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

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

December 31, 2023

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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 sheet as of December 31, 2023, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization, as of December 31, 2023, and the results of its operations, changes in net assets, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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.

Emphasis of Matter

As discussed in Note 18 to the consolidated financial statements, the Organization restated beginning net assets as a result of errors identified. Our opinion is not modified with respect to this matter.

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 audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards 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 February 28, 2025, 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
February 28, 2025

Mary’s Center for Maternal and Child Care, Inc.
Consolidated Balance Sheet
December 31, 2023

ASSETS	
Current Assets	
Cash and cash equivalents	$ 586,329
Short-term investments	5,342,099
Receivables	
Patient	7,921,064
Pharmacy	463,832
Grants	2,902,046
Other	197,630
Inventory	1,142,115
Prepaid expenses and other	153,743
Total Current Assets	18,708,858
Assets Limited as to Use	
Externally restricted by donors	2,114,724
Property, Plant, and Equipment, at Cost	
Land and improvements	7,994,634
Buildings and improvements	28,240,149
Furniture and equipment	5,573,326
Computer equipment	477,102
Vehicles	639,777
Construction in progress	270,100
	43,195,088
Less accumulated depreciation	(15,390,466)
	27,804,622
Other Assets	
Right-of-use asset	5,451,896
Other	63,279
Total Other Assets	5,515,175
Total Assets	$ 54,143,379

LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion of long-term debt	$	294,800
Line of credit		1,650,000
Current portion of operating lease liabilities		195,517
Deferred grant revenue		1,543,564
Accounts payable and other		4,748,638
Accrued compensation costs		4,973,049
Other		78,662
Total Current Liabilities		13,484,230
Long-Term Liabilities		
Long-term debt		7,941,721
Operating lease liabilities		8,076,960
Deposits		701,879
Other		340,662
Total Liabilities		30,545,452
Net Assets		
Without donor restrictions		21,483,203
With donor restrictions		2,114,724
Total Net Assets		23,597,927
Total Liabilities and Net Assets	$	54,143,379

Mary’s Center for Maternal and Child Care, Inc.
Consolidated Statement of Operations and Changes in Net Assets
Year Ended December 31, 2023

Revenues, Gains and Other Support Without Donor Restrictions	
Patient service revenue	$ 50,051,936
Grant revenue	24,266,019
Pharmacy revenue	8,014,341
Leased employee revenue	9,963,980
Contributions	1,901,254
Other	405,011
Contributed nonfinancial assets	4,726,451
Net assets released from restrictions used for operations	2,886,580
Total Revenues, Gains, and Other Support Without Donor Restrictions	102,215,572
Expenses	
Salaries and wages	59,459,001
Employee benefits and payroll taxes	10,889,636
Purchased and consulting services	9,141,816
Pharmacy cost of goods sold and fees	6,186,177
Medical supplies	8,421,274
Office expenses	2,162,635
Software maintenance and licensing	2,402,543
Insurance	259,731
Utilities	1,468,908
Travel and education	460,772
Rental	1,512,934
Depreciation	1,174,497
Repairs and maintenance	307,423
Interest	395,828
Other operating expenses	1,306,349
Total Expenses	105,549,524
Operating Loss	(3,333,952)
Investment Return, Net	571,273
Deficit of Revenues Over Expenses and Decrease in Net Assets Without Donor Restrictions	(2,762,679)
Revenues, Gains and Other Support With Donor Restrictions	
Contributions	892,486
Investment return, net	56,188
Net assets released from restrictions	(2,886,580)
Decrease in Net Assets With Donor Restrictions	(1,937,906)
Change in Net Assets	(4,700,585)
Net Assets, Beginning of Year, as Previously Reported	27,877,602
Adjustments applicable to prior years	420,910
Net Assets, Beginning of Year, as Restated	28,298,512
Net Assets, End of Year	$ 23,597,927

Mary's Center for Maternal and Child Care, Inc.
Consolidated Statement of Cash Flows
Year Ended December 31, 2023

Operating Activities		
Change in net assets	$	(4,700,585)
Items not requiring (providing) operating cash flows		
Depreciation		1,174,497
Net realized and unrealized gain on investments		(330,603)
Noncash operating lease expense		177,467
Changes in		
Patient accounts receivable		(2,243,865)
Pharmacy receivable		(337,451)
Grants receivable		(2,091,099)
Other receivable		810,156
Accounts payable and accrued expenses		2,566,561
Other assets and liabilities		1,545,366
Operating lease liabilities		(183,281)
Net Cash Used in Operating Activities		(3,612,837)
Investing Activities		
Purchase of investments		(325,273)
Purchase of property and equipment		(551,227)
Net Cash Used in Investing Activities		(876,500)
Financing Activities		
Principal payments on long-term debt		(288,663)
Borrowings on line of credit		1,650,000
Net Cash Provided by Financing Activities		1,361,337
Decrease in Cash		(3,128,000)
Cash and Cash Equivalents, Beginning of Year		3,714,329
Cash and Cash Equivalents, End of Year	$	586,329
Supplemental Cash Flows Information		
Interest paid	$	395,828

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 maternity and child care 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.

