OFFICE OF THE
INSPECTOR GENERAL
DISTRICT OF COLUMBIA GOVERNMENT

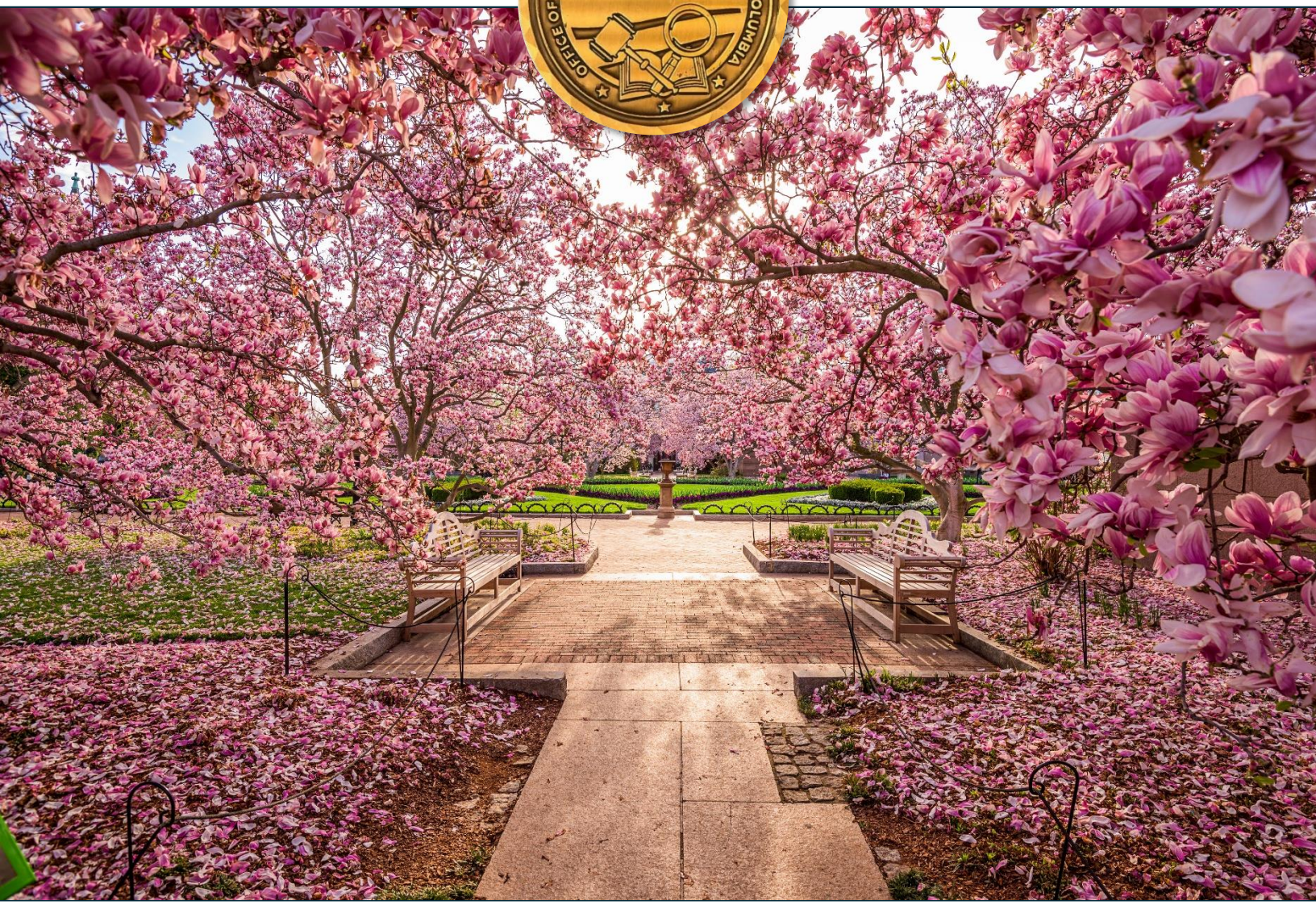
AUDIT REPORT

Not-for-Profit Hospital Corporation

Annual Financial Statements and Independent Auditor's Reports for Fiscal Year 2025

OIG No. 25-1-08HW

January 30, 2026



DANIEL W. LUCAS
INSPECTOR GENERAL

OUR MISSION

We independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

- prevent and detect corruption, mismanagement, waste, fraud, and abuse;
- promote economy, efficiency, effectiveness, and accountability;
- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.

OUR VISION

We strive to be a world-class Office of the Inspector General that is customer focused and sets the standard for oversight excellence!

OUR VALUES

Accountability: We recognize that our duty extends beyond oversight; it encompasses responsibility. By holding ourselves accountable, we ensure that every action we take contributes to the greater good of the District.

Continuous Improvement: We view challenges not as obstacles, but as opportunities for growth. Our commitment to continuous improvement drives us to evolve, adapt, and enhance our practices.

Excellence: Mediocrity has no place in our lexicon. We strive for excellence in every facet of our work.

Integrity: Our integrity is non-negotiable. We act with honesty, transparency, and unwavering ethics. Upholding the public's trust demands nothing less.

Professionalism: As stewards of oversight, we maintain the utmost professionalism. Our interactions, decisions, and conduct exemplify the dignity of our role.

Transparency: Sunlight is our ally. Transparency illuminates our processes, decisions, and outcomes. By sharing information openly, we empower stakeholders, promote understanding, and reinforce our commitment to accountability.

MEMORANDUM

To: The Honorable Muriel Bowser
Mayor of the District of Columbia

The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

From: Daniel W. Lucas
Inspector General

Date: January 30, 2026

Subject: **Not-for-Profit Hospital Corporation Annual Financial Statements | OIG No. 25-1-08HW**

This memorandum transmits the final *Not-for-Profit Hospital Corporation Financial Statements and Independent Auditor's Reports* for fiscal year 2025. CliftonLarsonAllen LLP (CLA) conducted the audit and submitted these reports as part of our overall contract for the audit of the District of Columbia's general-purpose financial statements for fiscal year 2025.

On January 5, 2026, CLA issued its opinion and concluded that the financial statements are presented fairly in all material respects, in accordance with accounting principles generally accepted in the United States of America. CLA found no material weaknesses in internal control over financial reporting.

Should you have questions or concerns, please contact me or Dr. Slemo Warigon, Assistant Inspector General for Audits, at (202) 792-5684.

