expires on July 2011. There was a balance outstanding of \$118,840 as of December 31, 2009 which is reflected in long-term debt. There were no outstanding advances at December 31, 2008.

### 3. Long-Term Debt

Long-term debt for the Organization's various operating divisions consists of :

	<u>2009</u>	<u>2008</u>
<b>Mental Health Services</b>		
2% note payable to Maine State Housing Authority (MSHA) in monthly installments of \$1,071, including interest, until August 2022; collateralized by land, buildings and equipment	\$ 143,700	\$ 153,571
2% note payable to MSHA in monthly installments of \$773, including interest, until June 2022; collateralized by land, buildings and equipment	102,462	109,607
0% note payable to MSHA, forgiven in annual amounts of \$6,534 until January 2026, contingent upon MCD, Inc. continuing to operate its Harlow Street facility in conjunction with its mission; collateralized by land, buildings and equipment	105,366	111,900
0% note payable to MSHA; collateralized by real estate, payable in full in January 2026 or upon sale of real estate collateralizing the note or cessation of operations related to the real estate	75,000	75,000
0% note payable to MSHA; collateralized by real estate, payable in full in July 2026 or upon sale of real estate collateralizing the note or cessation of operations related to the real estate	80,000	80,000

# MEDICAL CARE DEVELOPMENT, INC. AND AFFILIATES

## Notes to Combined Financial Statements

**December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
8% note payable to MSHA in monthly installments of \$656, including interest, through September 2027; collateralized by land, buildings and equipment	\$ 74,550	\$ 76,382
4% note payable to TD Banknorth in monthly installments of \$1,186, including interest, until June 2030; collateralized by land, buildings and equipment	123,150	132,192
0% note payable to MSHA, collateralized by real estate, payable in full in June 2030 or upon sale of real estate collateralizing the note or cessation of operations related to the real estate	225,000	225,000
0% note payable to Federal Home Loan Bank of Boston, collateralized by real estate, payable in full in June 2030 or upon sale of real estate collateralizing the note or cessation of operations related to the real estate	165,000	165,000
3% note payable to the City of Bangor in monthly installments of \$590, including interest, until November 2030; collateralized by land, buildings and equipment	110,483	114,097
8% note payable to SBM in monthly installments of \$489, including interest, paid in February 2009; collateralized by an automobile	-	967
9% note payable to SBM in monthly installments of \$347, including interest, until November 2010; collateralized by an automobile	3,634	7,283
9.25% note payable to SBM in monthly installments of \$516, including interest, until September 2010; collateralized by an automobile	4,455	9,937
8.75% note payable to SBM in monthly installments of \$366, including interest, until October 2011; collateralized by an automobile	<u>7,417</u>	<u>10,987</u>
	<u>1,220,217</u>	<u>1,271,923</u>

**MEDICAL CARE DEVELOPMENT, INC. AND AFFILIATES**

**Notes to Combined Financial Statements**

**December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>Boarding Home Services</b>		
6% note payable to U.S. Department of Agriculture, Rural Development (USDARD) in monthly installments of \$3,306, including interest, until November 2035; collateralized by land, buildings and equipment	\$ 518,849	\$ 527,120
Variable rate note payable to SBM, interest at WSJ prime plus 1.5% (4.75% at December 31, 2009); in monthly payments of \$3,364, including interest, through May 2015 when all remaining principal is due; collateralized by land, buildings and equipment	<b>191,623</b>	222,880
2% note payable to MSHA in monthly installments of \$1,571, including interest, until March 2026; collateralized by land, buildings and equipment	<b>261,342</b>	274,820
0% note payable to DHS, collateralized by land, buildings and equipment, payable in full upon sale of real estate collateralizing the note or cessation of operations related to the real estate	<b>80,000</b>	80,000
8.25% note payable to SBM in monthly installments of \$604, including interest, paid in December 2009; collateralized by an automobile	-	6,909
Variable rate note payable to SBM, interest at WSJ prime plus 1.5% (4.75% at December 31, 2009); monthly payments of \$447, including interest, until January 2010; collateralized by an automobile	<b>467</b>	5,678
9.25% note payable to SBM in monthly installments of \$456, including interest, until September 2010; collateralized by an automobile	<b>3,953</b>	8,809
7% note payable to SBM in monthly installments of \$492, including interest, until March 2012; collateralized by an automobile	<b>12,263</b>	17,127
6% note payable to SBM in monthly installments of \$426, including interest, until October 2012; collateralized by an automobile	<u>13,293</u>	<u>17,483</u>
	<u><b>1,081,790</b></u>	<u>1,160,826</u>

**MEDICAL CARE DEVELOPMENT, INC. AND AFFILIATES**

**Notes to Combined Financial Statements**

**December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>York Manor</b>		
Variable rate note payable to SBM, interest at WSJ prime plus 1% (4.25% at December 31, 2009); monthly payments of \$18,437, including interest, through August 2015; collateralized by real estate and equipment	\$ <b>1,074,547</b>	\$ 1,251,438
Variable rate note payable to SBM, interest at SBM prime plus 1% (6.00% at December 31, 2009); monthly payments of \$868, including interest, through June 2015; collateralized by land, buildings, and equipment	<b>52,761</b>	60,337
Variable rate note payable to SBM, interest at SBM prime plus .5% (5.50% at December 31, 2009); monthly payments of \$656, including interest, through December 2017; collateralized by land, buildings, and equipment	<u><b>54,531</b></u>	<u>60,036</u>
	<u><b>1,181,839</b></u>	<u>1,371,811</u>
<b>York Manor Apartments</b>		
8.75% note payable to MSHA in monthly installments of \$16,785, including interest, through February 2022; collateralized by property and equipment	<u><b>1,504,984</b></u>	<u>1,571,520</u>
<b>Gilbert Manor</b>		
5.125% note payable to USDARD in monthly installments of \$2,037, including interest, through November 2013; collateralized by property and equipment and accounts receivable in parity with SBM	<b>82,584</b>	102,246
8% note payable to SBM in monthly installments of \$2,476, including interest, through November 2013; 80% guaranteed by USDARD; collateralized by property and equipment and accounts receivable	<u><b>99,954</b></u>	<u>120,755</u>
	<u><b>182,538</b></u>	<u>223,001</u>

