



Mary's Center for Maternal and Child Care, Inc.

Independent Auditor's Reports, Consolidated Financial Statements, and Supplementary Information

December 31, 2025 and 2024



Mary's Center for Maternal and Child Care, Inc.
Contents
December 31, 2025 and 2024

Independent Auditor's Report.....	1
Consolidated Financial Statements	
Balance Sheets	4
Statements of Operations and Changes in Net Assets	6
Statements of Cash Flows	7
Notes to Financial Statements	8
Supplementary Information	
Schedule of Expenditures of Federal Awards	27
Notes to Schedule of Expenditures of Federal Awards	29
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> – Independent Auditor's Report	30
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance – Independent Auditor's Report	32
Schedule of Findings and Questioned Costs.....	35
Summary Schedule of Prior Audit Findings	38

Independent Auditor's Report

Board of Directors
Mary's Center for Maternal and Child Care, Inc.
Washington, D.C.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Mary's Center for Maternal and Child Care, Inc. (Organization), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization, as of December 31, 2025 and 2024, and the results of its operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of the Organization, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 GAAS. 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 30, 2026, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Forvis Mazars, LLP

**Cincinnati, Ohio
June 30, 2026**

Mary's Center for Maternal and Child Care, Inc.
Consolidated Balance Sheets
December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets		
Cash	\$ 7,123,749	\$ 1,573,804
Short-term investments	1,804,660	1,334,912
Receivables		
Patient	4,676,397	8,078,809
Pharmacy	847,126	827,305
Grants	1,962,890	2,242,186
Other	986,933	616,215
Inventory	426,615	363,726
Prepaid expenses and other	456,593	407,210
Total Current Assets	<u>18,284,963</u>	<u>15,444,167</u>
Assets Limited as to Use		
Externally restricted by donors	<u>3,261,304</u>	<u>3,295,205</u>
Property, Plant, and Equipment, at Cost		
Land and improvements	7,994,634	7,994,634
Buildings and improvements	28,927,227	28,927,227
Furniture and equipment	6,036,395	5,995,835
Computer equipment	553,087	553,087
Vehicles	639,777	639,777
	44,151,120	44,110,560
Less accumulated depreciation	<u>(17,782,839)</u>	<u>(16,581,899)</u>
	<u>26,368,281</u>	<u>27,528,661</u>
Other Assets		
Right-of-use asset	5,085,034	5,270,028
Other	40,741	47,686
Total Other Assets	<u>5,125,775</u>	<u>5,317,714</u>
Total Assets	<u><u>\$ 53,040,323</u></u>	<u><u>\$ 51,585,747</u></u>

Mary's Center for Maternal and Child Care, Inc.
Consolidated Balance Sheets
December 31, 2025 and 2024

(Continued)

	2025	2024
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion of long-term debt	\$ 267,186	\$ 252,525
Line of credit	2,975,000	3,000,000
Current portion of operating lease liabilities	221,369	209,013
Deferred grant revenue	1,012,424	1,287,862
Accounts payable and other	6,871,132	8,455,058
Accrued compensation costs	3,784,213	4,273,649
Other	75,000	75,000
Total Current Liabilities	15,206,324	17,553,107
Long-Term Liabilities		
Long-term debt	7,451,855	7,715,800
Operating lease liabilities	7,648,189	7,868,753
Deposits	701,879	701,879
Other	186,936	186,898
Total Liabilities	31,195,183	34,026,437
Net Assets		
Without donor restrictions	18,583,836	14,264,105
With donor restrictions	3,261,304	3,295,205
Total Net Assets	21,845,140	17,559,310
Total Liabilities and Net Assets	\$ 53,040,323	\$ 51,585,747

Mary's Center for Maternal and Child Care, Inc.
Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2025 and 2024

	2025	2024
Revenues, Gains, and Other Support Without Donor Restrictions		
Patient service revenue	\$ 58,153,271	\$ 56,114,252
Grant revenue	14,924,212	22,800,233
Pharmacy revenue	10,680,541	10,137,599
Leased employee revenue	12,180,252	10,936,481
Contributions	3,721,095	2,096,578
Other	454,101	426,768
Contributed nonfinancial assets	4,781,635	5,335,383
Net assets released from restrictions used for operations	1,183,790	515,935
Total Revenues, Gains, and Other Support Without Donor Restrictions	106,078,897	108,363,229
Expenses		
Salaries and wages	47,836,145	57,375,573
Employee benefits and payroll taxes	15,803,901	16,918,048
Purchased and consulting services	12,550,344	12,294,635
Pharmacy cost of goods sold and fees	7,863,882	6,883,395
Medical supplies	7,980,351	10,651,172
Office expenses	1,290,501	2,189,750
Software maintenance and licensing	2,067,196	2,275,011
Insurance	500,944	481,429
Utilities	528,308	562,788
Travel and education	313,674	790,173
Occupancy	2,298,904	2,663,709
Depreciation	1,200,942	1,190,297
Repairs and maintenance	222,312	296,625
Interest	682,786	631,987
Other operating expenses	925,708	1,422,157
Total Expenses	102,065,898	116,626,749
Operating Income (Loss)	4,012,999	(8,263,520)
Investment Return, Net	306,732	464,338
Excess (Deficiency) of Revenues Over Expenses	4,319,731	(7,799,182)
Grants for acquisition of property and equipment	-	580,084
Increase (Decrease) in Net Assets Without Donor Restrictions	4,319,731	(7,219,098)
Revenues, Gains and Other Support With Donor Restrictions		
Contributions	1,117,638	1,659,259
Investment return, net	32,251	37,157
Net assets released from restrictions	(1,183,790)	(515,935)
Increase (Decrease) in Net Assets With Donor Restrictions	(33,901)	1,180,481
Change in Net Assets	4,285,830	(6,038,617)
Net Assets, Beginning of Year	17,559,310	23,597,927
Net Assets, End of Year	\$ 21,845,140	\$ 17,559,310