NOT-FOR-PROFIT HOSPITAL CORPORATION
UNITED MEDICAL CENTER
(A Blended Component Unit of the District of Columbia)

Financial Statements
(With Independent Auditor's Report)

September 30, 2025 and 2024

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

To the Mayor, Members of the Council of the Government of the District of Columbia, the Executive Director, and the Executive Board of the District of Columbia Not-for-Profit Hospital Corporation and Inspector General of the Government of the District of Columbia
Washington, D.C.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the District of Columbia Not-for-Profit Hospital Corporation, commonly known as United Medical Center ("the Medical Center"), a component unit of the Government of the District of Columbia, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Medical Center as of September 30, 2025, and the respective changes in its financial position and, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Medical Center 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.

Other Matter – Prior Year Financial Statements Audited by Another Auditor

The financial statements of the Medical Center as of September 30, 2024 were audited by another auditor, whose report dated January 3, 2025 expressed an unmodified opinion on those statements.

Emphasis of Matter

As discussed in Note 14, the Medical Center ceased all patient services and operations as of April 2025 and dissolved on September 30, 2025. As discussed in Note 15, any remaining assets, liabilities, and net position were transferred to the District of Columbia on October 1, 2025. Our opinion is not modified with respect to this matter.

To the Mayor, Members of the Council of the Government of the
District of Columbia, the Executive Director, and the Executive Board of
the District of Columbia Not-for-Profit Hospital Corporation and
Inspector General of the Government of the District of Columbia
District of Columbia Not-for-Profit Hospital Corporation

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Medical Center's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. 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 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 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 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 Medical Center'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Medical Center's ability to continue as a going concern for a reasonable period of time.

To the Mayor, Members of the Council of the Government of the
District of Columbia, the Executive Director, and the Executive Board of
the District of Columbia Not-for-Profit Hospital Corporation and
Inspector General of the Government of the District of Columbia
District of Columbia Not-for-Profit Hospital Corporation

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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the cover page, the mission, vision, values and the Medical Center annual financial statements memorandum (collectively, the other information) but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2026, on our consideration of the Medical Center'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 Medical Center'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 Medical Center's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Arlington, Virginia
January 5, 2026

NOT-FOR-PROFIT HOSPITAL CORPORATION
UNITED MEDICAL CENTER
(A Blended Component Unit of the District of Columbia)

Management's Discussion and Analysis
September 30, 2025 and 2024

Overview of the Financial Statements

The following is a discussion and analysis of Not-for-Profit Hospital Corporation's, commonly known as United Medical Center (the Medical Center), financial performance for the fiscal years ended September 30, 2025, and 2024, with 2023 included for comparative purposes. The fiscal year 2025 data is based on clinical activities through April 15, 2025 as compared to prior years which were for activities through September 30, 2024 and 2023 respectively. We encourage readers to consider the information presented here in conjunction with additional information furnished in our financial statements, including the accompanying notes to the basic financial statements, which begin on page 19. All amounts are reported in whole dollars unless otherwise stated.

Management's discussion and analysis (MD&A) is intended to serve as an introduction to the Medical Center's basic financial statements. The Medical Center's financial statements consist of three statements: Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows. These financial statements and related notes provide information about the activities of the Medical Center, including resources held by the Medical Center but restricted for specific purposes by contributors, grantors, or enabling legislation.

1. ***Statements of Net Position***

   The Statement of Net Position is designed to present information on all of the Medical Center's assets and liabilities. The difference between assets and liabilities is reported as net position. The Statements of Net Position also provide the basis for evaluating the capital structure of the Medical Center and assessing its liquidity and financial flexibility. Over time, an increase or decrease in the Medical Center's net position is one indicator of whether its financial health is improving or deteriorating. It is recommended that one considers additional nonfinancial factors, such as changes in the Medical Center's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall financial health of the Medical Center.

2. ***Statements of Revenues, Expenses and Changes in Net Position***

   The Statement of Revenues, Expenses and Changes in Net Position presents changes to the Medical Center's net position during the most recent period. This statement measures the success of the Medical Center's operations during the years ended September 30, 2025 and 2024, and can be used to assess profitability and creditworthiness. Activities are reported as either operating or non-operating. Operating revenues are generally earned by providing goods or services to various patients and related parties. Operating expenses are incurred to acquire or procure the goods and services to carry out the Medical Center's mission. Non-operating revenues and expenses result from activities other than providing goods and services related to patient care. All changes in net position are reported as soon as the underlying events giving rise to the change occurred, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will result in cash flows only in future fiscal periods (e.g., uncollected patient receivables and earned but unused vacation leave). The utilization of capital assets is reflected in the Statement of Revenues, Expenses, and Changes in Net Position as depreciation and amortization expense, which depreciates or amortizes the cost of a long-lived asset over its expected useful life.

3. Statements of Cash Flows

The final required statement is the Statement of Cash Flows. The Statements of Cash Flows report cash receipts, cash payments, and net changes in cash resulting from operating, noncapital financing, and capital and related financing activities. The Statements of Cash Flows describe the sources of cash, for what the cash was used, and the change in cash balance during the reporting period. The Statements of Cash Flows aid in the assessment of the Medical Center's ability to generate future net cash flows and to meet obligations and commitments as they come due. The primary source of operating cash flows was service revenues received from patients and their public and private insurance providers. Uses of these cash sources include payments as wages and fringe benefits to employees and payments to suppliers and contractors for goods and services procured by the Medical Center.

4. Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a complete understanding of the data provided in the basic financial statements.

Fiscal Year 2025 Financial Highlights

- The Medical Center's total assets exceed its total liabilities as of September 30, 2025 and 2024, by $3.9 million and $51.0 million, respectively.
- The Medical Center's net patient revenue was for only seven (7) months of operations due to the closure of the hospital and decreased by $60.4 million or 73% in fiscal year 2025.
- The Medical Center's change in net position was ($47.1) million for the year ended September 30, 2025 due to the closure of the hospital and ($8.1) million for 2024.
- The Medical Center's operating loss includes $6.8 million and $8.8 million of depreciation and amortization expense for the years ended September 30, 2025 and 2024, respectively.
- The Medical Center received grants and subsidies from the District of Columbia (the District) in fiscal years 2025 and 2024 as follows:
    - During fiscal year 2025, a District grant of $26.0 million was for continued operating support, with no subsidy for capital related costs.
    - During fiscal year 2024, a District grant of $22.0 million was for continued operating support, with no subsidy for capital related costs.
- The Medical Center's total liabilities decreased from $18.8 million to $9.4 million for the fiscal 2025.
- The Medical Center's net working capital (current assets minus current liabilities) decreased from $22.4 million to $12.5 million during fiscal year 2025.

Fiscal Year 2024 Financial Highlights

- The Medical Center's total assets exceed its liabilities as of September 30, 2024 and 2023, by $51.0 million and $59.1 million, respectively.
- The Medical Center's net patient revenue improved by $1.8 million or 2.2% in fiscal year 2024 due to improvements in collections efforts.