**MEDICAL CARE DEVELOPMENT, INC. AND AFFILIATES**

**Notes to Combined Financial Statements**

**December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>Gardiner Estates</b>		
5.125% note payable to USDARD in monthly installments of \$1,497, including interest, paid in 2009; collateralized by property and equipment and accounts receivable	\$ -	\$ 75,102
8% note payable to SBM in monthly installments of \$1,819, including interest, paid in 2009; collateralized by property and equipment and accounts receivable	<u>-</u>	<u>84,691</u>
	<u>-</u>	<u>159,793</u>
<b>Berwick Estates</b>		
Variable rate note payable to SBM, interest at WSJ prime plus 1.5% (4.75% at December 31, 2009); in monthly payments of \$2,987, including interest, until June 2017; collateralized by real estate, equipment and assignment of income	224,622	250,313
Variable rate note payable to SBM, interest at WSJ prime plus 1.5% (4.75% at December 31, 2009); in monthly payments of \$5,814, including interest, through February 2018; collateralized by real estate, equipment and assignment of income	465,781	512,103
8% note payable to SBM in monthly installments of \$1,056, including interest, paid in September 2009; collateralized by an automobile	<u>-</u>	<u>9,197</u>
	<u>690,403</u>	<u>771,613</u>
<b>Pinewood Terrace</b>		
Variable rate note payable to SBM, interest at WSJ prime plus 1% (4.25% at December 31, 2009); in monthly payments of \$10,947, including interest, through May 2016; collateralized by land and buildings	717,866	812,829
8% note payable to SBM in monthly installments of \$1,056, including interest, paid in September 2009; collateralized by an automobile	<u>-</u>	<u>9,197</u>
	<u>717,866</u>	<u>822,026</u>

**MEDICAL CARE DEVELOPMENT, INC. AND AFFILIATES**

**Notes to Combined Financial Statements**

**December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>Medical Properties, Inc.</b>		
Variable rate note payable to SBM, interest at SBM prime (5.00% at December 31, 2009); in monthly payments of \$3,339, including interest, through October 2026; collateralized by real estate in Augusta, Maine	\$ 519,371	\$ 541,755
Variable rate note payable to a bank, interest at SBM prime plus .5% (5.50% at December 31, 2009); monthly payments of \$2,713, including interest, through November 2023; collateralized by real estate in Augusta, Maine	353,623	371,411
4% note payable to SBM in monthly installments of \$755, including interest, through January 2013; collateralized by an automobile	<u>25,563</u>	<u>33,425</u>
	<u>898,557</u>	<u>946,591</u>
<b>Developmental Disabilities Services</b>		
7% note payable to Coastal Enterprises, Inc. in monthly installments of \$2,818, including interest, through April 2012 at which time all remaining principal is due; collateralized by real estate, accounts receivable and a life insurance policy	68,942	97,377
Bonds payable to MHHEFA, due in annual installments on July 1 through 2018, interest fixed at incremental rates ranging from 4.15% to 5.1%; collateralized by gross receipts as defined in the agreement and real estate and equipment	935,248	1,125,248
4.5% note payable to USDARD in monthly installments of \$2,952, including interest, through May 2040; collateralized by land, buildings and equipment	564,847	574,615
Variable rate note payable to SBM, interest at SBM prime plus .5% (5.50% at December 31, 2009); in monthly payments of \$1,313, including interest, through December 2022; collateralized by land, building, equipment, and income	162,486	171,387

# MEDICAL CARE DEVELOPMENT, INC. AND AFFILIATES

## Notes to Combined Financial Statements

December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
7% note payable to MSHA; collateralized by substantially all assets, payable in full upon sale of real estate collateralizing the note or cessation of operations related to the real estate	\$ 150,000	\$ 150,000
Notes payable to banks with interest rates ranging from 8% to 9%, due in aggregate monthly installments of \$4,721, including interest, through December 2011; collateralized by seven vehicles in 2009 and eight vehicles in 2008	59,064	99,818
Variable rate note payable to SBM, interest at SBM prime plus .5% (5.50% at December 31, 2009); in monthly payments of \$580, including interest, through November 2024; collateralized by land, building, equipment, and income	<u>79,651</u>	<u>83,296</u>
	<u>2,020,238</u>	<u>2,301,741</u>
	9,498,432	10,600,845
Less current portion	<u>922,000</u>	<u>949,000</u>
Total long-term debt, excluding current portion	<u>\$ 8,576,432</u>	<u>\$ 9,651,845</u>

In accordance with certain international contractual obligations, the Organizations have one irrevocable letter of credit with SBM. The letter of credit is to guarantee MCD's proper and faithful performance under the provisions of the contractual obligations. The amount of the letter of credit is \$131,312 at December 31, 2009 and 2008, and shall remain valid and in full effect from the date of the advance payment under the Contract until total payments to Consultant reach fifty (50) percent of the lump-sum contract amount or \$437,707. The letter of credit for USAID projects was increased in 2009 by \$6,562,000 from \$20,401,500 to \$26,963,500.

MCD, Inc. is required to comply with loan covenants related to bonds payable with lenders. At December 31, 2009, MCD, Inc. was in compliance with its MHHEFA financial covenants.

# MEDICAL CARE DEVELOPMENT, INC. AND AFFILIATES

## Notes to Combined Financial Statements

December 31, 2009 and 2008

Maturities of long-term debt for the next five years are as follows:

2010	\$	922,000
2011		947,000
2012		896,000
2013		840,000
2014		827,000
Thereafter		<u>5,066,432</u>
	\$	<u>9,498,432</u>

In connection with certain of its notes payable, MCD, Inc. is required to set aside certain reserve funds as follows:

	<u>2009</u>	<u>2008</u>
Replacement reserve	\$ 401,945	\$ 396,287
Tax and insurance escrow	<u>23,241</u>	<u>34,673</u>
	<u>\$ 425,186</u>	<u>\$ 430,960</u>

These amounts are invested in cash and cash equivalents. The replacement reserve is to be used for repairs and improvements of the related buildings and the tax and insurance escrows are for the payment of taxes and insurance on the related property.