Mary's Center for Maternal and Child Care, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
Operating Activities		
Change in net assets	\$ 4,285,830	\$ (6,038,617)
Items not requiring (providing) operating cash flows		
Depreciation	1,200,942	1,190,297
Net realized and unrealized gain on investments	(140,707)	(237,466)
Noncash operating lease expense	184,994	181,868
Grants for acquisition of property and equipment	-	(580,084)
Changes in		
Patient accounts receivable	3,402,412	(157,745)
Pharmacy receivable	(19,821)	(363,473)
Grants receivable	279,296	659,860
Other receivable	(370,718)	(418,585)
Accounts payable and accrued expenses	(2,073,324)	2,849,594
Other assets and liabilities	(380,765)	284,813
Operating lease liabilities	(208,208)	(194,711)
Net Cash Provided by (Used in) Operating Activities	6,159,931	(2,824,249)
Investing Activities		
Purchase of investments	(295,140)	(265,828)
Proceeds from disposition of investments	-	3,330,000
Purchase of property and equipment	(40,562)	(914,336)
Net Cash (Used in) Provided By Investing Activities	(335,702)	2,149,836
Financing Activities		
Principal payments on long-term debt and line of credit	(274,284)	(2,063,196)
Borrowings on line of credit	-	3,145,000
Proceeds from grants for acquisition of property and equipment	-	580,084
Net Cash (Used in) Provided by Financing Activities	(274,284)	1,661,888
Increase in Cash	5,549,945	987,475
Cash, Beginning of Year	1,573,804	586,329
Cash, End of Year	\$ 7,123,749	\$ 1,573,804
Supplemental Cash Flows Information		
Interest paid	\$ 682,786	\$ 631,987

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Mary's Center for Maternal and Child Care, Inc. (Mary's Center or Organization) was incorporated in October 1988 in the District of Columbia. The Organization operates federally qualified health centers (FQHCs) offering low-cost, high-quality health care services for low income immigrant families of the Washington, D.C. area. Over the years, the Organization expanded its service offerings to include medical, dental, and behavioral health services. Mary's Center also provides several social wellness programs to the community under federal, state, and foundation funded grant programs.

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 charitable purpose and to act as a special purpose real estate subsidiary of the Organization. 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 Organization in its charitable and educational activities within the meaning of Section 501(c)(3) of the Internal Revenue Code.

Principles of Consolidation

The consolidated financial statements include the accounts of the Organization and MC2, (collectively, the Organization). All material intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including assets limited as to use, are not considered to be cash and cash equivalents with respect to the consolidated statements of cash flows.

At December 31, 2025, the Organization's cash accounts exceeded federally insured limits by approximately \$6,408,000. The Organization places its cash and cash equivalents with high credit quality financial institutions to ensure safety and liquidity.

Patient Accounts Receivable

Patient accounts receivable reflects the outstanding amount of consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others. As a service to the patient, the Organization bills third-party payors directly and bills the patient when the patient's responsibility for co-pays, coinsurance and deductibles is determined. Patient accounts receivable are due in full when billed. The primary collection risks relate to uninsured patient accounts for which the primary insurance payor has paid, but patient responsibility amounts (deductibles and copayments) remain outstanding.

Contract Assets and Liabilities

Amounts related to healthcare services provided to patients which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. Amounts received related to healthcare services that have not yet been provided to patients are contract liabilities. Contract liabilities consist of payments made by patient and third-party payors for services not yet performed. The Organization had no significant contract assets or liabilities at December 31, 2025 or 2024.

Assets Limited as to Use, Investments and Net Investment Return

Assets limited as to use at December 31, 2025 and 2024 include assets restricted by donors. Amounts required to meet current liabilities of the Organization are included in current assets.

The Organization measures investment securities (all of which are considered trading securities bought and held principally for the purpose of selling in the near term and) at fair value with changes recognized in excess of revenues over expenses.

Investment return includes interest and dividend income and realized and unrealized gains and losses on investments carried at fair value, less external and direct internal investment expenses.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on a straight-line basis over the estimated useful life of each asset. Leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The following estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and improvements	40 years
Furniture and equipment	3 to 7 years
Computer equipment	3 to 5 years
Vehicles	5 to 7 years

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2025 and 2024.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Patient Service Revenue

Patient service revenue is recognized as the Organization satisfies performance obligations under its contracts with patients. Patient service revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization’s policies, and implicit price concessions provided to uninsured patients.

The Organization determines its estimates of explicit price concessions which represent adjustments and discounts based on contractual agreements, its discount policies and historical experience by payor groups. The Organization determines its estimate of implicit price concessions based on its historical collection experience by classes of patients. The estimated amounts also include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations by third-party payors.

Pharmacy Revenue

Pharmacy revenue consists of both retail revenue and 340B revenue. The 340B “Drug Discount Pricing Program” enables qualifying healthcare providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Drug Pricing Program is managed by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs. The Organization earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The Organization has a network of participating pharmacies that dispense the pharmaceuticals to its patients under contract arrangements with the Organization. The drug replenishment costs and administrative and filing fees are included in pharmaceuticals expense on the consolidated statement of operations and changes in net assets. The net 340B revenue from this program is used in furtherance of the Organization’s mission.