At December 31, 2023, the Organization's cash accounts exceeded federally insured limits by approximately $339,000. 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 Organization performs individual credit risk assessments which evaluates the individual circumstances, abilities, and intentions of each patient prior to providing the patient services. If subsequent to providing the services, the Organization becomes aware of patient-specific events, facts, or circumstances indicating patients no longer have the ability or intention to pay the amount of consideration to which the Organization expected to be entitled for providing the patient services, then the related patient receivable balances are written off as credit loss expense. No material credit loss expense was recognized for the year ended December 31, 2023.

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, 2023.

Assets Limited as to Use, Investments and Net Investment Return

Assets limited as to use at December 31, 2023 include assets held by trustees and 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 acquisitions 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 year ended December 31, 2023.

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 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
Conditional gifts, with or without restriction	
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.e.*, the donor imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Expected to be collected within one year	Net realizable value
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.

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.

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.

Management's Consideration of Operational Issues

During 2023, the Organization incurred an operating loss of approximately $3,334,000 and an overall loss of approximately $4,701,000, negative cash flows from operations of approximately $3,613,000 and a decrease in working capital. These results, coupled with a historical trend of losses resulted in the Organization being in default of certain debt covenants as described in Notes 6 and 7 and has required the Organization to use short-term investments to support working capital requirements.

In 2024, the Organization's Board of Directors engaged a third-party consulting firm to assist management in restoring financial health to Mary's Center. Several actions were taken to improve the Organization's liquidity including renegotiating and extending maturities on term debt that is collateralized by Organization-owned real estate property, implementing a reduction-in-force in October 2024 and again in January 2025, discontinuing certain grant programs that were underfunded, and other cost containment measures to preserve working capital. Management also plans to work with lenders to refinance existing obligations coming due in 2025 and 2026 on a long-term basis. Management believes these measures are sufficient to ensure the Organization is able to meet its obligations as they become due. There can be no assurance as to the availability or terms upon which such refinancing might be available or that the plans outlined above will sufficiently improve operations to prevent future debt covenant violations.

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 Organizations. 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, 2023.

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 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.

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, 2023.

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 year ended December 31, 2023. 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.

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 year ended December 31, 2023 is as follows:

Medical	$ 31,029,692
Dental	8,533,259
Mental health	9,729,503
Other	759,482
	$ 50,051,936

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 year ended December 31, 2023 is as follows:

Method of reimbursement	
Fee for service	$ 50,051,936
Per prescription	8,014,341
	$ 58,066,277

Timing of revenue recognition	
Health care services transferred over time	$ 50,051,936
Pharmacy sales at a point in time	8,014,341
	$ 58,066,277

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, 2023.

Accounts receivable, beginning of year, as restated	$ 5,803,580
Accounts receivable, end of year	8,384,896

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. The Organization also received additional federal funding within the CHC program during 2023 due to the effects of the COVID-19 pandemic. Grant revenue is recognized as qualifying expenditures and are incurred over the grant period.

During the year ended December 31, 2023, the Organization recognized approximately $7,400,000 in CHC grant revenue (including supplemental COVID-19 funding). At December 31, 2023, the Organization had unexpended funds under existing CHC notices of award in the amount of approximately $1,785,000. The Organization's approval to participate in the FQHC program runs through April of 2025.

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 $14,426,000 at December 31, 2023, 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, 2023 is:

Medicaid	57%
Medicare	1%
Other third-party payors	40%
Patients	2%
	100%

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

Investments, which includes assets limited as to use, at December 31, 2023 include:

Money market funds	$ 2,957,741
Fixed income mutual funds	1,386,302
Corporate bonds	1,284,703
Equity mutual funds	1,828,077
	$ 7,456,823

Total investment return is comprised of the following:

Interest and dividend income	$ 296,858
Net realized and unrealized gain on investments	330,603
Total	$ 627,461

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

Net assets without donor restrictions - other nonoperating income	$ 571,273
Net assets with donor restrictions	56,188
	$ 627,461

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. In October 2024, the Organization executed an extension of the line of credit to September 2025. At December 31, 2023, there was $1,650,000 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 5.3% at December 31, 2023, plus 2.85% and is payable monthly. The line of credit agreement contains certain restrictive covenants and is required to submit various financial reports subsequent to its fiscal year-end, which the Organization was not in compliance with as of December 31, 2023. The bank has formally waived noncompliance with these requirements as of October 31, November 30, and December 31, 2023, and October 31 and November 30, 2024. The bank also provided temporary relief of the debt service ratio through December 31, 2024, and modified the unrestricted liquidity to funded debt ratio in 2025 from 0.40 to 1.0 to 0.30 to 1.0. The unrestricted liquidity to funded debt ratio will return to 0.40 to 1.0 in 2026.