In connection with the MHHEFA bonds payable, MCD, Inc. is required to make monthly deposits with the trustee to fund principal and interest payments.

#### 4. Lease

Medical Care Development, Inc. leases office space under a noncancelable lease. The lease expires June 30, 2012. Annual lease payments consist of base rent with additional payments for storage, taxes and operating expenses. Base rent for the remaining lease term is \$489,697. Lease expense was \$172,721 in 2009 and \$119,009 in 2008.

#### 5. Pension Plan and Deferred Compensation Plan

A money purchase pension plan has been established by MCD, Inc. to provide retirement benefits for its employees. The plan was amended effective January 1, 1997. As of that date, all employees not deemed to be highly compensated are eligible for participation in the plan upon the first day of the month next following their completion of one year of service (unless the employee is employed by MCD, Inc. and a governmental agency or public institution whose compensation is paid in part by such agency or institution or who works in a cost-reimbursed residential care facility that is owned or under the control of management of MCD, Inc.). MCD, Inc. contributes to the plan an

# MEDICAL CARE DEVELOPMENT, INC. AND AFFILIATES

## Notes to Combined Financial Statements

December 31, 2009 and 2008

amount equal to 5% of the participant's compensation up to the Social Security wage base and on an integrated basis beyond the Social Security wage base limit. During 2009 and 2008, MCD, Inc. contributed approximately \$524,085 and \$488,926, respectively.

MCD, Inc. also provides a deferred compensation arrangement under a nonqualified defined contribution plan in order to provide supplemental retirement benefits to certain employees. Trust fund assets relating to the plan (consisting of equity securities, mutual funds, money market accounts and a life insurance policy) are carried at fair value, totaled \$22,445 and \$410,571 at December 31, 2009 and 2008, respectively, and are included in other assets in the accompanying combined statements of financial position. The corresponding liability is included in other long-term liabilities. Under the plan, all gains and losses in trust fund investments increase or decrease the deferred compensation liability. In 2009, the assets were substantially distributed to two of the participants upon retirement for one and reaching the pre-designated age for the other.

### 6. Construction Escrow

In conjunction with the MHHEFA note payable, a construction escrow account has been established with a portion of the proceeds. The funds are to be used for renovation of the properties associated with developmental disabilities services.

### 7. Estimated Third-Party Settlements and Significant Concentrations

Estimated settlements with third parties represent the estimated amounts due under cost reimbursement contracts with the Maine Department of Health and Human Services. Final settlements have been determined and agreed to for all years except 2007, 2008, and 2009, which have not yet been audited by the Department. Contractual adjustments made in the current year for prior year cost reimbursement contracts decreased revenue by \$1,947 in 2009 and \$101,806 in 2008.

The balances in estimated third-party settlements related to cost reports filed for years 2002 through 2007 were \$1,045,705 as of December 31, 2009. During 2009, MCD received notice from the State of Maine Department of Health and Human Resources that a repayment of the amounts was required resulting from the final audit settlement for those years. An agreement was negotiated with DHHS that would spread the repayments over a 20 month period. The amount estimated to be repaid in 2010 is \$549,042 with the balance to be repaid during 2011. The 2010 amount is reported as a current liability and the 2011 amount is reported as a long-term liability as of December 31, 2009, balance sheet.

Laws and regulations governing this program are complex and subject to interpretation. MCD, Inc. believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation and noncompliance can be subject to significant regulatory action including fines, penalties and exclusion from this program.

# MEDICAL CARE DEVELOPMENT, INC. AND AFFILIATES

## Notes to Combined Financial Statements

December 31, 2009 and 2008

Approximate revenue by payer is as follows:

	<u>2009</u>	<u>2008</u>
MaineCare (Medicaid)	41 %	47 %
Global Fund	8	15
Marathon Oil	14	8
Other	<u>37</u>	<u>30</u>
	<u>100 %</u>	<u>100 %</u>

The Bioko Island Malaria Control project (BIMCP) was developed and is being implemented by an innovative partnership involving the Government of Equatorial Guinea (EG), private sector corporations led by Marathon Oil, and non-profit organizations led by Medical Care Development International (MCDI) to reduce malaria transmission on Bioko Island. Based on the success of BIMCP, MCDI worked with the Global Fund to expand malaria control to the EG mainland for a total of \$26 million over a five-year period. Under the EG Malaria Control Initiative, MCDI and its partners are expanding malaria control interventions to the mainland comparable to those introduced by the BIMCP.

### 8. Investments

Unrestricted board designated investments consist of the following:

	<u>2009</u>	<u>2008</u>
Cash and equivalents	\$ 20,403	\$ 115,126
Equities	442,093	271,214
Equity mutual funds	101,275	57,133
Bonds	<u>228,369</u>	<u>214,061</u>
	<u>\$ 792,140</u>	<u>\$ 657,534</u>

The Organization has no formal spending policy and does not plan to take future draws. The change in value for 2009 and 2008 is related solely to market fluctuations.

# MEDICAL CARE DEVELOPMENT, INC. AND AFFILIATES

## Notes to Combined Financial Statements

December 31, 2009 and 2008

Investment income consists of the following:

	<u>2009</u>	<u>2008</u>
Interest and dividends, net of investment fees of \$5,455 in 2009 and \$5,947 in 2008	\$ 14,336	\$ 20,857
Net unrealized (losses) gains	136,861	(192,548)
Realized losses	<u>(16,322)</u>	<u>(34,540)</u>
	<u>\$ 134,875</u>	<u>\$ (206,231)</u>

### 9. Functional Expenses

Expenses are comprised of the following:

	<u>2009</u>	<u>2008</u>
Direct program services	\$ 37,710,710	\$ 38,351,979
Other general and administrative	<u>3,560,293</u>	<u>3,525,622</u>
	<u>\$ 41,271,003</u>	<u>\$ 41,877,601</u>