Government Grants

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. The Organization recognizes revenue associated with government grants once all donor-imposed barriers are met and has unconditional entitlement to the funds. Grant activities and outlays are subject to audit and acceptance by granting agencies and, as a result of such audits, adjustments could be required.

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Expected to be collected within one year	Net realizable value

Mary's Center for Maternal and Child Care, Inc.
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Collected in future years

Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of operations and changes in net assets as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service. Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Excess (Deficiency) of Revenues Over Expenses

The consolidated statements of operations include excess (deficiency) of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess (deficiency) of revenues over expenses, consistent with industry practice, include grants for acquisition of property and equipment.

Risk Management

The Organization is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets, business interruption, errors and omissions, employee injuries and illnesses, natural disasters, and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than medical malpractice claims.

As an FQHC, the U.S. Department of Health and Human Services (HHS) has deemed the Organization and its practicing physicians covered under the *Federal Tort Claims Act* (FTCA) for damages for personal injury, including death, resulting from the performance of medical, surgical, dental, and related services. FTCA coverage is comparable to an occurrence policy without a monetary cap.

Self-Insurance

The Organization has elected to self-insure certain costs related to employee health benefit programs. Costs resulting from noninsured losses are charged to income when incurred. The Organization has purchased insurance that limits its exposure to \$200,000 per individual and limits its aggregate exposure to approximately \$5,347,000.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization files tax returns in the U.S. federal jurisdiction.

Note 2. Patient Service Revenue and Pharmacy Revenue

Patient service revenue and pharmacy revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care and pharmaceuticals. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility and accounts receivable are due in full when billed. Revenue is recognized as performance obligations are satisfied.

Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving services in the Organization's outpatient clinics. The Organization measures the performance obligation from the commencement of an outpatient service to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to its patients and customers in a retail setting (for example, pharmaceuticals) and the Organization does not believe it is required to provide additional goods related to the patient. The Organization had no performance obligations considered unsatisfied or partially unsatisfied as of December 31, 2025 or 2024.

Transaction Price

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policy, and implicit price concessions provided to uninsured patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Third-Party Payors

The Organization has agreements with third-party payors that typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors is as follows:

Medicare – Covered FQHC services rendered to Medicare program beneficiaries are paid in accordance with provisions of Medicare's Prospective Payment System (PPS) for FQHCs. Medicare payments, including patient coinsurance, are paid on the lesser of the Organization's actual charge or the applicable PPS rate. Services not covered under the FQHC benefit are paid based on established fee schedules.

Medicaid – Covered FQHC services rendered to Medicaid program beneficiaries are paid under PPS using established per-visit payment amounts for cost-based clinical services. These rates vary according to the type of service and location.

Other – Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates per visit, discounts from established charges and prospectively determined daily rates.

Mary's Center for Maternal and Child Care, Inc.
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews, and investigations.

Refund Liabilities

From time to time, the Organization will receive overpayments of patient balances from third-party payors or patients resulting in amounts owed back to either the patients or third-party payors. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. The Organization did not have any significant refund liabilities at December 31, 2025 or 2024.

Patient and Uninsured Payors

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. As required by Section 330 of the *Public Health Service Act* (42 U.S.C. §254b), the Organization also has established a sliding fee discount program and offers low-income patients a sliding fee discount from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. There were no adjustments to patient service revenue for the years ended December 31, 2025 and 2024. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as credit loss expense.

Consistent with the Organization's mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances, such as copays and deductibles. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Organization expects to collect based on its collection history with those patients.

Patients who meet the Organization's criteria for a sliding fee discount are provided care without charge or at amounts less than established rates. Such amounts determined to qualify for a sliding fee discount are not reported as revenue.

Mary's Center for Maternal and Child Care, Inc.
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Revenue Composition

The Organization has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors, method of reimbursement, and service line.

The composition of patient service revenue by service line for the years ended December 31, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Medical	\$ 35,961,320	\$ 33,787,072
Dental	10,597,364	10,345,036
Mental health	11,153,875	11,451,878
Other	440,712	530,266
	<u><u>\$ 58,153,271</u></u>	<u><u>\$ 56,114,252</u></u>

Revenue from patients' deductibles and coinsurance are included in the primary payor category above.

The composition of patient service and pharmacy revenues based on method of reimbursement and timing of revenue recognition for the years ended December 31, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Method of reimbursement		
Fee for service	\$ 58,153,271	\$ 56,114,252
Per prescription	10,680,541	10,137,599
	<u><u>\$ 68,833,812</u></u>	<u><u>\$ 66,251,851</u></u>
	<u>2025</u>	<u>2024</u>
Timing of revenue recognition		
Health care services transferred over time	\$ 58,153,271	\$ 56,114,252
Pharmacy sales at a point in time	10,680,541	10,137,599
	<u><u>\$ 68,833,812</u></u>	<u><u>\$ 66,251,851</u></u>

Mary's Center for Maternal and Child Care, Inc.
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Contract Balances

The following table provides information about the Organization's patient service and pharmacy receivables from contracts with customers. The Organization had no significant contract assets or contract liabilities at December 31, 2025 and 2024.