Note 7. Long-Term Debt

Note payable, bank (A)	$ 1,706,286
Note payable, bank (B)	2,737,381
Note payable, bank (C)	2,102,929
Note payable, bank (D)	815,472
Note payable, bank (E)	874,453
Total long-term debt	8,236,521
Less current maturities	(294,800)
	$ 7,941,721

(A) Due August 2026; principal and interest payments of approximately $14,000 payable monthly; fixed interest rate of 3%; secured by the land and building.

(B) Originally due May 2023 with an interest rate of 3.56%, however, the note was refinanced in May 2023 in the amount of $2,760,537; bears interest at a fixed rate of 7.3% and matures May 2028; secured by the land and building.

(C) Originally due October 2023 with an interest rate of 3.55%, however, the note was refinanced in October 2023 in the amount of $2,116,708; bears interest at a fixed rate of 3.55% and was set to mature May 2024, however, subsequent to December 31, 2023, the maturity date was extended to February 2026; 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 not in compliance with as of December 31, 2023. The bank has formally waived this noncompliance as of December 31, 2024 and 2023.

(D) Originally due October 2023 with an interest rate of 3.55%, however, the note was refinanced in October 2023 in the amount of $822,626; bears interest at a fixed rate of 3.55% and was set to mature May 2024, however, subsequent to December 31, 2023, the maturity date was extended to February 2026; 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 not in compliance with as of December 31, 2023. The bank has formally waived this noncompliance as of December 31, 2024 and 2023.

(E) Originally due October 2023 with an interest rate of 6%, however, the note was refinanced in October 2023 in the amount of $874,383; bears interest at a fixed rate of 6% and was set to mature May 2024, however, subsequent to December 31, 2023, the maturity date was extended to February 2026; 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 not in compliance with as of December 31, 2023. The bank has formally waived this noncompliance as of December 31, 2024 and 2023.

The above notes require the Organization to submit various financial reports subsequent to its fiscal year end, which the Organization was not in compliance with as of December 31, 2023. This covenant was waived by the banks for the year ended December 31, 2023.

Aggregate annual maturities of long-term debt at December 31, 2023 are:

2024	$ 294,800
2025	302,244
2026	5,040,116
2027	53,434
2028	2,545,927
	$ 8,236,521

The annual maturities above reflect modifications to Notes payable (C), (D), and (E) that were executed subsequent to year-end.

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.

Quantitative Disclosures

The lease cost and other required information for the year ended December 31, 2023 is:

Total lease cost was approximately $346,000. The weighted-average remaining lease term is approximately 22.4 years. The weighted-average discount rate is 2.50%.

Future minimum lease payments and reconciliation to the consolidated balance sheet at December 31, 2023 are as follows:

2024	$ 352,254
2025	361,062
2026	370,092
2027	379,344
2028	388,824
Thereafter	8,515,180
Total future undiscounted lease payments	10,366,756
Less interest	(2,094,279)
Lease liabilities	$ 8,272,477

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, 2023 were:

2024	$ 308,874
2025	253,563
2026	134,925
2027	136,275
2028	137,638
Thereafter	1,841,241
Total	$ 2,812,516

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 as follows:

	Program Services			Support Services		
	Clinical Services	Social and Educational Services	Total Program Services	Leased Employees	Management and General	Total
Salaries and wages	$ 26,868,778	$ 16,484,040	$ 43,352,818	$ 8,435,919	$ 7,670,264	$ 59,459,001
Employee benefits and payroll taxes	192,939	997,098	1,190,037	242,711	9,456,888	10,889,636
Purchased and consulting services	4,072,141	905,057	4,977,198	-	4,164,618	9,141,816
Pharmacy cost of goods sold and fees	6,186,177	-	6,186,177	-	-	6,186,177
Medical supplies	8,377,877	36,865	8,414,742	-	6,532	8,421,274
Office expenses	253,317	911,634	1,164,951	251	997,433	2,162,635
Software maintenance and licensing	141,616	57,690	199,306	-	2,203,237	2,402,543
Insurance	57,717	16,999	74,716	-	185,015	259,731
Utilities	24,042	807	24,849	-	1,444,059	1,468,908
Travel and education	-	204,904	204,904	-	255,868	460,772
Rental	207,422	28,156	235,578	-	1,277,356	1,512,934
Depreciation	17,016	-	17,016	-	1,157,481	1,174,497
Repairs and maintenance	106,132	8,544	114,676	-	192,747	307,423
Interest	-	-	-	-	395,828	395,828
Other operating expenses	369,535	382,008	751,543	-	554,806	1,306,349
Total expenses	$ 46,874,709	$ 20,033,802	$ 66,908,511	$ 8,678,881	$ 29,962,132	$ 105,549,524

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 $890,000 for the year ended December 31, 2023.