### 10. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

	<u>2009</u>	<u>2008</u>
Long-lived assets (vehicles)	\$ 328,311	\$ 366,281
Alliance for a Clean and Healthy Maine	-	153,594
AIDS orphans Creche	<u>7,670</u>	<u>-</u>
	<u>\$ 335,981</u>	<u>\$ 519,875</u>

### 11. Service Provider Tax

The Maine Legislature enacted legislation that repeals the sales tax on certain kinds of services and replaced it with a Service Provider Tax (SPT). This law imposes a 5% SPT on the "value" (i.e., sales price) of certain services provided including Private Non-Medical Institution (PNMI) services. MCD, Inc.'s residential care and other mental health services are subject to this tax. Providers are taxed based on all revenue, regardless of source, received for the purpose of providing food, shelter and treatment. MaineCare is reimbursing facilities for their portion of the tax by increasing their direct care per diem rate. The portion of tax paid on revenue generated from private pay residents will not be funded by MaineCare. Total service provider tax expense was \$947,685 and \$985,312 in 2009 and 2008, respectively.

# MEDICAL CARE DEVELOPMENT, INC. AND AFFILIATES

## Notes to Combined Financial Statements

December 31, 2009 and 2008

### 12. Fair Value Measurement

FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

**Level 1:** Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

**Level 2:** Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

**Level 3:** Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets and liabilities measured at fair value on a recurring basis are summarized below.

	<u>Fair Value Measurements at December 31, 2009, Using</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Cash and cash equivalents	\$ 20,403	\$ 20,403	\$ -	\$ -
Equities	442,093	442,093	-	-
Equity mutual funds	101,275	101,275	-	-
Corporate bonds	228,369	-	228,369	-
Trust fund assets (deferred compensation)	22,445	22,445	-	-
	<u>Fair Value Measurements at December 31, 2008, Using</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Cash and cash equivalents	\$ 115,126	\$ 115,126	\$ -	\$ -
Equities	271,214	271,214	-	-
Equity mutual funds	57,133	57,133	-	-
Corporate bonds	214,061	-	214,061	-
Trust fund assets (deferred compensation - liability)	410,571	410,571	-	-

Level 2 investments are valued using market prices that are not actively traded.

# MEDICAL CARE DEVELOPMENT, INC. AND AFFILIATES

## Notes to Combined Financial Statements

December 31, 2009 and 2008

MCD, Inc.'s financial instruments consist of cash and cash equivalents, marketable securities, trade accounts receivable and payable, estimated third-party payor settlements, and long-term debt. The fair values of all financial instruments approximate their carrying values at December 31, 2009 and 2008.

### **13. Gardiner Estates**

In October 2009, Medical Care Development sold a building in Gardiner, Maine that was formerly used as a residential care facility and for professional training, but has been vacant since the fall of 2008. As a result of this transaction, a loss of sale of assets of \$102,119 was realized.

### **14. Parkwood Institute**

Parkwood Institute, Inc. (PWI) was a for-profit entity established to develop and promote health systems projects in conjunction with MCD, Inc. PWI ceased operations effective December 31, 2008. There was no impact on 2009 operations as a result of the cessation of operations.

### **15. Subsequent Events**

In March 2009, Medical Care Development signed a Purchase and Sale Agreement to sell its York Manor Apartments property in Biddeford, Maine for \$2.2 million. It is anticipated that the closing for this sale will be in July 2010.

In January 2010, Medical Care Development froze its Money Purchase Pension Plan to future contributions and instituted an employer-matching 403(b) salary deferral plan. Under the terms of the new plan MCD will match 100% of an eligible employee's contributions up to a maximum of 5% of the employee's salary.

The MHHEFA Revenue Bonds will be refinanced during 2010 with an anticipated closing date of June 24, 2010 and anticipated interest rates ranging from 2% to 5.1%.