	<u>2025</u>	<u>2024</u>
Accounts receivable, beginning of year	\$ 8,906,114	\$ 8,384,896
Accounts receivable, end of year	\$ 5,523,523	\$ 8,906,114

Note 3. Grant Revenue

The Organization is the recipient of the Consolidated Health Centers (CHC) grant from the U.S. Department of Health and Human Services. The general purpose of the grant is to provide expanded healthcare service delivery for residents of the Washington, D.C. area. Grant revenue is recognized as qualifying expenditures and are incurred over the grant period.

During the years ended December 31, 2025 and 2024, the Organization recognized approximately \$4,100,000 and \$4,500,000, respectively, in CHC grant revenue. At December 31, 2025 and 2024, the Organization had unexpended funds under existing CHC notices of award in the amount of approximately \$1,810,000 and \$1,735,000, respectively. The Organization's approval to participate in the FQHC program runs through April of 2028.

In addition to the above grants, the Organization receives additional financial support from other federal, state, and private sources. Generally, such support requires compliance with terms and conditions specified in grant agreements and must be renewed on an annual basis. Remaining grant funding available under all conditional grants and contributions was approximately \$8,776,000 and \$10,567,000 at December 31, 2025 and 2024, respectively, which can be recognized as revenue upon meeting certain conditions, primarily incurring allowable expenditures under the terms of the various agreements.

Note 4. Concentration of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31, 2025 and 2024 is:

	<u>2025</u>	<u>2024</u>
Medicaid	59%	63%
Medicare	1%	2%
Other third-party payors	38%	34%
Patients	2%	1%
	<u>100%</u>	<u>100%</u>

Mary's Center for Maternal and Child Care, Inc.
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Note 5. Investments, Assets Limited as to Use, and Investment Return

Investments, which includes assets limited as to use, at December 31, 2025 and 2024 include:

	<u>2025</u>	<u>2024</u>
Money market funds	\$ 2,269,627	\$ 113,545
Fixed income mutual funds	2,540,587	1,413,033
Corporate bonds	-	947,729
Equity mutual funds	250,672	2,150,812
Other	5,078	4,998
	<u>\$ 5,065,964</u>	<u>\$ 4,630,117</u>

Total investment return is comprised of the following:

	<u>2025</u>	<u>2024</u>
Interest and dividend income	\$ 198,276	\$ 264,029
Net realized and unrealized gain on investments	140,707	237,466
Total	<u>\$ 338,983</u>	<u>\$ 501,495</u>

Total investment return is reflected in the consolidated statement of operations and changes in net assets as follows:

	<u>2025</u>	<u>2024</u>
Net assets without donor restrictions - other nonoperating income	\$ 306,732	\$ 464,338
Net assets with donor restrictions	32,251	37,157
	<u>\$ 338,983</u>	<u>\$ 501,495</u>

Note 6. Line of Credit

The Organization has a \$3,000,000 revolving line of credit that is subject to renewal annually on September 30th. At December 31, 2025 and 2024, there was \$2,975,000 and \$3,000,000, respectively, borrowed against this line. This line is collateralized by substantially all of the Organization's assets. Interest varies at the Secured Overnight Financing Rate (SOFR), which was 3.87% and 4.49% at December 31, 2025 and 2024, respectively, plus 3.00% effective October 1, 2025 (2.85% previously) and is payable monthly. Quarterly principal payments of \$25,000 are due on the outstanding balance beginning December 31, 2025. The line of credit agreement contains certain restrictive covenants.

Mary's Center for Maternal and Child Care, Inc.
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Note 7. Long-Term Debt

	<u>2025</u>	<u>2024</u>
Note payable, bank (A)	\$ 1,482,505	\$ 1,594,288
Note payable, bank (B)	2,651,477	2,700,351
Note payable, bank (C)	1,998,522	2,038,881
Note payable, bank (D)	771,544	792,354
Note payable, bank (E)	<u>814,993</u>	<u>842,451</u>
Total long-term debt	7,719,041	7,968,325
Less current maturities	<u>(267,186)</u>	<u>(252,525)</u>
	<u><u>\$ 7,451,855</u></u>	<u><u>\$ 7,715,800</u></u>

- (A) As amended effective September 30, 2025 (see Note 6), due October 2027; principal and interest payments of approximately \$14,000 payable monthly; interest based on the Bank's Daily SOFR rate beginning September 30, 2025 (previously fixed interest rate of 3%), secured by the land and building.
- (B) Due May 2028; principal and interest payments of approximately \$20,000 payable monthly; bears interest at a fixed rate of 7.3%; secured by the land and building.
- (C) As amended in September 2025, due date August 2027 (previously February 2026); interest rate of 5.50% (previously 3.55%); secured by the deed of trust, the assignment of leases and rents on 2341 Ontario Rd., NW, D.C., and UCC financing statement. The note requires the Organization to maintain certain financial ratios, which the Organization was in compliance with as of December 31, 2025.
- (D) As amended in September 2025, due date August 2027 (previously February 2026); interest rate of 5.50% (previously 3.55%); secured by the deed of trust, the assignment of leases and rents on 2341 Ontario Rd., NW, D.C., and UCC financing statement. The note requires the Organization to maintain certain financial ratios, which the Organization was in compliance with as of December 31, 2025.

Mary's Center for Maternal and Child Care, Inc.
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

- (E) As amended in September 2025, due date August 2027 (previously February 2026); interest rate of 6%; secured by the deed of trust, the assignment of leases and rents on 2341 Ontario Rd., NW, D.C., and UCC financing statement. The note requires the Organization to maintain certain financial ratios, which the Organization was in compliance with as of December 31, 2025.