- The Medical Center's change in net position was ($8.1) million and ($9.2) million for the years ended September 30, 2024 and 2023, respectively. The negative change in net position was primarily due to a $2.9 million decrease in disproportionate share transfers, increasing contract labor and utilities rates, and a $1.1 million IRS penalty.
- The Medical Center's operating loss includes $8.8 million and $10.8 million of depreciation and amortization expense for the years ended September 30, 2024 and 2023, respectively.
- The Medical Center received $22.0 million of grants and subsidies from the District of Columbia (the District) in fiscal years 2024 and 2023.
    - During fiscal year 2024, a District grant of $22.0 million was for continued operating support, with no subsidy for capital related costs.
    - During fiscal year 2023, a District grant of $22.0 million was for continued operating support, with no subsidy for capital related costs.

- The Medical Center's total liabilities decreased from $28.4 million to $18.8 million during fiscal year 2024.
- The Medical Center's net working capital (current assets minus current liabilities) decreased from $27.8 million to $22.4 million during fiscal year 2024.

Financial Analysis of the Medical Center as a Whole

The statement of net position provides the perspective of the Medical Center as a whole. The table below provides a summary of the Medical Center's total assets, liabilities and net position as of September 30, 2025, 2024, and 2023:

Condensed Statements of Net Position

	2025	2024	2023
Assets:			
Current assets	**$ 13,602,594**	$ 36,640,594	$ 46,211,252
Non-current assets:			
Capital assets, net	**-**	33,089,728	41,280,901
Total non-current assets	**-**	33,089,728	41,280,901
Total assets	**13,602,594**	69,730,322	87,492,153
Liabilities:			
Current liabilities	**739,653**	14,239,561	18,397,758
Non-current liabilities	**8,971,961**	4,524,236	10,008,973
Total liabilities	**9,711,614**	18,763,797	28,406,731
Net Position:			
Net investment in capital assets	**-**	33,089,728	41,280,901
Restricted for capital projects	**-**	5,701,408	6,058,014
Unrestricted	**3,890,980**	12,175,389	11,746,507
Total net position	**$ 3,890,980**	$ 50,966,525	$ 59,085,422

2025 – The net position, over a period of time, can serve as a useful indicator of an organization's financial position. As of September 30, 2025 and 2024, the Medical Center's assets exceeded liabilities by $3.9 million and $51.0 million, respectively.

As of September 30, 2025 and 2024, capital assets represent 0.0% and 47.5% of total assets, respectively. Net capital assets (land and buildings and building improvements) totaling $27.4 million as of September 30, 2025 were transferred to the District pursuant to Code § 44–951.19 (c). Capital assets include land, land improvements, buildings and improvements, equipment and software. Net capital assets declined by $33.1 million in fiscal year 2025, primarily due to the transfer of the Medical Center's assets to the District and annual depreciation and amortization expenses totaling $6.8 million - representing a $3.1 million decrease from the prior year. The Medical Center uses these capital assets to provide medical care to citizens of the District Wards 7 and 8 and the adjoining Prince Georges County, Maryland.

The largest portion of the Medical Center's assets is current assets, which is mostly comprised of cash of $4.2 million and net patient receivables of $8.6 million culminating from subsequent Payor activities. As of September 30, 2025 and 2024, current assets represented 100.0% and 52.5%, respectively of total assets. Total current assets decreased by $23.4 million mainly due to lower cash receipts and payments made to suppliers and contractors.

Current liabilities represent 7.9% and 75.9% of the Medical Center's total liabilities as of September 30, 2025 and 2024, respectively. Current liabilities decreased by $13.5 million or 94.8% as of September 30, 2025 compared to the balance as of September 30, 2024. The change in current liabilities was primarily due to a decrease in various vendor contracts and expenses.

The following table reflects the change in net position for the years ended September 30, 2025 and 2024:

Changes in Net Position

Balance as of September 30, 2023	$ 59,085,422
Decrease in net position	(8,118,897)
Balance as of September 30, 2024	50,966,525
Decrease in net position	(47,075,545)
Balance as of September 30, 2025	**$ 3,890,980**

2024 – As of September 30, 2024 and 2023, the Medical Center's assets exceeded liabilities by $51.0 million and $59.1 million, respectively.

As of September 30, 2024 and 2023, capital assets represent 47.5% and 47.2% of total assets, respectively. Capital assets include land, land improvements, buildings and improvements, equipment, software, right-to-use lease assets, and construction in progress. Net capital assets decreased by $8.2 million during the fiscal year 2024. The Medical Center's annual depreciation and amortization was $8.8 million in fiscal year 2024, a decrease of $2.0 million from the previous year. The Medical Center uses these capital assets to

provide medical care to citizens of the District Wards 7 and 8 and the adjoining Prince Georges County, Maryland.

The largest portion of the Medical Center's assets is current assets, which is mostly comprised of cash and net patient receivables. As of September 30, 2024 and 2023, current assets represented 52.5% and 52.8%, respectively of total assets. Total current assets decreased by $9.6 million. The decrease was mainly due to lower disproportionate share cash receipts in fiscal year 2024.

Current liabilities represent 75.9% and 64.8% of the Medical Center's total liabilities as of September 30, 2024 and 2023, respectively. Current liabilities decreased by $4.2 million or 22.6% as of September 30, 2024 compared to the balance as of September 30, 2023. The change in current liabilities was primarily due to a decrease in various vendor contracts and expenses.

The following table reflects the revenues, expenses and change in net position for the years ended September 30, 2025, 2024 and 2023:

Condensed Schedule of Revenues, Expenses, and Changes in Net Position

	2025	2024	2023
Revenues:			
Operating revenues:			
Net patient service revenue	**$ 21,951,007**	$ 82,375,631	$ 80,619,208
Disproportionate share revenues	**374,586**	6,778,823	9,669,144
Other operating revenues	**27,675,676**	26,552,919	26,230,537
Total operating revenues	**50,001,269**	115,707,373	116,518,889
Expenses:			
Operating expenses:			
Salaries and benefits	**30,710,057**	53,879,688	53,517,437
Supplies	**5,482,650**	9,307,915	10,682,323
Depreciation and amortization	**6,847,721**	8,849,053	10,800,110
Other expense	**27,794,380**	51,789,614	50,713,179
Total operating expenses	**70,834,808**	123,826,270	125,713,049
Net Operating Loss before transfer	**(20,833,539)**	(8,118,897)	(9,194,160)
Transfer of Capital Assets	**(26,242,006)**	-	-
Change in net position	**(47,075,545)**	(8,118,897)	(9,194,160)
Net position, beginning of period	**50,966,525**	59,085,422	68,279,582
Net position, end of period	**$ 3,890,980**	$ 50,966,525	$ 59,085,422

2025 – The Medical Center's total operating revenues were $50.0 million and $115.7 million for the years ended September 30, 2025 and 2024. Revenues from patient care services represent 43.9% and 71.2% of total operating revenues, respectively. The Medical Center receives approximately 85.0% of its patient service revenue from governmental payors (primarily Medicare and Medicaid) and the remainder from various other nongovernmental payors.