Note 12. Contributed Nonfinancial Assets

For the year ended December 31, 2023, contributed nonfinancial assets recognized within the consolidated statement of operations and changes in net assets included donated vaccines of approximately $4,726,000.

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, 2023 are restricted for the following purposes or periods:

Subject to expenditure for specified purpose	
Medical services	$ 418,508
Social and educational services	225,168
Maria Scholarship Fund	1,028,713
	1,672,389
Subject to the passage of time	85,977
Investments to be held in perpetuity, the income is expendable	356,358
	$ 2,114,724

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:

Expiration of time restrictions	$ 29,780
Satisfaction of purpose restrictions	
Medical and other services	1,190,730
Social and educational services	1,666,070
	2,856,800
	$ 2,886,580

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, 2023, comprise the following:

Total financial assets	
Cash and cash equivalents	$ 586,329
Patient accounts receivable	7,921,064
Pharmacy, grants, and other receivables	3,563,508
Short-term investments	5,342,099
Assets limited as to use	2,114,724
Total financial assets	19,527,724
Less amounts not available to be used within one year	
Donor restricted with liquidity horizons greater than one year	2,114,724
Financial assets available to meet cash needs for general expenditures within one year	$ 17,413,000

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 inputs 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, 2023:

		Fair Value Measurements		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 2,957,741	$ 2,957,741	$ -	$ -
Fixed income				
Mutual funds	1,386,302	1,386,302	-	-
Corporate bonds	1,284,703	-	1,284,703	-
Equity mutual funds	1,828,077	1,828,077	-	-
Total	$ 7,456,823	$ 6,172,120	$ 1,284,703	$ -

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 year ended December 31, 2023.

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 year ended December 31, 2023, the Organization received $9,963,980 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,

2023. As of December 31, 2023, there were no refund liabilities, receivables, contract assets or liabilities associated with this agreement.

The Organization entered into an agreement in September 2016 with Maxor National Pharmacy Services, LLC (Maxor). As part of the agreement, Maxor 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. Maxor receives seven dollars per full prescription sold in the pharmacy location as its management fee for its services rendered under this agreement. For the year ended December 31, 2023, the Organization paid Maxor approximately $319,000 as management fee, which is included in the consolidated statement of operations and changes in net assets in purchased and consulting services.

As part of the agreement, Maxor will pay or otherwise provide initial operating capital needed for start-up costs associated with the Pharmacy including construction, equipment, initial inventory, salary, and operating expenses up to the amount of $750,000. In return for the operational support services, the Organization will pay Maxor a fee of $6,250 per month during the term of the agreement. As of December 31, 2023, the Organization owed Maxor approximately $275,000 which is included in other payables in the consolidated balance sheet.

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.

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 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. Restatement of Beginning Net Assets

During the year ended December 31, 2023, the Organization identified certain errors related to prior periods.

The nature of the prior period errors, and their effects on net assets as of January 1, 2023, as reflected on the consolidated statement of operations and changes in net assets, are as follows:

	Increase (Decrease) in Net Assets
Understatement of patient service revenue	$ 3,000,000
Understatement of compensated absences expense	(1,088,841)
Overstatement of grant revenue	(1,490,249)
Overstatement of net assets with donor restrictions	(1,437,932)
Understatement of net asset without donor restrictions	1,437,932
Adjustments applicable to prior periods	$ 420,910

Note 19. Subsequent Events

Subsequent to year-end, the Organization executed modifications to existing debt agreements and received waivers for noncompliance of certain covenants (see Notes 6 and 7).

On January 27, 2025, Office of Management and Budget (OMB) issued M 25-13, pausing all activities related to obligation or disbursement of all federal financial assistance with certain exceptions. The memo has since been rescinded, however, it is unclear whether future assistance could be at risk. The potential impacts of the executive orders on the Organization's future federal financial assistance have not yet been evaluated. See Notes 3 and 4 for information related to concentrations of credit risk related to revenue from government grants and contracts.