Aggregate annual maturities of long-term debt at December 31, 2025, are as follows:

2026	\$ 267,186
2027	4,920,282
2028	<u>2,531,573</u>
	<u>\$ 7,719,041</u>

Note 8. Leases

Accounting Policies

The Organization determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use (ROU) assets and lease liabilities on the consolidated balance sheet. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date. The Organization combines lease and non-lease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its facility leases.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Organization has elected not to record leases with an initial term of 12 months or less on the consolidated balance sheet. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Lease

The Organization has a lease for clinic space that expires in 2046. The lease requires the Organization to pay all executory costs (property taxes, maintenance, and insurance). Termination of the lease is generally prohibited unless there is a violation under the lease agreement.

The Organization has no material related-party leases. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Mary's Center for Maternal and Child Care, Inc.
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Quantitative Disclosures

The lease cost and other required information for the years ended December 31, 2025 and 2024, respectively, is:

Total operating lease cost was approximately \$338,000 for both years. The weighted-average remaining lease term is approximately 20.4 and 21.4 years. The weighted-average discount rate is 2.50% for both years. Cash paid for amounts included in the measurement of operating lease liabilities was approximately \$361,000 and \$352,000.

Future minimum lease payments and reconciliation to the consolidated balance sheet at December 31, 2025 are as follows:

2026	\$ 370,092
2027	379,344
2028	388,824
2029	398,544
2030	408,510
Thereafter	<u>7,708,931</u>
Total future undiscounted lease payments	9,654,245
Less interest	<u>(1,784,687)</u>
Lease liabilities	<u><u>\$ 7,869,558</u></u>

Note 9. Tenant Leases

The Organization subleases a portion of its office space under various leases expiring through 2041. Minimum future rentals receivable under noncancellable operating subleases at December 31, 2025 were:

2026	\$ 134,926
2027	136,275
2028	137,638
2029	139,014
2030	140,404
Thereafter	<u>1,561,822</u>
Total	<u><u>\$ 2,250,079</u></u>

Mary's Center for Maternal and Child Care, Inc.
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Note 10. Functional Expenses

The Organization provides healthcare services primarily to residents within its geographic area. Certain costs attributable to more than one function have been allocated among healthcare services and management and general functional expense classifications based on departmental cost centers, estimates of time and effort, and other methods. The following schedule presents the natural classification of expenses by function for the years ended December 31, 2025 and 2024, as follows:

	2025					
	Program Services			Support Services		
	Clinical Services	Social and Educational Services	Total Program Services	Leased Employees	Management and General	Total
Salaries and wages	\$ 23,482,373	\$ 9,210,304	\$ 32,692,677	\$ 9,168,559	\$ 5,974,909	\$ 47,836,145
Employee benefits and payroll taxes	7,380,246	2,894,695	10,274,941	2,881,575	2,647,385	15,803,901
Purchased and consulting services	4,546,047	176,035	4,722,082	-	7,828,262	12,550,344
Pharmacy cost of goods sold and fees	7,863,882	-	7,863,882	-	-	7,863,882
Medical supplies	6,806,650	1,142,274	7,948,924	503	30,924	7,980,351
Office expenses	180,402	44,635	225,037	-	1,065,464	1,290,501
Software maintenance and licensing	321,347	58,395	379,742	-	1,687,454	2,067,196
Insurance	-	-	-	-	500,944	500,944
Utilities	50,188	2,454	52,642	-	475,666	528,308
Travel and education	-	299,347	299,347	677	13,650	313,674
Occupancy	10	40	50	-	2,298,854	2,298,904
Depreciation	13,644	-	13,644	-	1,187,298	1,200,942
Repairs and maintenance	48,225	573	48,798	-	173,514	222,312
Interest	-	-	-	-	682,786	682,786
Other operating expenses	79,941	486,789	566,730	69,400	289,578	925,708
Total expenses	<u>\$ 50,772,955</u>	<u>\$ 14,315,541</u>	<u>\$ 65,088,496</u>	<u>\$ 12,120,714</u>	<u>\$ 24,856,688</u>	<u>\$ 102,065,898</u>

	2024					
	Program Services			Support Services		
	Clinical Services	Social and Educational Services	Total Program Services	Leased Employees	Management and General	Total
Salaries and wages	\$ 27,210,196	\$ 18,390,888	\$ 45,601,084	\$ 9,282,712	\$ 2,491,777	\$ 57,375,573
Employee benefits and payroll taxes	8,023,334	5,422,829	13,446,163	2,737,147	734,738	16,918,048
Purchased and consulting services	4,865,760	564,817	5,430,577	-	6,864,058	12,294,635
Pharmacy cost of goods sold and fees	6,883,395	-	6,883,395	-	-	6,883,395
Medical supplies	10,526,997	124,175	10,651,172	-	-	10,651,172
Office expenses	288,276	911,489	1,199,765	37,150	952,835	2,189,750
Software maintenance and licensing	175,716	29,932	205,648	-	2,069,363	2,275,011
Insurance	119,227	30,260	149,487	-	331,942	481,429
Utilities	27,068	836	27,904	-	534,884	562,788
Travel and education	43,156	618,577	661,733	83	128,357	790,173
Occupancy	184,666	47,763	232,429	-	2,431,280	2,663,709
Depreciation	13,212	-	13,212	-	1,177,085	1,190,297
Repairs and maintenance	32,692	5,785	38,477	-	258,148	296,625
Interest	-	-	-	-	631,987	631,987
Other operating expenses	376,643	449,985	826,628	-	595,529	1,422,157
Total expenses	<u>\$ 58,770,338</u>	<u>\$ 26,597,336</u>	<u>\$ 85,367,674</u>	<u>\$ 12,057,092</u>	<u>\$ 19,201,983</u>	<u>\$ 116,626,749</u>

The 2024 table above was revised to correct the allocation of employee benefits and payroll taxes. This revision had no impact to total employee benefits and payroll taxes or total expenses.