Net patient service revenue, net of provision for bad debt, decreased in fiscal year 2025 compared to the prior fiscal year due to only seven (7) months of clinical operations and reduced services.

The Medical Center's total costs were $69.7 million and $123.8 million for the years ended September 30, 2025 and 2024, a decrease of $54.1 million. The difference was attributed to a shorter period of clinical operations.

2024 – The Medical Center's total operating revenues were $115.7 million and $116.5 million for the years ended September 30, 2024 and 2023. Revenues from patient care services represent 71.2% and 69.2% of total operating revenues, respectively. The Medical Center receives approximately 82.8% of its patient service revenue from governmental payors (primarily Medicare and Medicaid) and the remainder from various other nongovernmental payors.

Net patient service revenue, net of provision for bad debt, increased in fiscal year 2024 compared to the prior fiscal year due to higher case mix and improved collections efforts.

The Medical Center's total costs were $123.8 million and $125.7 million for the years ended September 30, 2024 and 2023, a decrease of $1.9 million. The difference was attributed to an overall reduction in variable expenses, primarily lower professional fees and purchased services.

Capital and Debt Administration

Capital Assets

The Medical Center's capital assets as of September 30, 2025, 2024 and 2023 amount to $0.0 million, $33.1 million and $41.3 million (net of accumulated depreciation and amortization), respectively. This investment in capital assets includes land, land improvements, buildings and improvements, equipment, software, and construction in progress. The following table summarizes the Medical Center's capital assets net of accumulated depreciation and amortization as of September 30, 2025, 2024, and 2023, respectively:

	2025	2024	2023
Asset Category:			
Land	**$ -**	$ 8,100,000	$ 8,100,000
Land improvements, net	**-**	183,062	206,243
Buildings and improvements, net	**-**	21,856,660	28,556,406
Equipment, net	**-**	2,717,016	3,682,538
Software, net	**-**	232,990	735,714
Capital assets, net	**$ -**	$ 33,089,728	$ 41,280,901

See notes 1 and 4 to the basic financial statements for additional disclosure on capital assets.

Long-term Liabilities

As of September 30, 2025, 2024 and 2023, the Medical Center had total long-term liabilities outstanding of $8.6 million, $4.5 million, and $10.0 million, respectively. The following table summarizes the Medical

Center's long-term debt, which is presented in more detail in Note 5 of the basic financial statements:

	2025	2024	2023
Estimated third party settlements	**$ -**	$ 812,748	$ 4,006,072
Other liabilities	**8,971,961**	3,711,488	6,002,901
Total noncurrent liabilities	**$ 8,971,961**	$ 4,524,236	$ 10,008,973

Economic Factors

- ***Health Resources & Services Administration (HRSA) Provider Relief Fund (PRF) Reporting*** – HRSA required all providers that received stimulus payments to report information through the Provider Relief Funding Reporting Portal. The information reported in the portal was for payments received April 10, 2020 to June 30, 2020 with a deadline to use the funds by June 30, 2021 and reporting deadline of September 30, 2021. This deadline was later extended to November 30, 2021. The Medical Center had to report for a total of $18.6 million dollars of payments received and all payments received were used and the reporting was completed for reporting period 1 prior to November 30, 2021.

  The Medical Center completed the requirement for reporting period 2 for the total of $8.5 million within the reporting time of January 1, 2022 to March 31, 2022.

  The Medical Center completed the requirement for reporting period 5 for the total of $507 thousand within the reporting period of July 1, 2023 to September 30, 2023.
  The Medical Center has reported for all mandatory reporting periods and were not required to report in period 6 or 7. The Medical Center is compliant with all HRSA reporting requirements.

- ***Fiscal Management Board*** – In 2020 a legislation to cap District Subsidy for the Medical Center went into effect which require that if an operating subsidy in excess of the current $15M statutory limit the legal authority of the Corporation's Board of Directors has expired and a Fiscal Management Board would govern the Corporation. In May 2021 an additional subsidy of $25M was needed and the Fiscal Management Board was put into place. The board now consists of The Chief Financial Officer of the District of Columbia, or designee, who serves as the chair; The Deputy Mayor of Health and Human Services, or designee; A citizen member of ward 7 or 8; A citizen member appointed by Mayor who has experience serving as the City Administrator of the District of Columbia; An individual with expertise in hospital management or finance appointed by the Mayor; and One representative from each of the two unions maintaining the largest collective bargaining units.

- ***Pricing Transparency*** – The Centers for Medicare & Medicaid Services' (CMS) fiscal year 2019 Inpatient Prospective Payment System (IPPS) final rule, instituted new price transparency requirements for all hospitals. Effective January 1, 2019, hospitals must make available to the public a listing of their standard charges via the internet. Additionally, IPPS hospitals must also post their standard charge for each Diagnostic Related Group (DRG). The hospital successfully met this requirement on December 23, 2018 by posting the Medical Center's Charge Master to its website as well as to the CMS website.

  Effective January 1, 2021, hospitals were required to meet further requirements of posting a comprehensive machine-readable file with all items and services and display a list of 300 shoppable services of which 70 were provided by CMS and 270 are the choice of the hospital in a consumer-friendly format. If this deadline was not achieved CMS would impose a $300/day penalty. The Medical Center completed this requirement and all files were listed on the website by the effective date.

  A letter was received in October 2021 from the District of Columbia Office of the Attorney General regarding the compliance of the CMS requirement. The Medical Center responded that we were in compliance of meeting all requirements.

Updated information was posted to the Medical Center website in December to meet the 2022 requirement and the Medical Center met the requirement. We will continue to meet requirements of CMS.

On April 14, 2023, the Medical Center received a notice from CMS regarding non-compliance with the price transparency regulations. A response was sent to CMS on May 19, 2023 to address the concerns listed in the letter. Another letter was received on August 16, 2023 addressing non-compliance and requested a corrective action plan be completed. The corrective action plan was submitted on August 29, 2023 and the stated corrections were made. No further letters have been received.

The Medical Center posted updated information to the website to meet the 2024 and 2025 requirements and the Medical Center met the required requirements and will continue to meet all CMS requirements.