Subsequent events have been evaluated through February 28, 2025, 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, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through 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	$ -	$ 222,197
COVID-19: *American Rescue Plan Act* Funding for Health Centers	93.224	N/A	-	3,810,795
Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Center Program	93.527	N/A	-	2,779,945
COVID-19: FY 2023 Expanding COVID-19 Vaccination	93.527	N/A	-	548,586
COVID-19: FY 2023 Bridge Access Program	93.527	N/A	-	64,286
Total Health Center Program Cluster			-	7,425,809
COVID-19: Grants for Capital Development in Health Centers	93.526	N/A	-	362,489
Unaccompanied Alien Children Program				
Pass Through from the U.S. Committee for Refugees and Immigrants	93.676	90ZU0357	-	2,868,610
Maternal, Infant and Early Childhood Home Visiting Grant Program				
Pass Through from the District of Columbia Department of Health	93.870	CHA2021-000032	-	1,564,886
Healthy Start Initiative				
Pass Through from the District of Columbia Department of Health	93.926	CHA2020-000008	-	448,917
Medicaid Cluster				
Medical Assistance Program				
Pass Through from PG County Department of Social Services	93.778	N/A	-	417,201
Opioid STR		RM0DOR012221/		
Pass Through from the District of Columbia Department of Behavioral Health	93.788	RM0DCEA082622	-	382,004
Immunization Cooperative Agreements				
Pass Through from the District of Columbia Department of Health	93.268	CHA2021-000038	-	372,292
Family Planning Services				
Pass Through from Unity Health Care, Inc.	93.217	FPHPA006533-01-01	-	297,968
Pass Through from Maryland Department of Health Mental Hygiene	93.217	5-FPHPA006514-02-00	-	86,353
Total			-	384,321
Maternal and Child Health Services Block Grant to the States				
Pass Through from the District of Columbia Department of Health	93.994	CHA2021-000020	-	114,183
HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)				
Pass Through from the District of Columbia Department of Health	93.917	N/A	-	9,192
Research and Development Cluster				
COVID-19: Immunization Research, Demonstration, Public Information and Education Training and Clinical Skills Improvement Projects				
Pass Through from the Urban Institute	93.185	5NH23IP922651-03	-	130,692
Pass Through from the UnidosUS	93.185	CDC-RFA-IP21-2016	-	66,886
Total			-	197,578
Trans-NIH Research Support				
Pass Through from the Scripps Research Institute	93.310	U24OD023176	-	221,357
Total Research and Development Cluster				418,935
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke				
Pass Through from the District of Columbia Department of Health	93.426	CHA2023-711-000	-	28,715
Teenage Pregnancy Prevention Program				
Pass Through from the District of Columbia Primary Care Association	93.297	6 TP2AH000069-02-01	-	33,250
Substance Abuse and Mental Health Services Projects of Regional and National Significance				
Pass Through from Howard University Hospital	93.243	5H79TI081111-05	-	86,396
Maternal and Child Health Federal Consolidated Programs	93.110	N/A	-	49,996
Family to Family Health Information Centers				
Pass Through from Advocates for Justice	93.504	H84MC21661	-	7,127
Total U.S. Department of Health and Human Services			-	14,974,323
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	-	1,120,159
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-2023-0044	-	17,131
Total Federal Expenditures			$ -	$ 16,111,613

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, 2023. 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 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Federal Loan Programs

The Organization administers no federal loan programs.

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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, 2023, 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 February 28, 2025, which contained an emphasis of matter paragraph related to restatement of beginning net assets.

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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-002 and 2023-003 that we consider to be material weaknesses.

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
February 28, 2025

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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, 2023. 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, 2023.

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 instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-004, 2023-005, 2023-006, 2023-008 and 2023-009. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance 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.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-004, 2023-005, 2023-006, 2023-007, 2023-008 and 2023-009 to be significant deficiencies.

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
February 28, 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
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
93.676	Unaccompanied Alien Children Program
93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program

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

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

Section II – Financial Statement Findings

Reference Number	Finding
2023-001	**Criteria** – Management is required to present accurate financial reporting in accordance with generally accepted accounting principles. **Condition** – Material adjustments were required to adjust the beginning net assets, resulting in a restatement of the prior period balance. **Cause** – The Organization experienced significant turnover in the finance department during 2023. This led to staff vacancies and lack of individuals available to consistently follow the internal control policies and procedures in place to ensure timely and accurate reconciliation of account balances. **Effect or potential effect** – Multiple material audit adjustments were required to correct beginning net assets, resulting in a restatement of the prior period balance. Without adhering to consistent period-end closing processes, the potential risk for material misstatements could increase. **Recommendation** – We recommend that the Organization adhere to formal year-end closing processes and ensure backup personnel are in place properly trained in the event that staff vacancies occur in the future. We also recommend that management perform an evaluation of the finance department, with specific attention to the grants team, to ensure the team is sufficiently staffed to handle the volume of activity that must be tracked and monitored daily. **Views of responsible officials and planned corrective actions** – See separate auditee document for planned corrective action.

Reference Number	Finding
2023-002	**Criteria** – Management is required to present accurate financial reporting in accordance with generally accepted accounting principles.

Condition – Material adjustments were required to the 2023 original trial balance presented for the audit. Additionally, certain schedules and reconciliations were not available at the commencement of the audit fieldwork.