Note 11. Employee Benefit Plan

The Organization has a 403(b) retirement plan covering substantially all employees. The Organization makes matching contributions of 100% of employees' first 2% of eligible compensation that a participant contributes to the plan. Contributions to the plan were approximately \$708,000 and \$975,000, respectively, for the years ended December 31, 2025 and 2024.

Note 12. Contributed Nonfinancial Assets

For the years ended December 31, 2025 and 2024, contributed nonfinancial assets recognized within the consolidated statement of operations and changes in net assets included donated vaccines of approximately \$4,782,000 and \$5,335,000, respectively.

Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. Contributed items were utilized for health care services. In valuing these items, the Organization estimated the fair value on the basis of supply costs associated with the typical purchase of vaccines.

Note 13. Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2025 and 2024 are restricted for the following purposes or periods:

	<u>2025</u>	<u>2024</u>
Subject to expenditure for specified purpose		
Medical services	\$ 1,104,981	\$ 1,265,117
Social and educational services	634,100	553,843
Maria Scholarship Fund	1,002,613	1,017,413
Behavioral health services	112,000	-
	<u>2,853,694</u>	<u>2,836,373</u>
Subject to the passage of time	51,252	102,474
Investments to be held in perpetuity, the income is expendable	<u>356,358</u>	<u>356,358</u>
	<u><u>\$ 3,261,304</u></u>	<u><u>\$ 3,295,205</u></u>

Mary's Center for Maternal and Child Care, Inc.
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors:

	<u>2025</u>	<u>2024</u>
Expiration of time restrictions	\$ 58,934	\$ 20,835
Satisfaction of purpose restrictions		
Medical and other services	938,496	323,561
Social and educational services	<u>186,360</u>	<u>171,539</u>
	<u>1,124,856</u>	<u>495,100</u>
	<u>\$ 1,183,790</u>	<u>\$ 515,935</u>

Note 14. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2025 and 2024, comprise the following:

	<u>2025</u>	<u>2024</u>
Total financial assets		
Cash	\$ 7,123,749	\$ 1,573,804
Patient accounts receivable	4,676,397	8,078,809
Pharmacy, grants, and other receivables	3,796,949	3,685,706
Short-term investments	1,804,660	1,334,912
Assets limited as to use	<u>3,261,304</u>	<u>3,295,205</u>
Total financial assets	20,663,059	17,968,436
Less amounts not available to be used within one year		
Donor restricted with liquidity horizons greater than one year	<u>3,261,304</u>	<u>3,295,205</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 17,401,755</u>	<u>\$ 14,673,231</u>

As part of its liquidity management, the Organization maintains a sufficient level of operating cash and short-term investments to be available as its general expenditures, liabilities, and other obligations come due. The Organization also invests cash in excess of daily requirements in short-term investments.

To help manage unanticipated liquidity needs, the Organization has a committed line of credit of \$3,000,000, which it could draw upon (see Note 6).

Note 15. Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of input that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying consolidated balance sheet measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2025 and 2024:

	Total	2025		
		Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 2,269,627	\$ 2,269,627	\$ -	\$ -
Fixed income				
Mutual funds	2,540,587	2,540,587	-	-
Equity mutual funds	250,672	250,672	-	-
Other	5,078	5,078	-	-
Total	\$ 5,065,964	\$ 5,065,964	\$ -	\$ -

Mary's Center for Maternal and Child Care, Inc.
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

		2024		
		Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
Money market funds	\$ 113,545	\$ 113,545	\$ -	\$ -
Fixed income				
Mutual funds	1,413,033	1,413,033	-	-
Corporate bonds	947,729	-	947,729	-
Equity mutual funds	2,150,812	2,150,812	-	-
Other	4,998	4,998	-	-
Total	<u>\$ 4,630,117</u>	<u>\$ 3,682,388</u>	<u>\$ 947,729</u>	<u>\$ -</u>

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheet, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended December 31, 2025 and 2024.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Note 16. Contractual Agreements

The Organization has 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 Organization provides assistance with managing the human resources and personnel related administrative functions for BPCS. For the years ended December 31, 2025 and 2024, the Organization received \$12,180,252 and \$10,936,481 for services provided, which is included as leased employee revenue in the consolidated statement of operations and changes in net assets. The contract is renewed annually. Revenue is recognized over time as the Organization satisfies its performance obligations under the contract. Revenue for performance obligations satisfied over time is recognized based on actual direct labor and fringe benefits of leased employees, plus an administration fee. Amounts are invoiced monthly and are due immediately upon receipt. The Organization had no performance obligations considered unsatisfied or partially unsatisfied as of December 31, 2025 or 2024. As of December 31, 2025 and 2024, there were no refund liabilities, receivables, contract assets or liabilities associated with this agreement.