## **ADDITIONAL INFORMATION**

Combining Schedule of Financial Position

December 31, 2009

	Medical Care Development, Inc.														Total MCD, Inc.	Medical Properties, Inc.	Total	Eliminations	Combined
	MCD Division	South Africa	Developmental Disabilities Services	Mental Health Services	Boarding Home Services	York Manor Apartments	York Manor	Pinewood Terrace	Gardiner Estates	Berwick Estates	Gilbert Manor								
Cash and cash equivalents	\$ 3,317,535	\$ 280,630	\$ 45,643	\$ 1,007,145	\$ 211,083	\$ 33,509	\$ (1,666,249)	\$ 340,541	\$ -	\$ (1,234,294)	\$ (317,540)	\$ 2,018,003	\$ 219,182	\$ 2,237,185	\$ -	\$ 2,237,185			
Resident funds	-	-	-	-	-	-	43,412	4,147	-	9,472	15,441	72,472	-	72,472	-	72,472			
Accounts receivable, net	(39,342)	-	1,017,605	140,428	87,192	2,339	164,166	19,730	-	52,585	64,476	1,509,179	-	1,509,179	-	1,509,179			
Grants receivable	2,953,030	57,621	-	(1)	-	-	-	-	-	-	-	3,010,650	-	3,010,650	-	3,010,650			
Prepays and other current assets	137,527	-	5,708	(3,277)	1,060	-	(16)	-	-	1,568	1,034	143,604	-	143,604	-	143,604			
Resident security deposits	-	-	-	4,943	-	15,814	-	-	-	-	-	20,757	-	20,757	-	20,757			
Trustee-held funds	-	-	256,291	-	-	-	-	-	-	-	-	256,291	-	256,291	-	256,291			
Due from related parties	475,238	-	(37,839)	(17,950)	41,435	-	198,481	(3,007)	-	34,990	134,143	825,491	797	826,288	(826,288)	-			
Total current assets	<u>6,843,988</u>	<u>338,251</u>	<u>1,287,408</u>	<u>1,131,288</u>	<u>340,770</u>	<u>51,662</u>	<u>(1,260,206)</u>	<u>361,411</u>	<u>-</u>	<u>(1,135,679)</u>	<u>(102,446)</u>	<u>7,856,447</u>	<u>219,979</u>	<u>8,076,426</u>	<u>(826,288)</u>	<u>7,250,138</u>			
Other assets																			
Construction escrow	-	-	-	-	-	68,965	-	-	-	-	-	68,965	-	68,965	-	68,965			
Other escrow accounts	-	-	22,308	107,383	32,422	-	17,108	-	-	-	27,824	207,045	-	207,045	-	207,045			
Deferred financing costs, net	-	-	43,100	-	25,807	19,687	18,125	-	-	-	2,555	109,274	3,750	113,024	-	113,024			
Goodwill, net	-	-	137,876	-	-	-	-	-	-	-	-	137,876	-	137,876	-	137,876			
Investments, board designated	792,140	-	-	-	-	-	-	-	-	-	-	792,140	-	792,140	-	792,140			
Other	22,445	-	-	-	-	-	-	-	-	-	-	22,445	-	22,445	-	22,445			
Total other assets	<u>814,585</u>	<u>-</u>	<u>203,284</u>	<u>107,383</u>	<u>58,229</u>	<u>88,652</u>	<u>35,233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,379</u>	<u>1,337,745</u>	<u>3,750</u>	<u>1,341,495</u>	<u>-</u>	<u>1,341,495</u>			
Property and equipment																			
Land	-	-	359,985	178,280	103,930	448,938	66,097	74,033	-	19,036	52,112	1,302,411	226,226	1,528,637	-	1,528,637			
Building and improvements	-	-	4,884,473	2,138,123	1,616,921	2,415,533	2,634,582	1,333,094	-	1,410,534	685,994	17,119,254	1,758,837	18,878,091	-	18,878,091			
Furniture and equipment	385,035	-	315,145	70,447	168,545	61,662	309,295	167,400	-	166,543	97,910	1,741,982	297,569	2,039,551	-	2,039,551			
Vehicles	884,792	67,729	608,592	115,843	120,686	-	66,469	60,225	-	63,117	14,813	2,002,266	117,182	2,119,448	-	2,119,448			
Construction in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
	1,269,827	67,729	6,168,195	2,502,693	2,010,082	2,926,133	3,076,443	1,634,752	-	1,659,230	850,829	22,165,913	2,399,814	24,565,727	-	24,565,727			
Less accumulated depreciation	(932,967)	(10,490)	(2,708,312)	(1,053,943)	(956,198)	(1,394,129)	(2,134,274)	(753,355)	-	(922,581)	(571,801)	(11,438,050)	(1,179,814)	(12,617,864)	-	(12,617,864)			