Cause – The Organization experienced significant turnover in the finance department during 2023. This led to staff vacancies and lack of individuals available to consistently follow the internal control policies and procedures in place to ensure timely and accurate reconciliation of account balances.

Effect or potential effect – Multiple material audit adjustments were required to current year balances. Without adhering to consistent period-end closing processes, the potential risk for material misstatements could increase.

Recommendation – We recommend that the Organization adhere to formal year-end closing processes and ensure backup personnel are in place properly trained in the event that staff vacancies occur in the future. We also recommend that management perform an evaluation of the finance department, with specific attention to the grants team, to ensure the team is sufficiently staffed to handle the volume of activity that must be tracked and monitored daily.

Views of responsible officials and planned corrective actions – See separate auditee document for planned corrective action.

Reference Number	Finding
2023-003	**Criteria** – Organizations are required under 2 CFR §200.302 to be able to have "identification, in its accounts, of all federal awards received and expended and the federal programs under which they were received." It is also required to maintain "effective control over, and accountability for, all funds, property, and other assets." These requirements are imperative to ensure that all federal programs are properly reported on the Organization's schedule of expenditures of federal awards (SEFA). Management is responsible for establishing and maintaining effective controls over financial reporting.
	Condition – During our audit, we noted the SEFA was not available at the commencement of audit fieldwork, which resulted in audit delay. Additionally, multiple rounds of adjustments were required to be made to the SEFA originally presented for audit.
	Cause – The Organization experienced significant turnover in the finance department during 2023. This led to staff vacancies and lack of individuals available to consistently follow the internal control policies and procedures in place to ensure timely and accurate reconciliation of account balances.
	Effect or potential effect – Additional time and effort was required during the audit process to properly identify all federal expenditures on the SEFA.
	Recommendation – We recommend the Organization implement policies and procedures to monitor all federal sources of funds and ensure they are being properly reported.
	Views of responsible officials and planned corrective actions – See separate auditee document for planned corrective action.

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
2023-004	**Information on the federal program** – Assistance Listing Number 93.224/93.527; Health Center Program Cluster; Department of Health and Human Services; Federal Award No. H8FCS41441 for project period April 1, 2021 through December 31, 2023.

Criteria or specific requirement – Activities Allowed/Unallowed and Cost Principles; As stated in 2 CFR §200.303, the non-federal entity (*i.e.,* the Organization) must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations and terms and conditions of the federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or in the "Internal Control Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition – The Organization was unable to provide supporting documentation (*i.e.,* invoices, contracts, etc.) for 4 expenditures charged to the federal program.

Cause – The Organization did not consistently follow the internal control policies and procedures that it has in place to ensure each expenditure is supported with corroborating documentation.

Effect or potential effect – There is a risk of misappropriation or charging unallowable expenditures to the program, resulting in actual and/or potential questioned costs.

Questioned costs – $25,326

Context – Out of a population of 483 direct costs, a sample of 25 expenditures were selected for testing, and 4 did not have supporting documentation. The sample was not statistically valid.

Identification as a repeat finding, if applicable – Is a repeat finding (2022-006)

Recommendation – we recommend an individual with knowledge of the federal program review expenditures charged to the federal program and ensure all transactions are supported by documentation evidencing the nature and business purpose of each expenditure.

Views of responsible officials and planned corrective actions – See separate auditee document for planned corrective action.

Reference Number	Finding
2023-005	**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 – Health centers must comply with federal reporting requirements.

Condition – The Organization did not accurately complete its Federal Financial Report, and the Organization did not have data to support certain line items reported on the Uniform Data System (UDS) report filed. The Federal Financial Report was submitted with incorrect data for lines 10j and 10n. Within Table 8A of the UDS report, the amounts reported within line 17 column C, line 1, column C, and line 3, column C, were not supportable by underlying data.

Cause – There was a lack of detailed review of the Federal Financial Report by someone with knowledge of the reporting requirements, and internal controls were not in place to ensure proper supporting documentation was retained along with the submitted Uniform Data System report.

Effect or potential effect – Inaccurate filing of reports may result in the federal program not being properly monitored, thus resulting in potential noncompliance with program requirements.

Questioned costs – None

Context – Out of a total of 2 financial reports required to be submitted during the year under audit, 1 financial report was tested. Only 1 special report was required to be submitted during the year under audit (UDS).

Identification as a repeat finding, if applicable – Not a repeat finding.

Recommendation – We recommend management implement an additional level of review by someone with knowledge of the reporting requirements.

Views of responsible officials and planned corrective actions – See separate auditee document for planned corrective action.