Mary's Center for Maternal and Child Care, Inc.
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

The Organization entered into an agreement in September 2016 with VytOne (formerly, Maxor National Pharmacy Services). As part of the agreement, VytOne provides 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. VytOne receives seven dollars per full prescription sold in the pharmacy location as its management fee for its services rendered under this agreement. For the years ended December 31, 2025 and 2024, the Organization paid VytOne approximately \$426,000 and \$409,000, respectively, as management fee, which is included in the consolidated statements of operations and changes in net assets in purchased and consulting services.

As part of the agreement, VytOne 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 Organization will pay VytOne a fee of \$6,250 per month during the term of the agreement. As of December 31, 2025 and 2024, the Organization owed VytOne approximately \$125,000 related to this initial advance, which is included in other payables in the consolidated balance sheets.

Note 17. Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Variable Consideration

Estimates of variable consideration in determining the transaction price for patient service revenue as described in Notes 1 and 2.

Grant Revenues

Concentration of revenues related to grant awards and other support are described in Note 3.

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in Note 1.

Litigation

The Organization is a defendant in a lawsuit arising from the termination of a former employee. The Organization has accrued an amount of approximately \$1,700,000 that, in the opinion management, is the best estimate of loss that will result from the litigation, including defense costs. The amount of ultimate loss could differ materially.

General Litigation

In the normal course of business, the Organization is, from time to time, subject to claims and allegations that may or do result in litigation. While the Organization carries commercial insurance to limit exposure to such allegations, the Organization could be subject to potential liability depending on the nature and outcome of the claims. The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the balance sheet, change in net assets and cash flows of the Organization. Events could occur that would change this estimate materially in the near term.

Note 18. Subsequent Events

Subsequent events have been evaluated through June 30, 2026 which is the date the consolidated financial statements were available to be issued.

Supplementary Information

Mary's Center for Maternal and Child Care, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services				
Health Center Program Cluster				
Health Center Program (Community Health Centers, Migrant Health Centers, 'Health Center for the Homeless, and Public Housing Primary Care)	93.224	N/A	\$ -	\$ 4,030,910
Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Center Program	93.527	N/A	-	32,576
Total Health Center Program Cluster			-	4,063,486
Unaccompanied Alien Children Program				
Pass Through from the U.S. Committee for Refugees and Immigrants	93.676	90ZU0357	-	800,140
Maternal, Infant and Early Childhood Home Visiting Grant Program				
Pass Through from the District of Columbia Department of Health	93.870	CHA2021-000032	-	1,319,284
Healthy Start Initiative	93.926	N/A	-	966,430
Medicaid Cluster				
Medical Assistance Program				
Pass Through from PG County Department of Social Services	93.778	N/A	-	315,721
Opioid STR		1 H79TI085728-01 / 1H79TI087766-01/ 1H79TI087766-02		
Pass Through from the District of Columbia Department of Behavioral Health	93.788		-	240,575
Family Planning Services				
Pass Through Unity HealthCare, Inc.	93.217	FPHPA006533-04-00	-	269,546
Pass Through from Maryland Department of Health	93.217	5 FPHPA006514-02-00	-	97,344
Total Family Planning Services			-	366,890
Maternal and Child Health Services Block Grant to the States				
Pass Through from the District of Columbia Department of Health	93.994	CHA2021-000020	-	79,316
Research and Development Cluster				
COVID-19: Immunization Research, Demonstration, Public Information and Education Training and Clinical Skills Improvement Projects				
Pass Through from the Centers for Disease Control and UnidosUS	93.185	5 NH23IP922643-04-00	-	48,995
21st Century Cures Act - Precision Medicine Initiative				
Pass Through from the Scripps Research Institute	93.368	1 OT2OD035580-01	-	90,842
Total Research and Development Cluster			-	139,837

Mary's Center for Maternal and Child Care, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2025

(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
The National Cardiovascular Health Program				
Pass Through from the District of Columbia Department of Health, Substance Abuse and Mental Health	93.426	CHA2024-807	-	49,987
Substance Abuse and Mental Health Services Projects of Regional and National Significance				
Pass Through from Howard University Hospital	93.243	5H79TI081111-05	-	57,851
Maternal and Child Health Federal Consolidated Programs	93.110	N/A	-	33,429
Family to Family Health Information Centers				
Pass Through from Advocates for Justice and Education	93.504	H84MC21661	-	12,776
Grants to States to Support Oral Health Workforce Activities				
Pass Through from the District of Columbia Department of Health	93.236	CHA2024-785/ CHA2024-801/ CHA2026-902	-	264,717
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services				
Pass Through from District of Columbia Department of Aging and Community Living	93.043	MC07-W-W4-25/26	-	555,569
Total U.S. Department of Health and Human Services			-	9,266,008
U.S. Department of Agriculture				
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)				
Pass Through from the District of Columbia Department of Health	10.557	CHA2022-000026	-	1,126,972
U.S. Department of Justice				
Violence Against Women Formula Grants				
Pass Through from the Maryland Governor's Office of Crime Control and Prevention	16.588	VAWA-2023-0042/ VAWA-2025-0042/ 25MCDVSS1/ VOCG-2026-0103/ 26-MC-01	-	115,020
Total Federal Expenditures			<u>\$ -</u>	<u>\$ 10,508,000</u>

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Organization under programs of the federal government for the year ended December 31, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

The Organization has elected not to use the de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Federal Loan Programs

The Organization administers no federal loan programs.