- ***Surprise Billing*** – The No Surprises Act, passed by Congress, states that a patient should not be receiving an unexpected bill from a health care provider or facility which would be considered a surprise bill. Also, patients have the right to receive a good faith estimate at least one business day before their medical service or item. If a patient receives a bill that is at least $400 more than the good faith estimate, they can dispute the bill within 120 days. Under the law, healthcare providers need to give patients who do not have insurance or who are not using insurance an estimate of the bill for medical items and services.

  The Medical Center went live with the price estimator tool on May 15, 2023 meeting all requirements of the No Surprises Act.

  The Medical Center continues to meet the No Surprises Act requirements by continuing to have the price estimator tool available to patients.

- ***The Patient Protection and Affordable Care Act of 2010*** – The uncertainty of the Affordable Care Act (ACA) will continue to have a profound economic impact on the nation's healthcare system. Among the numerous provisions of the Act, those with the greatest effect on the Medical Center include the Medicaid population expansion and the individual mandate, both of which enlarged the Medical Center's insured population and concomitantly shrink its uninsured population; and the decrease of associated Medicare disproportionate share hospital (DSH) payments. However, it is uncertain how future congressional actions may impact the ACA. Other legislation that may impact the Medical Center include Medicare prospective payment system rate changes; and the resurgence in Medicare and Medicaid programs use of Recovery Audit Collectors (RAC) to recover allegedly improper payments.

- ***The American Recovery and Reinvestment Act of 2009*** – The American Recovery and Reinvestment Act of 2009 (ARRA) mandated a reduction to the applicable percentage of increase to the Inpatient Prospective Payment System payment rate for eligible hospitals that are not meaningful Electronic Health Record (EHR) users. The hospital successfully demonstrated meaningful use of Certified EHR Technology during calendar year 2018 through 2025.

- ***Medicare Sequestration*** – On April 1, 2013, a provision of the Budget Control Act of 2011 requiring mandatory across-the-board reductions in Federal spending commenced (commonly referred to as sequestration). The provision included a 2% reduction to Medicare payments made

to healthcare providers, including payments made under the meaningful use incentive program. The payment reduction is effective until 2023.

Due to the COVID-19 Pandemic the 2% reduction to Medicare payments were halted. The Coronavirus Aid, Relief, and Economic Security (CARES) Act suspended the sequestration payment adjustment from May 1 through December 31, 2020. The Consolidated Appropriations Act, 2021, extended the suspension period to March 31, 2021. An Act to Prevent Across-the-Board Direct Spending Cuts, and for Other Purposes, signed into law on April 14, 2021, extended the suspension period to December 31, 2021.

Congress passed legislation on December 9, 2021 that continued to suspend the 2% sequestration reduction through March 31, 2022. This same legislation reduced the sequestration cuts to 1% from April through June 2022. Effective July 2022 the 2% reduction to Medicare payments resumed and has remained in effect.

- ***Pay for Performance*** – The Affordable Care Act mandated programs that affect reimbursement through evaluation of the quality of care and cost of care provided to patients at the federal level; however, there are an increasing number of programs arising from state, including the District Medicaid and private interests. These programs provide incentives (and/or penalties) for reporting performance data and those that provide incentives (and/or penalties) based on benchmarking performance data against other providers regionally and nationally. The pay for performance programs will continue into the future and the Medical Center is aggressively monitoring and enhancing its quality performance programs in an effort to maintain incentive dollars.

- ***Certain Significant Risks and Uncertainties*** – Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. There is a reasonable possibility that estimates could change by material amounts. Management periodically reviews recorded amounts receivable from or payable to third-party payors and may adjust these balances as new information becomes available. In addition, revenue received under certain third-party agreements is subject to audit. Adjustments resulting from such audits and management reviews of unaudited years and open claims are reflected as adjustments to revenue in the year that the adjustment becomes known.

- ***District of Columbia Universal Paid Leave*** – The D.C. Council gave final approval in December 2017, to a plan that would provide private-sector workers paid family and medical leave benefits. The bill, which passed by a veto-proof margin of 9 to 4, guaranteed eight weeks of paid time off to new parents, six weeks to workers caring for ailing family members and two weeks of personal sick time. To pay for it, the District would levy a new 0.62 percent payroll tax on employers small and large to generate $250 million annually, which would be distributed by a new arm of the city government. Under the plan approved by the council, the city would reimburse employees for 90 percent of their first $900 in weekly pay and 50 percent of their remaining weekly pay, with a cap of $1,000 per week. New legislation was introduced in June 2018, *Universal Paid Leave Pay Structure Amendment Act of 2018*, to amend certain provisions of the existing plan.

  Effective July 1, 2020, the District began collecting taxes from employers for the Universal Paid Leave program. The Medical Center is in compliance. The Medical Center paid $192,559 in taxes.

  Effective July 1, 2021, the District began administering the previously mentioned paid family leave benefits of eight weeks to bond with a new child, six weeks to care for a family member with a serious health condition, and two weeks for an employee to care for their own serious health condition.

Effective October 1, 2022, the District began administering the previously mentioned paid family leave benefits of twelve weeks to bond with a new child, twelve weeks to care for a family member with a serious health condition, twelve weeks to care for their own serious health condition and 2 weeks to care for their pregnancy.

Effective July 1, 2024, The District's universal paid leave allows for up to 12 weeks of quality parental leave to bond with a new child, up to 12 weeks of qualifying family leave to care for a sick family member with a serious medical condition, and up to two work weeks of qualifying parental care. the District increased the employer Universal Paid Leave program contribution rate from 0.26 percent to 0.75 percent of eligible wages.

The Medical Center has made payments of $90,955 and $183,357 for fiscal years ended September 30, 2025 and 2024, respectively.

- ***District of Columbia Minimum Wage Increase*** – The "Fair Shot Minimum Wage Amendment Act of 2017" signed into law on June 27, 2018 after unanimous passage by the D.C. Council. Under the new law, the minimum wage will progressively increase to $15.00 per hour on July 1, 2020, then increasing each successive year starting in 2021 in proportion to the increase in the Consumer Price Index (CPI). Beginning July 1, 2020, the minimum wage in the District of Columbia increased from $14.00 per hour to $15.00 per hour for all workers, regardless of size of employer. The Medical Center has adjusted the wages of all eligible employees to reflect this mandate.

  Effective July 1, 2021, the minimum wage in the District of Columbia increased from $15.00 per hour to $15.20 per hour for all workers, regardless of size of employer. The Medical Center has adjusted the wages of all eligible employees to reflect this mandate and will continue to follow any new regulations concerning this matter.

  Effective July 1, 2022, the minimum wage in the District of Columbia increased from $15.20 per hour to $16.10 per hour for all workers, regardless of size of employer. The Medical Center has adjusted the wages of all eligible employees to reflect this mandate and will continue to follow any new regulations concerning this matter. Additionally, the Medical Center adjusted the Uniform Allowance for its employees required to wear special uniforms while on duty from $300.04 per annum paid in arrears in bi-weekly installments of $11.54 to $312.00 per annum or $12.00 in bi-weekly installments based on the minimum wage update.