Reference Number	Finding
2023-006	**Information on the federal program** – Assistance Listing Number 10.557, Special Supplemental Nutrition Program for Women, Infants, and Children, Department of Agriculture; Assistance Listing Number 93.676, Unaccompanied Alien Children Program, Department of Health and Human Services; Assistance Listing Number 93.870, Maternal, Infant and Early Childhood Home Visiting Grant Program, Department of Health and Human Services

Criteria or specific requirement – As stated in 2 CFR §200.303, the non-federal entity (*i.e.*, the Organization) must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations and terms and conditions of the federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or in the "Internal Control Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

According to 2 CFR §200.414 Subpart F, Appendix IV, Section C.2.f, the provisional and final rates must be negotiated where neither predetermined nor fixed rates are appropriate. Predetermined or fixed rates may replace provisional rates at any time prior to the close of the organization's fiscal year. If that event does not occur, a final rate will be established and upward or downward adjustments will be made based on the actual allowable costs incurred for the period involved.

Condition – During our review of the Organization's indirect cost rate calculation, we were unable to be provided with a true-up of actual indirect costs based on the final rates versus the provisional rates used by the Organization.

Cause – The Organization did not have internal controls in place to ensure that the provisional rate utilized was in line with actual allowable costs incurred for the period involved.

Effect or potential effect – Total indirect costs charged by the Organization may not be in line with the final rates determined by the oversight agency.

Questioned costs – None

Context – 3 out of 4 major programs tested did not have calculated indirect cost rates that agreed with their respective agreements.

Identification as a repeat finding, if applicable – Is a repeat finding (2022-008)

Recommendation – We recommend the Organization establish an internal control procedure to ensure that indirect costs charged to the federal program using the provisional rate are appropriately adjusted, if necessary, based on actual costs incurred. We recommend that on an annual basis, the Organization obtain an updated Nonprofit Rate Agreement from the federal government that shows final approved rates based on actual costs.

Views of responsible officials and planned corrective actions – See separate auditee document for planned corrective action.

Reference Number	Finding
2023-007	**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 – Activities Allowed/Unallowed and Cost Principles; As stated in 2 CFR §200.303, the non-federal entity (*i.e.*, the Organization) must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and terms and conditions of the federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or in the "Internal Control Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition – The Organization was unable to provide evidence of approval for 8 expenditures charged to the federal program.

Cause – The Organization did not consistently follow the internal control policies and procedures that it has in place to ensure each expenditure was properly approved.

Effect or potential effect – There is a risk of misappropriation or charging unallowable expenditures to the program, resulting in actual and/or potential questioned costs.

Questioned costs – None

Context – Out of a population of 483 direct costs, a sample of 25 expenditures were selected for testing, and 8 did not have evidence of approval. The sample was not statistically valid.

Identification as a repeat finding, if applicable – Not a repeat finding

Recommendation – We recommend an individual with knowledge of the federal program review expenditures charged to the federal program and ensure all transactions are supported by documentation evidencing the nature and business purpose of each expenditure.

Views of responsible officials and planned corrective actions – See separate auditee document for planned corrective action.

Reference Number	Finding
2023-008	**Information on the federal program** – All federal programs

Criteria or specific requirement – As stated in 2 CFR §200.303, the non-federal entity (*i.e.*, the Center) must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations and terms and conditions of the federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or in the "Internal Control Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

According to 2 CFR §200.214, the non-federal entity is subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180. The regulations in 2 CFR part 180 restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in federal assistance programs or activities.

Condition – During the 2022 audit, the predecessor auditor noted several cases in which the Organization did not perform, or did not maintain proper support to demonstrate that it performed checks via SAM.gov to ensure that potential vendors, contractors, or consultants are suspended or debarred. The failure to screen such parties increases the possibility that U.S. Government funds may inadvertently be provided to individuals or organizations deemed to be excluded by the U.S. Government. The matter has not been resolved in 2023.

Cause – Management did not have effective internal controls in place to ensure that suspension and debarment was being performed prior to entering into contracts with vendors or contractors/consultants.

Effect or potential effect – The Organization is exposed to an increased risk that future noncompliance could occur by entering into transactions with vendors, contractors, or consultants that are suspended and debarred.

Questioned costs – None

Context – The Organization failed to perform and/or properly document its due diligence with respect to these requirements. The issue is considered systemic in nature.

Identification as a repeat finding, if applicable – Is a repeat finding (2022-010)

Recommendation – We recommend the Organization implement internal controls to ensure that all vendors, contractors, and consultants are screened for suspension and debarment prior to entering into any executed contract. We further recommend that a policy be formalized and implemented that requires an annual screening of any current vendors, contractors, or consultants as well.

Views of responsible officials and planned corrective actions – See separate auditee document for planned corrective action.