**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

Board of Directors
Mary's Center for Maternal and Child Care, Inc.
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 (*Government Auditing Standards*), the consolidated financial statements of Mary's Center for Maternal and Child Care, Inc. (Organization), which comprise the Organization's consolidated balance sheet as of December 31, 2025, and the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 30, 2026.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's 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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be a material weakness

Report on Compliance and Other Matters

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

Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Forvis Mazars, LLP

Cincinnati, Ohio
June 30, 2026

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Directors
Mary's Center for Maternal and Child Care, Inc.
Washington, D.C.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Mary's Center for Maternal and Child Care, Inc.'s (Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2025. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the 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, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2025-002. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. The Organization is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Organization's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-002, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. The Organization is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Organization's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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.

Forvis Mazars, LLP

Cincinnati, Ohio
June 30, 2026

Mary's Center for Maternal and Child Care, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2025

Section I – Summary of Auditor's Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. Internal control over financial reporting:

Material weakness(es) identified? ☒ Yes ☐ No

Significant deficiency(ies) identified? ☐ Yes ☒ None reported

3. Noncompliance material to the financial statements noted? ☐ Yes ☒ No

Federal Awards

4. Internal control over major federal awards programs:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified? ☒ Yes ☐ None reported

5. Type of auditor's report issued on compliance for major federal program(s):

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

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

7. Identification of major federal programs:

**Assistance Listing
Number(s)**

Name of Federal Program or Cluster

93.224 / 93.527

Health Center Program Cluster

93.778

Medicaid Cluster

8. Dollar threshold used to distinguish between Type A and Type B programs: \$1,000,000.

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

Section II – Financial Statement Findings

Reference Number	Finding
2025-001	Criteria – Management is required to present accurate financial reporting in accordance with generally accepted accounting principles. Condition – There was a lack of adherence to consistent processes and procedures related to grants activities and accounting. As part of the year-end close process, significant journal entries were made that were not assigned to specific grant codes, resulting in challenges in reconciling grants at the individual award level. Cause – The Organization experienced turnover in the finance department during 2025, specifically within the grants department. This led to lack of individuals available to consistently follow the internal control policies and procedures in place to ensure proper tracking and accounting for grants activities. Effect or potential effect – Multiple passed adjustments were required to correct current year balances. Additionally, the grant revenue schedule provided did not agree to the trial balance presented for audit. Multiple adjustments to the grant revenue schedule were required to reflect actual activity recorded within the general ledger. Without adhering to consistent internal control policies and procedures, the potential risk for material misstatements could increase. Recommendation – We recommend that the Organization adhere to formal internal control processes and procedures for recording grants activities. We also recommend that management review the listing of individuals with the ability to post journal entries and ensure only properly trained grants personnel have this capability. Further, an additional layer of review surrounding manual grant revenue entries would mitigate risk of improper accounting. Views of responsible officials and planned corrective actions – Management is implementing a comprehensive grants management framework that includes standardized accounting and reconciliation procedures, enhanced management review controls, strengthened grant oversight, and improved grant tracking within Sage Intacct. The Organization is also realigning grants resources to provide dedicated support for grant accounting, compliance, reporting, and administration while establishing formal governance processes surrounding grant budgeting, reporting requirements, and ongoing financial monitoring. Management expects these actions to strengthen internal controls, improve the accuracy of grant financial reporting, and reduce the risk of future misstatements.

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
2025-002	Information on the federal program – Assistance Listing Number 93.224/93.527; Health Center Program Cluster; Department of Health and Human Services Criteria or specific requirement – Per 2 CFR §200.305, non-federal entities must minimize the time between the transfer of federal funds from the U.S. Treasury and the disbursement of those funds for program purposes. Advance payments must be limited to the minimum amounts needed and timed to be in accordance with the entity's actual, immediate cash requirements. Condition – During our testing of cash management, we were unable to obtain supporting documentation for one of the draws selected for testing to verify that the time between the transfer and disbursement of funds was minimized. Further, we noted the Organization does not have a formal policy for federal cash drawdowns. Cause – The Organization did not have a formal policy or sufficient internal controls in place surrounding cash management and the draw process. Effect or potential effect – Drawing funds in advance of immediate cash needs could result in noncompliance with federal requirements. Questioned costs – None Context – Out of a population of 11 draws, a sample of 2 draws were selected for testing, and 1 draw was not supportable by underlying documentation. The sample was not statistically valid. Identification as a repeat finding, if applicable – Not a repeat finding. Recommendation – We recommend the Organization implement formal policies and procedures to ensure that federal funds are drawn only to meet immediate cash needs (generally within a few days of disbursement). Views of responsible officials and planned corrective actions – Management has implemented enhanced cash management and grant monitoring procedures, including strengthened review of draw requests, improved documentation requirements, and closer reconciliation of grant expenditures to amounts drawn. In addition, the Organization is undertaking process improvements to streamline grant accounting and reporting activities, improve the timeliness of expense recognition, and enhance overall oversight of federal awards. Management expects these actions will strengthen compliance with federal cash management requirements and reduce the risk of future occurrences.

Mary's Center for Maternal and Child Care, Inc.
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2025

Reference Number	Summary of Finding	Status
2024-001	An audit adjustment was required to correct grant revenue and related grant expenditures due to an erroneous journal entry recorded.	Unresolved (2025-001)
2024-002	The Organization did not have data to support certain line items reported on the Uniform Data System (UDS) report filed.	Resolved
2024-003	During our testing of the Organization's sliding fee calculations, we noted 3 patient accounts with incorrectly calculated sliding fee adjustments.	Resolved