Net property and equipment	<u>336,860</u>	<u>57,239</u>	<u>3,459,883</u>	<u>1,448,750</u>	<u>1,053,884</u>	<u>1,532,004</u>	<u>942,169</u>	<u>881,397</u>	<u>-</u>	<u>736,649</u>	<u>279,028</u>	<u>10,727,863</u>	<u>1,220,000</u>	<u>11,947,863</u>	<u>-</u>	<u>11,947,863</u>			
Total assets	<u>7,995,433</u>	<u>395,490</u>	<u>4,950,575</u>	<u>2,687,421</u>	<u>1,452,883</u>	<u>1,672,318</u>	<u>(282,804)</u>	<u>1,242,808</u>	<u>-</u>	<u>(399,030)</u>	<u>206,961</u>	<u>19,922,055</u>	<u>1,443,729</u>	<u>21,365,784</u>	<u>(826,288)</u>	<u>20,539,496</u>			
Current liabilities																			
Current portion of long-term debt	-	-	276,000	44,000	68,000	73,000	199,000	99,000	-	74,000	43,000	876,000	46,000	922,000	-	922,000			
Accounts payable and accrued expenses	948,492	-	210,945	45,998	51,821	21,762	57,975	15,637	-	25,118	36,708	1,414,456	3,230	1,417,686	-	1,417,686			
Accrued wages and amounts withheld	871,694	4,723	306,448	71,946	54,813	-	67,963	27,402	-	26,596	30,709	1,462,294	-	1,462,294	-	1,462,294			
Resident security deposits	-	-	-	4,943	-	15,814	-	-	-	-	-	20,757	-	20,757	-	20,757			
Deferred grants and contract revenue	2,436,806	143,480	-	-	-	-	-	-	-	-	(2,750)	2,577,536	-	2,577,536	-	2,577,536			
Resident funds	-	-	-	-	-	-	43,412	4,147	-	9,472	15,441	72,472	-	72,472	-	72,472			
Estimated third-party settlements	-	-	228,125	895,472	362,069	-	217,906	83,076	-	39,667	94,283	1,920,598	-	1,920,598	-	1,920,598			
Due to related parties	14,177	138,021	4,863	100,163	-	231,532	-	-	-	33,067	134,313	656,136	170,152	826,288	(826,288)	-			
Total current liabilities	<u>4,271,169</u>	<u>286,224</u>	<u>1,026,381</u>	<u>1,162,522</u>	<u>536,703</u>	<u>342,108</u>	<u>586,256</u>	<u>229,262</u>	<u>-</u>	<u>207,920</u>	<u>351,704</u>	<u>9,000,249</u>	<u>219,382</u>	<u>9,219,631</u>	<u>(826,288)</u>	<u>8,393,343</u>			
Long-term debt, excluding current portion	-	-	1,744,238	1,176,217	1,013,790	1,431,984	982,839	618,866	-	616,403	139,538	7,723,875	852,557	8,576,432	-	8,576,432			
Long-term portion of estimated third party settlements	-	-	-	118,591	247,050	-	131,022	-	-	-	-	496,663	-	496,663	-	496,663			
Other long-term liabilities	22,445	-	-	-	-	-	-	-	-	-	-	22,445	-	22,445	-	22,445			
Total liabilities	<u>4,293,614</u>	<u>286,224</u>	<u>2,770,619</u>	<u>2,457,330</u>	<u>1,797,543</u>	<u>1,774,092</u>	<u>1,700,117</u>	<u>848,128</u>	<u>-</u>	<u>824,323</u>	<u>491,242</u>	<u>17,243,232</u>	<u>1,071,939</u>	<u>18,315,171</u>	<u>(826,288)</u>	<u>17,488,883</u>			
Net assets (deficit)																			
Unrestricted	3,365,838	109,266	2,179,956	230,091	(344,660)	(101,774)	(1,982,921)	394,680	-	(1,223,353)	(284,281)	2,342,842	371,790	2,714,632	-	2,714,632			
Temporarily restricted	335,981	-	-	-	-	-	-	-	-	-	-	335,981	-	335,981	-	335,981			
Total net assets (deficit)	<u>3,701,819</u>	<u>109,266</u>	<u>2,179,956</u>	<u>230,091</u>	<u>(344,660)</u>	<u>(101,774)</u>	<u>(1,982,921)</u>	<u>394,680</u>	<u>-</u>	<u>(1,223,353)</u>	<u>(284,281)</u>	<u>2,678,823</u>	<u>371,790</u>	<u>3,050,613</u>	<u>-</u>	<u>3,050,613</u>			
Total liabilities and net assets (deficit)	<u>\$ 7,995,433</u>	<u>\$ 395,490</u>	<u>\$ 4,950,575</u>	<u>\$ 2,687,421</u>	<u>\$ 1,452,883</u>	<u>\$ 1,672,318</u>	<u>\$ (282,804)</u>	<u>\$ 1,242,808</u>	<u>\$ -</u>	<u>\$ (399,030)</u>	<u>\$ 206,961</u>	<u>\$ 19,922,055</u>	<u>\$ 1,443,729</u>	<u>\$ 21,365,784</u>	<u>\$ (826,288)</u>	<u>\$ 20,539,496</u>			