  Effective July 1, 2023, the minimum wage in the District of Columbia increased from $16.10 per hour to $17.00 per hour for all workers, regardless of the size of the employer. The Medical Center has adjusted wages of all eligible employees to reflect this mandate and will continue to follow any new regulations concerning this matter. There were no adjustments to the Uniform Allowance and remains at $312.00 per annum or $12.00 in bi-weekly installments based on the minimum wage update.

  Effective July 1, 2024, the minimum wage in the District of Columbia increase from $17.00 per hour to $17.50 per hour for all workers, regardless of the size of the employer. The Medical Center has adjusted wages of all eligible employees to reflect this mandate and will continue to follow any new regulations concerning this matter. There were no adjustments to the Uniform Allowance and remains at $312.00 per annum or $12.00 in bi-weekly installments based on the minimum wage update.

District of Columbia Minimum Wage (Continued)

Effective July 1, 2025, the minimum wage in the District of Columbia increased from $17.50 per hour to $17.95 per hour for all workers, regardless of the size of the employer. The Medical Center ceased its clinical operations on April 15, 2025 and terminated most of its staff as of that date. There were no staff on board as of July 1, 2025 who met the requirement for the DC Minimum Wage or the Uniform Allowance adjustments.

- ***Medicaid Disproportionate Share Revenues*** – The Medicaid program pays the Medical Center Disproportionate Share (DSH) payments for servicing certain low income patients. In FY25 The Medical Center received $375 thousand in DSH payments in for FY2020 and $6.8 million in 2024. The Medical Center will no longer receive DSH payments in FY2025 due to the approval of Medicaid directed payments**.**

- ***Medicaid Directed Payments*** – In FY2025 Medicaid will be moving to a directed payment methodology, or state directed payment (SDP). Per District of Columbia code 44-665.05, beginning October 1, 2024 Medicaid managed care organizations are required to make inpatient directed payments to hospitals consistent with the applicable State direct payment preprint approved by the Centers for Medicare and Medicaid Services. This payment method will close the gap between Medicaid managed care payments and the rate paid by commercial payors or the Average Commercial Rate. Payments will be distributed to hospitals based on a uniform percentage increase on their inpatient and outpatient Medicaid managed care payments, tiered based on Medicaid managed care volume.

- ***Joint Commission*** – The Joint Commission survey for FY2023 was successful and the Medical Center received re-accreditation. The Medical Center is accredited and will not have another Joint Commission survey.

- ***Department of Health*** – The Medical Center's license is active and up to date.

- ***Skilled Nursing Facility*** – In October 2020, the Medical Center Board approved the Skilled Nursing Facility's closure for the safety of the residents due to the severity of the COVID-19 pandemic. The residents received placement at other facilities. As of February 21, 2021 the Skilled Nursing Facility was closed and the FY2021 final cost report was filed on July 19, 2021.

- ***Union Negotiations*** – The Medical Center has three unions: District of Columbia Nursing Association (DCNA), United Federation of Special Police and Security Officers (UFSPSO), and 1199 SEIU. All collective bargaining agreements except for DNCA are up to date. All collective bargaining agreements were deemed terminated as of April 15, 2025.

- ***Union Severance Payments*** – Under the respective provisions of the Collective Bargaining Agreements, The Medical Center complied with all severance requirements to the Unions to make severance payments to the union members based on years of service in the event of a reduction in force. Therefore, due to the closure, the Medical Center made a total payment of $2,211,982 to members of the DCNA, SEIU and UFSPO in the amounts of $1,515,391, $639,437 and $57,154 respectively. All collective bargaining agreements were deemed terminated as of April 15, 2025.

- ***Permanent Closure of United Medical Center*** – The District of Columbia finished building and opened the new Cedar Hill Regional Medical Center for Wards 7 and 8 on April 15, 2025 and the United Medical Center ceased all hospital operations the same the day. The dissolution of the

Corporations occurred on September 30, 2025 and all of its real or personal property and all capital assets reverted to the District. All cash balances after all liabilities have been settled will also revert to the District. The office of the Chief Financial Officer is ensuring that the FY2025 year-end audit and all third party audits and reporting for the Not-for-Profit Hospital Corporation are properly carried out.

Requests for Information

This financial report is designed to provide a general overview of the Medical Center's financial activities and to demonstrate the Medical Center's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

The Office of the Chief Financial Officer
1350 Pennsylvania Avenue, NW
Suite 203
Washington, DC 20004
(202) 430-3270

NOT-FOR-PROFIT HOSPITAL CORPORATION
UNITED MEDICAL CENTER
(A Blended Component Unit of the District of Columbia)

Statements of Net Position
September 30, 2025 and 2024

ASSETS	2025	2024
Current assets:		
Cash	**$ 4,246,566**	$ 19,008,483
Patient receivables, net of allowances for estimated uncollectibles	**-**	13,099,000
Inventories	**-**	2,700,858
Estimated settlements from third party payors, net of current portion	**8,971,961**	-
Prepaid expenses and other receivables	**384,067**	1,832,253
Total current assets	**13,602,594**	36,640,594
Capital assets, net	**-**	33,089,728
Total assets	**13,602,594**	69,730,322
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable and accrued expenses	**739,653**	9,760,350
Accrued salaries and benefits	**-**	2,067,291
Other liabilities	**-**	2,411,920
Total current liabilities	**739,653**	14,239,561
Estimated settlements due to third party payors, net of current portion	**-**	812,748
Other long-term liabilities	**8,971,961**	3,711,488
Total noncurrent liabilities	**8,971,961**	4,524,236
Total liabilities	**9,711,614**	18,763,797
Net position:		
Net investment in capital assets	**-**	33,089,728
Restricted for:		
Expendable		
Capital projects	**-**	5,701,408
Unrestricted	**3,890,980**	12,175,389
Total net position	**$ 3,890,980**	$ 50,966,525

NOT-FOR-PROFIT HOSPITAL CORPORATION
UNITED MEDICAL CENTER
(A Blended Component Unit of the District of Columbia)

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended September 30, 2025 and 2024