Reference Number	Finding
2023-009	**Information on the federal program** – All federal programs

Criteria or specific requirement – According to 2 CFR §200.303, the non-federal entity must: (a) Establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with guidance in *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States or the *internal Control Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Additionally, according to 2 CFR §200.318 Procurement standards, the non-federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Title 2, Subtitle A Chapter II Part 200 Subpart D 200.319 Procurement Standards. All procurement transactions for the acquisition of property or services required under a federal award must be conducted in a manner providing full and open competition consistent with the standards of this section and §200.320. The non-federal entity must have written procedures for procurement transactions. These procedures must ensure that all solicitations: (1) Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description must not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product, or service to be procured and, when necessary, must set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Noncompetitive procurements can only be awarded in accordance with §200.320(c).

According to 2 CFR §200.320 Procurement Standards, there are specific circumstances in which noncompetitive procurement can be used. Noncompetitive procurement can only be awarded if one or more of the following circumstances apply:

1. The acquisition of property or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (see paragraph (a)(1) of this section);

2. The item is available only from a single source;

3. The public exigency or emergency for the requirement will not permit a delay resulting from publicizing a competitive solicitation;

4. The federal awarding agency or pass-through entity expressly authorizes a noncompetitive procurement in response to a written request from the non-federal entity; or

5. After solicitation of a number of sources, competition is determined inadequate.

Reference Number	Finding
2023-009 (Continued)	**Condition** – During the 2022 audit, the predecessor auditor determined that the Organization did not clearly document the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. In addition, for noncompetitive procurements, there was no documentation to support which of the five criteria was met to allow for the noncompetitive procurement. The matter has not been resolved in 2023. **Cause** – Management did not have effective internal controls in place to ensure that procurement requirements were adequately documented and retained. **Effect or potential effect** – Procurement records were insufficient to meet the requirements noted in the Criteria section above, as well as the Organization's internal procurement policy. **Questioned costs** – None **Context** – The predecessor auditor noted that several items selected for testing did not document the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. In addition, the predecessor auditor noted that several items selected for testing for noncompetitive procurements did not maintain documentation of which of the five criteria were met to allow for the noncompetitive procurement. **Identification as a repeat finding, if applicable** – Is a repeat finding (2022-007) **Recommendation** – We recommend the Organization retain sufficient procurement documentation to meet the requirements noted in the Criteria section above. **Views of responsible officials and planned corrective actions** – See separate auditee document for planned corrective action.

Mary's Center for Maternal and Child Care, Inc.
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2023

Reference Number	Summary of Finding	Status
2022-001	**Reconciliation of Asset and Liability Accounts / Delay in Process** – The Organization did not consistently follow the internal control policies in place to ensure timely and accurate reconciliation of certain asset and liability accounts. This led to audit delays and adjustments.	Unresolved – see 2023-001
2022-002	**Material Audit Adjustments** – Adoption of ASU 2019-01 – *Leases* – the Organization's trial balance originally presented lacked the required adoption of ASU 2019-01, *Leases.*	Resolved
2022-003	**Qualified Opinion on Financial Statements due to Grants Receivable and Refundable Advances Balances** – For the year ended December 31, 2022, the Organization's finance team was unable to properly reconcile the balances over grants receivable and refundable advances.	Resolved
2022-004	**Schedule of expenditures of federal awards** – During the audit, it was noted that a few federal programs that had expired in prior years were inadvertently included in the SEFA by error due to failure of reallocating expenditures to the proper federal programs. Additionally, certain federal awards were omitted in the original SEFA presented for audit.	Unresolved – see 2023-003
2022-005	**Reporting** – During the audit, it was noted that certain programmatic reports were not submitted within the deadlines outlined in the grant agreements. It was also noted that the Organization did not have evidence that certain programmatic reports were submitted in accordance with specific grant terms.	Unresolved – not considered a Uniform Guidance finding
2022-006	**Supporting Documentation (Allowable Costs)** – During the audit, it was noted that one cash disbursement was not supported with corroborating documentation.	Unresolved – see 2023-004
2022-007	**Procurement** – During the audit, it was noted that the Organization did not clearly document the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Further, there was no documentation to support which of the five criteria was met to allow for the noncompetitive procurement.	Unresolved – see 2023-009
2022-008	**Indirect Cost Rate Calculation** – During the review of the Organization's indirect cost rate calculation, there was no evidence that a true-up calculation of actual indirect costs was performed in order to compare the provisional and final rates.	Unresolved – see 2023-006

Reference Number	Summary of Finding	Status
2022-009	**Late Submissions of Data Collection Forms** – The Data Collection Forms for each of the years ended December 31, 2022 and 2021 were not timely filed in accordance with the requirements under Uniform Guidance.	Unresolved – not considered a Uniform Guidance finding
2022-010	**Suspension and Debarment** – Management did not have effective internal controls in place to ensure that suspension and debarment was being performed prior to entering into contracts with vendors or contractors/consultants.	Unresolved – see 2023-008