MEDICAL CARE DEVELOPMENT, INC. AND AFFILIATES

Combining Schedule of Activities and Net Assets (Deficit)

Year Ended December 31, 2009

	Medical Care Development, Inc.											Total MCD, Inc.	Medical Properties, Inc.	Total	Eliminations	Combined	
	MCD Division	South Africa	Developmental Disabilities Services	Mental Health Services	Boarding Home Services	York Manor Apartments	York Manor	Pinewood Terrace	Gardiner Estates	Berwick Estates	Gilbert Manor						
Changes in unrestricted net assets																	
Revenue, gains, and other support																	
Projects, grants and contracts:																	
International	\$ 14,043,769	\$ 1,330,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,374,269	\$ -	\$ 15,374,269	\$ -	\$ 15,374,269	
National	1,424,228	-	-	-	-	-	-	-	-	-	-	1,424,228	-	1,424,228	-	1,424,228	
Offsite	2,866,005	-	-	-	-	-	-	-	-	-	-	2,866,005	-	2,866,005	-	2,866,005	
Developmental disabilities services	-	-	10,767,425	-	-	-	-	-	-	-	-	10,767,425	-	10,767,425	(830,465)	9,936,960	
Mental health	-	-	-	2,486,408	1,987,096	-	-	-	-	-	-	4,473,504	-	4,473,504	-	4,473,504	
Total project grants and contracts	<u>18,334,002</u>	<u>1,330,500</u>	<u>10,767,425</u>	<u>2,486,408</u>	<u>1,987,096</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,905,431</u>	<u>-</u>	<u>34,905,431</u>	<u>(830,465)</u>	<u>34,074,966</u>	
Residential services	276,638	-	-	-	-	-	2,770,583	1,172,601	-	1,078,304	1,199,580	6,497,706	-	6,497,706	(337,950)	6,159,756	
Rental elderly housing	-	-	-	-	-	444,312	-	-	-	-	-	444,312	-	444,312	-	444,312	
Sales of goods and services	-	-	-	-	-	-	57,080	-	-	205	14,073	71,358	310,792	382,150	(222,366)	159,784	
Interest and investment income (expense)	(2,255)	-	-	80	12	93	34	-	50	-	-	(1,986)	-	(1,986)	-	(1,986)	
Other project revenue	334,568	-	738	-	-	3,788	-	-	8,920	-	-	348,014	18,035	366,049	(37,067)	328,982	
Corporate overhead revenue	5,879,888	-	-	-	-	-	-	-	-	-	-	5,879,888	-	5,879,888	(5,879,888)	-	
Net assets released from restrictions	443,342	-	-	-	-	-	-	-	-	-	-	443,342	-	443,342	-	443,342	
	<u>6,932,181</u>	<u>-</u>	<u>738</u>	<u>80</u>	<u>12</u>	<u>448,193</u>	<u>2,827,697</u>	<u>1,172,601</u>	<u>8,970</u>	<u>1,078,509</u>	<u>1,213,653</u>	<u>13,682,634</u>	<u>328,827</u>	<u>14,011,461</u>	<u>(6,477,271)</u>	<u>7,534,190</u>	
Total revenue, gains, and other support	<u>25,266,183</u>	<u>1,330,500</u>	<u>10,768,163</u>	<u>2,486,488</u>	<u>1,987,108</u>	<u>448,193</u>	<u>2,827,697</u>	<u>1,172,601</u>	<u>8,970</u>	<u>1,078,509</u>	<u>1,213,653</u>	<u>48,588,065</u>	<u>328,827</u>	<u>48,916,892</u>	<u>(7,307,736)</u>	<u>41,609,156</u>	
Expenses																	
National programs	1,370,956	-	-	-	-	-	-	-	-	-	-	1,370,956	-	1,370,956	(275,110)	1,095,846	
International programs	14,986,506	1,330,500	-	-	-	-	-	-	-	-	-	16,317,006	-	16,317,006	(2,522,758)	13,794,248	
Offsite programs	2,793,117	-	-	-	-	-	-	-	-	-	-	2,793,117	-	2,793,117	(212,562)	2,580,555	
Developmental disabilities services	-	-	10,203,063	-	-	-	-	-	-	-	-	10,203,063	-	10,203,063	(1,474,740)	8,728,323	
Mental health	-	-	-	2,331,866	1,832,416	-	-	-	-	-	-	4,164,282	-	4,164,282	(319,334)	3,844,948	
Residential services	415,393	-	-	-	-	230,704	2,562,856	857,953	-	1,034,300	1,153,776	6,254,982	158,992	6,413,974	(852,562)	5,561,412	
Interest expense	89,249	-	97,670	21,848	49,781	134,396	50,978	33,916	5,868	33,316	12,006	529,028	46,184	575,212	-	575,212	
Depreciation and amortization	274,990	-	335,113	90,796	91,744	99,871	119,225	62,847	14,990	66,905	40,909	1,197,390	91,582	1,288,972	-	1,288,972	
General and administrative	5,178,894	-	-	-	-	-	-	-	-	-	-	5,178,894	-	5,178,894	(1,618,601)	3,560,293	
Other project expenses	234,420	-	-	-	-	-	-	-	6,774	-	-	241,194	-	241,194	-	241,194	
Total expenses	<u>25,343,525</u>	<u>1,330,500</u>	<u>10,635,846</u>	<u>2,444,510</u>	<u>1,973,941</u>	<u>464,971</u>	<u>2,733,059</u>	<u>954,716</u>	<u>27,632</u>	<u>1,134,521</u>	<u>1,206,691</u>	<u>48,249,912</u>	<u>296,758</u>	<u>48,546,670</u>	<u>(7,275,667)</u>	<u>41,271,003</u>	
Operating gain (loss)	(77,342)	-	132,317	41,978	13,167	(16,778)	94,638	217,885	(18,662)	(56,012)	6,962	338,153	32,069	370,222	(32,069)	338,153	
Nonoperating revenues																	
Unrealized gain on investments	136,861	-	-	-	-	-	-	-	-	-	-	136,861	-	136,861	-	136,861	
Transfer (to) from affiliate	(486,272)	-	-	-	-	-	-	-	486,272	-	-	-	(32,069)	(32,069)	32,069	-	
Loss on sale of asset	-	-	-	-	-	-	-	-	(102,119)	-	-	(102,119)	-	(102,119)	-	(102,119)	
Change in unrestricted net assets (deficit)	<u>(426,753)</u>	<u>-</u>	<u>132,317</u>	<u>41,978</u>	<u>13,167</u>	<u>(16,778)</u>	<u>94,638</u>	<u>217,885</u>	<u>365,491</u>	<u>(56,012)</u>	<u>6,962</u>	<u>372,895</u>	<u>-</u>	<u>372,895</u>	<u>-</u>	<u>372,895</u>	
Changes in temporarily restricted net assets																	
Contributions	259,448	-	-	-	-	-	-	-	-	-	-	259,448	-	259,448	-	259,448	
Net assets released from restrictions	(443,342)	-	-	-	-	-	-	-	-	-	-	(443,342)	-	(443,342)	-	(443,342)	
Change in temporarily restricted net assets	<u>(183,894)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(183,894)</u>	<u>-</u>	<u>(183,894)</u>	<u>-</u>	<u>(183,894)</u>	
Total change in net assets (deficit)	(610,647)	-	132,317	41,978	13,167	(16,778)	94,638	217,885	365,491	(56,012)	6,962	189,001	-	189,001	-	189,001	
Net assets (deficit), beginning of year	<u>4,312,466</u>	<u>109,266</u>	<u>2,047,639</u>	<u>188,113</u>	<u>(357,827)</u>	<u>(84,996)</u>	<u>(2,077,559)</u>	<u>176,795</u>	<u>(365,491)</u>	<u>(1,167,341)</u>	<u>(291,243)</u>	<u>2,489,822</u>	<u>371,790</u>	<u>2,861,612</u>	<u>-</u>	<u>2,861,612</u>	
Net assets (deficit), end of year	<u>\$ 3,701,819</u>	<u>\$ 109,266</u>	<u>\$ 2,179,956</u>	<u>\$ 230,091</u>	<u>\$ (344,660)</u>	<u>\$ (101,774)</u>	<u>\$ (1,982,921)</u>	<u>\$ 394,680</u>	<u>\$ -</u>	<u>\$ (1,223,353)</u>	<u>\$ (284,281)</u>	<u>\$ 2,678,823</u>	<u>\$ 371,790</u>	<u>\$ 3,050,613</u>	<u>\$ -</u>	<u>\$ 3,050,613</u>	