	2025	2024
Operating revenues:		
Patient service revenue, net of contractual allowance and other adjustments	**$ 28,625,010**	$ 95,469,370
Provision for bad debts	**(6,674,003)**	(13,093,739)
Net patient service revenue, less provision for bad debts	**21,951,007**	82,375,631
Disproportionate share revenues	**374,586**	6,778,823
Grant revenues	**0**	250,367
District Grants	**26,000,000**	22,000,000
Other operating revenues	**1,675,676**	4,302,552
Total operating revenues	**50,001,269**	115,707,373
Operating expenses:		
Salaries and wages	**24,818,738**	41,051,147
Employee benefits	**5,891,319**	12,828,541
Contract labor	**7,502,916**	15,690,086
Supplies	**5,482,650**	9,307,915
Professional fees	**6,715,156**	13,186,835
Purchased services	**6,237,339**	10,821,638
Depreciation and amortization	**6,847,721**	8,849,053
Utilities	**2,071,368**	3,722,157
Insurance	**3,595,929**	4,831,744
Rent and leases	**488,126**	298,874
Repairs and maintenance	**765,575**	1,274,758
Other expenses	**417,971**	1,963,522
Total operating expenses	**70,834,808**	123,826,270
Operating Loss before Transfer	**(20,833,539)**	(8,118,897)
Transfer of Capital Assets	**(26,242,006)**	-
Change in net position	**(47,075,545)**	(8,118,897)
Net position, beginning of year	**50,966,525**	59,085,422
Net position, end of year	**$ 3,890,980**	$ 50,966,525

NOT-FOR-PROFIT HOSPITAL CORPORATION
UNITED MEDICAL CENTER
(A Blended Component Unit of the District of Columbia)

Statements of Cash Flows
For the Years Ended September 30, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Receipts from and on behalf of patients	**$ 25,265,297**	$ 70,690,422
Payments to employees and fringe benefits	**(32,777,348)**	(54,752,812)
Payments to suppliers and contractors	**(44,272,090)**	(65,541,770)
Other receipts and payments, net	**37,022,224**	33,331,741
Net cash used by operating activities	**(14,761,917)**	(16,272,419)
Cash flows from capital and related financing activities:		
Purchase of capital assets	**-**	(657,881)
Net cash used by capital and related financing activities	**-**	(657,881)
Net decrease in cash and cash equivalents	**(14,761,917)**	(16,930,300)
Cash, beginning of year	**19,008,483**	35,938,783
Cash, end of year	**$ 4,246,566**	$ 19,008,483

	2025	2024
Reconciliation of operating loss to net cash used in operating activities:		
Operating Loss	**$ (20,833,539)**	$ (8,118,897)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation and amortization	**6,847,721**	8,849,053
Provision for bad debts	**6,674,003**	13,093,739
Effect of changes in noncash operating assets and liabilities:		
Patient receivables, net	**6,424,997**	(21,585,625)
Inventories	**2,700,858**	1,399,874
Prepaid expenses and other assets	**1,448,186**	(267,629)
Estimated settlements due to/from third party payors	**(9,784,708)**	(3,193,324)
Accounts payable and accrued expenses	**(9,020,697)**	(3,294,878)
Accrued salaries and benefits	**(2,067,291)**	(873,124)
Other liabilities	**2,848,553**	(2,281,608)
Net cash used by operating activities	**$ (14,761,917)**	$ (16,272,419)

NOT-FOR-PROFIT HOSPITAL CORPORATION
UNITED MEDICAL CENTER
(A Blended Component Unit of the District of Columbia)

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Not-For-Profit Hospital Corporation (the Hospital Corporation), commonly known as United Medical Center (the Medical Center) is a 210-bed facility that serves as the primary community healthcare provider to the Southeast area of the District of Columbia (the District). The Medical Center provides inpatient, outpatient, psychiatric, and emergency care services for residents of the District primarily located in Ward 7 and Ward 8.

The Medical Center was created as an independent instrumentality of the District. The District of Columbia built a new hospital, the Cedar Hill Regional Medical Center, for Wards 7 and 8, which was completed and opened for operations on April 15, 2025 on which date the United Medical Center ceased admitting new patients and the Hospital Corporation was dissolved on September 30, 2025. Pursuant to District Code § 44-951.19, all of its real or personal property and all capital assets revert to the District including all other assets, (cash, accounts receivable, reserve funds, and contract and other rights), Additionally, all records including patient and personnel records, and the unexpended balances of appropriations, allocations, and other funds available or to be made available to it, shall also revert to the District after all liabilities have been settled. The Office of the Chief Financial Officer shall ensure that the FY2025 financial audit and all related regulatory audits and reports for the Not-for-Profit Hospital Corporation are properly carried out for all open years.

For financial reporting purposes, the Medical Center is reported as a blended component unit of the District. Consistent with the authoritative guidance of the Governmental Accounting Standards Board (GASB), the Medical Center is a legally separate entity, and the District appoints a voting majority of the Medical Center's board. The Medical Center also depends on financial resources flowing from, or associated with, the District and a related entity, and the District is able to impose its will on the Medical Center. Funds flowing from the District to the Medical Center are subject to changes to the District's laws and appropriations.

In May 2020, the 120-bed Skilled Nursing Facility (SNF) officially ceased operation but did not officially close until February 21, 2021. Net revenues from resident services and operating expenses of the SNF were fully recognized in 2020 and are not included in the financial statements of the Medical Center in 2021.

In October 2020, the Medical Center Board approved the Skilled Nursing Facility's closure for the safety of the residents due to the severity of the COVID-19 pandemic. The residents received placement at other facilities. As of February 21, 2021 the Skilled Nursing Facility was closed and the FY2021 final Medicare cost report was filed on July 19, 2021.

The GASB establishes standards for external financial reporting for all state and local government entities. These standards require a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows. They also require the classification of net position into three components—net investment in capital assets; amounts that are restricted; and amounts that are unrestricted. These classifications are defined as follows:

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Reporting Entity (continued)

Net investment in capital assets – This component consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvements of those assets or related debt are included in this component. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources is included in the same component as the unspent amount.

- Restricted – This component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets may be restricted through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Restricted assets are either expendable or nonexpendable. Nonexpendable assets are those that are required to be retained in perpetuity. It is the policy of the Medical Center to use restricted resources first, followed by unrestricted, when expenses are incurred for purposes for which any of these resources are available. Therefore, the Medical Center considers restricted amounts to have been spent when expenditures are incurred for purposes for which both restricted and unrestricted net position is available.

- Unrestricted – This component is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

The accounting policies and practices of the Medical Center conform to accounting principles generally accepted in the United States of America (US GAAP) applicable to an enterprise fund of a government medical center. The financial statement presentation and significant accounting policies adopted by the Medical Center conform to the general practice within the healthcare industry, as published by the American Institute of Certified Public Accountants in its audit and accounting guide, *Health Care Entities.*

(b) Enterprise Fund Accounting

The Medical Center uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis of accounting using the economic resources measurement focus.

(c) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of capital assets; allowances for doubtful accounts and contractual allowances and other contingencies.