**Medical Care Development, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2009**

	Federal Grantor/ Pass-Through Grant/Program Title	Federal CFDA Number	Grant Number	Total Expenditures
U.S. Agency on International Development (USAID):				
Direct:				
	USAID Foreign Assistance for Programs Overseas - Madagascar	98.001	FAO-A-00-98-00027-00	\$ (10,224)
	USAID Foreign Assistance for Programs Overseas - Benin Borgous	98.001	GHS-A-00-03-0009-00	(29,890)
	USAID Foreign Assistance for Programs Overseas - South Africa NITTHAP	98.001	GHA-A-00-04-0004-00	206,517
	USAID Foreign Assistance for Programs Overseas - Madagascar TREIP	98.001	GHS-A-00-06-0007	559,654
	USAID Foreign Assistance for Programs Overseas - IMAD, Malaria Diagnostic Activity	98.001	GHS-A-00-07-00022-00	2,290,584
Passed-through:				
	USAID Foreign Assistance for Programs Overseas (World Learning)	98.001	GPO-A-00-04-00021-00	201,784
	USAID Foreign Assistance for Programs Overseas (Chemonics International, Inc.)	98.001	GHS-I-00-03-00025-00-0801-MCDI	2,880
	USAID Foreign Assistance for Programs Overseas (Chemonics subgrant)	98.001	GHS-I-00-07-0004-00-MCDI	9,907
	USAID Foreign Assistance for Programs Overseas (University Research Co., LLC)	98.001	GHS-I-00-03-00032-00/URC Grant FY09-G01-4710	169,685
	USAID Foreign Assistance for Programs Overseas (Family Health International)	98.001	674-A-00-08-0003-00	754,520
U.S. Department of Agriculture:				
	Benin (Catholic Relief Services)	10.XXX	FFE - 680-2006/147-00	14,016
U.S. Department of Health and Human Services:				
Direct:				
	Drug Free Communities Support Program Grants	93.276	5 H79 SP012888-04	78,413
	Drug Free Communities Support Program Grants	93.276	5 H79 SP012888-05	22,849
	Drug Free Communities Support Program Grants	93.276	1H79SP015187-01	59,496
	Drug Free Communities Support Program Grants	93.276	1H79SP015187-02	11,963
	Substance Abuse and Mental Health Services - STOP Grant	93.243	1H79SP015515-01	38,291
	Substance Abuse and Mental Health Services - STOP Grant	93.243	1H79SP015515-02	7,954
	Rural Health Care Services Outreach and Rural Health Network Development Program	93.912	DO4RH12692-01-00	96,409
Passed-through the Maine Department of Health and Human Services (DHHS):				
	Substance Abuse and Mental Health Services (Maine Youth Suicide Prevention Program)	93.243	CDC-07-190	35,323
	Block Grant for the Prevention and Treatment of Substance Abuse (Environmental Strategies)	93.959	SA4-08-260	10
	Centers for Disease Control and Prevention - Investigations and Tech. Assistance	93.283	CDC-09-056	210,362
	Centers for Disease Control and Prevention - Investigations and Tech. Assistance	93.283	CDC-10-056	237,221
	Centers for Disease Control and Prevention - Investigations and Tech. Assistance	93.283	CDC-08-387 A through E	14,379
	Centers for Disease Control and Prevention - Investigations and Tech. Assistance	93.283	CDC-10-761	85,590
	Centers for Disease Control and Prevention - Investigations and Tech. Assistance	93.283	CDC-09-604	86,729
	Maternal and Child Health Federal Consolidated Programs	93.110	CDC-08-385	108,093
	Maternal and Child Health Federal Consolidated Programs	93.110	CDC-10-385	48,459
	Centers for Disease Control and Prevention - Investigations and Tech. Assistance	93.283	CDC-09-232	120,493
	Cooperative Agreements for State-Based Diabetes Control - Programs and Evaluation	93.988	CDC-08-474	3,007
	HIV Care Formula Grants	93.917	CDC-08-295	193,352
	HIV Prevention Activities - Health Department Based	93.940	CDC-08-295	84,318
	Preventive Health and Health Services Block Grant	93.991	CDC-10-798	8,004
	Public Health Emergency Preparedness	93.069	CDC-10-798	37,529
	Preventive Health and Health Services Block Grant	93.991	CDC-09-057	17,046
	Centers for Disease Control and Prevention - Investigations and Tech. Assistance	93.283	CDC-09-057	14,205
	Substance Abuse and Mental Health Services - STOP Grant	93.243	CDC-09-190	260,836
	Substance Abuse and Mental Health Services - STOP Grant	93.243	CDC-10-190	42,840
	Special Education - Grants to States	84.027A	20090611*7020	9,201
U.S. Department of Housing and Urban Development:				
	Shelter Plus Care (Bangor Housing Authority)	14.238	N/A	29,060
	Housing Assistance Payments (Maine State Housing Authority)	14.235	N/A	280,978
	Total expenditures			<u>\$ 6,411,843</u>

# MEDICAL CARE DEVELOPMENT, INC. AND AFFILIATES

## Notes to the Schedule of Expenditures of Federal Awards

Year Ended December 31, 2009

### **Basis of Presentation**

This schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Medical Care Development, Inc. and Affiliates and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic combined financial statements.

### **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 OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**INDEPENDENT AUDITORS’  
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***

Board of Directors  
Medical Care Development, Inc. and Affiliates

We have audited the combined financial statements of Medical Care Development, Inc. and Affiliates, Inc. as of and for the year ended December 31, 2009, and have issued our report thereon dated June 4, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Medical Care Development, Inc. and Affiliate’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Medical Care Development, Inc. and Affiliate’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Medical Care Development, Inc. and Affiliate’s internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Medical Care Development, Inc. and Affiliate’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

The Board of Directors  
Medical Care Development, Inc. and Affiliates

Compliance and Other Matters

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

We noted certain matters that we reported to Medical Care Development, Inc. and Affiliate's management in a separate letter dated June 4, 2010.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Berry, Dunn, McNeil & Parker*

June 4, 2010

**INDEPENDENT AUDITORS’  
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors  
Medical Care Development, Inc.

Compliance

We have audited the compliance of Medical Care Development, Inc. and Affiliates, Inc with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2009. Medical Care Development, Inc. and Affiliates' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Medical Care Development, Inc. and Affiliates' management. Our responsibility is to express an opinion on Medical Care Development, Inc. and Affiliates' compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Medical Care Development, Inc. and Affiliate's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Medical Care Development, Inc. and Affiliates' compliance with those requirements.

In our opinion, Medical Care Development, Inc. and Affiliates complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

The management of Medical Care Development, Inc. and Affiliates is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Medical Care Development, Inc. and Affiliate's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Medical Care Development, Inc. and Affiliate's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph of this section was not designed to identify all deficiencies in Medical Care Development, Inc. and Affiliates' internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses as defined above. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Berry, Dunn, McNeil & Parker*

August 16, 2010

**MEDICAL CARE DEVELOPMENT, INC. AND AFFILIATES**

**Schedule of Findings and Questioned Costs**

**Year Ended December 31, 2009**

**1. Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes  X  no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes  X  none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes  X  no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes  X  no

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ yes  X  no

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
98.001	USAID – Foreign Assistance for Programs Oversees
93.243	DHHS – Substance Abuse and Mental Health Services
93.276	DHHS – Drug Free Communities Support Program Grants
93.283	DHHS – Centers for Disease Control and Prevention – Investigations and Technical Assistance

Dollar threshold used to distinguish Between Type A and Type B programs: \$300,000

- Auditee qualified as low-risk auditee? \_\_\_\_\_ yes  X  no

**MEDICAL CARE DEVELOPMENT, INC. AND AFFILIATES**

**Schedule of Findings and Questioned Costs (Concluded)**

**Year Ended December 31, 2009**

2. Findings Relating to the Financial Statements Which Are Required to be Reported in Accordance with Government Auditing Standards

None

3. Findings and Questioned Costs for Federal Awards

None