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Cash and Cash Equivalents

The Medical Center considers all highly-liquid, temporary investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents include amounts invested in accounts with depository institutions which are readily converted to cash. Total deposits maintained at these institutions at times exceed the amount insured by federal agencies and therefore, bear a risk of loss. The Medical Center has not experienced such losses on these funds. The Medical Center held no investments in cash equivalents on September 30, 2025 and September 30, 2024.

(e) Inventories

Inventories, which primarily consist of medical supplies and pharmaceuticals, are valued at the lower of cost or market with cost determined generally on the first-in-first-out basis.

(f) Revenue Recognition

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Under the terms of various agreements, regulations, and statutes, certain elements of third-party reimbursement are subject to negotiation, audit, and/or final determination by the third-party payors. As a result, there is at least a possibility that recorded estimates could change in the near term. Variances between preliminary estimates of net patient service revenue and final third-party settlements are included in net patient service revenue in the year in which the settlement or change in estimate occurs.

Patient accounts receivable are recorded net of estimated contractual allowances and amounts estimated to be uncollectible. The total estimated allowance for contractual and doubtful accounts as of 2025 and 2024 was approximately $105.0 million and $96.2 million, respectively.

The Medical Center receives subsidies from the District to support general operations and for capital asset acquisitions. Capital contributions are recorded when made by the District, in the accompanying statements of revenues, expenses, and changes in net position. These amounts are recognized as revenues when related expenses are incurred and are recorded in District grants revenues in the accompanying statements of revenues, expenses, and changes in net position.

(g) Disproportionate Share Hospital Revenues

Disproportionate Share Hospital Revenue (DSH) is funding received by the Medical Center for the treatment of indigent patients. DSH revenue is recognized as operating revenue in the year to which it is applied. The Medical Center recognized approximately $375 thousand and $6.8 million in Medicaid DSH revenues for the years ended September 30, 2025 and 2024, respectively.

(h) Fair Value of Financial Instruments

The carrying amounts of the Medical Center's financial instruments that include cash equivalents, patient receivables, and accounts payable, as reported in the accompanying statements of net position, approximate their fair value.

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Capital Assets

The Medical Center defines capital assets as classes of assets with an initial aggregate cost of more than $5,000 and estimated useful lives in excess of one year. Land, land improvements, buildings and improvements, equipment, and software are stated at cost at the date of acquisition, estimated historical cost (if actual cost records are not available) or acquisition value at the date of donation. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts, and any remaining gain or loss is charged to operations. Repairs and maintenance are charged to expense when incurred. Capital assets are depreciated or amortized using the straight-line method over the estimated useful lives of the assets.

All capital assets other than land and construction in progress are depreciated or amortized utilizing the straight-line method of depreciation over the following estimated useful lives of the assets:

Land improvements	5-25 years
Buildings and building improvements	5-40 years
Building fixtures	5-20 years
Equipment	3-15 years
Computers	5 years
Software	3-5 years

(i) Estimated Malpractice Costs

The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both the reported claims and claims incurred but not yet reported. These amounts are included as a component of other long-term liabilities in the statements of net position.

(j) Charity Care

The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge and does not pursue collection of amounts determined to qualify as charity care. These amounts are not reported as revenue. The Medical Center maintains records to identify and monitor the level of charity care provided. The criteria used for charity service considers family income, net worth, and other eligibility criteria at time of application. The Medical Center provided approximately $49 thousand and $496 thousand of charity care during the years ended September 30, 2025 and 2024, respectively, based on the cost to charge ratio.

(k) Operating Revenues and Expenses

The Medical Center's statement of revenues, expenses, and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues generally result from transactions associated with providing health care services - the Medical Center's principal activity. Operating expenses are incurred to provide healthcare services, financing and administrative costs. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Meaningful Use Incentives

Under certain provisions of the American Recovery and Reinvestment Act of 2009 (ARRA), federal incentive payments are available to hospitals, physicians and certain other professionals when they adopt, implement or upgrade certified Electronic Health Record (EHR) technology and become "meaningful users," as defined under ARRA, of EHR technology in ways that demonstrate improved quality, safety, and effectiveness of care. Incentive payments are paid out over varying transitional schedules depending on the type of incentive (Medicare and Medicaid) and recipient (hospital or eligible provider). Eligible hospitals can attest for both Medicare and Medicaid incentives. For Medicare incentives, eligible hospitals receive payments over four years. For Medicaid incentives, eligible hospitals receive payments based on the relevant State adopted payment structure. Revenue recognition occurs when attestation for certain clinical measurements have been met. These amounts are included as a component of grant revenue in the accompanying statements of revenues, expenses, and changes in net position.

(m) Risk Management

The Medical Center 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, medical malpractice, and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There have been no significant reductions in insurance coverage in FY2025 or FY2024 from the coverage in FY2024 or FY2023. Additionally, the amount of settlements in FY2025, FY2024, and FY2023, did not exceed the insurance coverage in each of these fiscal years

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. The Medical Center's inpatient services, outpatient services, and physician services are recognized when the services are rendered based on billable charges.

The Medical Center's policy is to write-off patient receivables when they are identified as uncollectible. Patient accounts receivable is reduced by an allowance for uncollectible accounts to reserve for accounts, which are expected to become uncollectible in future years. In evaluating the collectability of accounts receivable, the Medical Center utilizes a methodology that considers payor experience by age category.

A summary discussion of the payment agreements with major third-party payors is as follows:

Medicare

Payments to the Medical Center from Medicare for inpatient acute and psychiatric services are made on a prospective basis. Under this program, payments are made at a predetermined specified rate for each discharge, based on a patient's diagnosis, weighted by an acuity factor. The Medical Center is paid a disproportionate share adjustment for servicing certain low-income patients. Outpatient services are paid at prospectively determined rates per procedure under a methodology, which utilizes ambulatory payment classifications (APCs). Similar to the inpatient rates, outpatient rates vary

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Net Patient Service Revenues (continued)

according to the procedures performed. Other outpatient services are based on fee schedules. Additional payments are made to the Medical Center for the cost of cases that have an unusually high cost in comparison to national averages. The Medical Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare Administrative Contractor (MAC).

The implementation of Medicare Advantage Plans impacted the Medical Center. Effective February 2022, Medicare implemented their Dual Special Needs Plan (D-SNP) products which rolled up Medicare beneficiaries with Medicaid as the secondary Payor under the umbrella of the selected Medicare Advantage plans.

Medicaid

The Medical Center is paid by Medicaid based on All Patient Refined Diagnosis-Related Group (APR-DRG) at a predetermined specified rate for each discharge, subject to a weight or acuity factor, based on patient's diagnosis. Outpatient services are reimbursed based on Enhanced Ambulatory Payment Groups (EAPGs). EAPGs group together procedure and medical visits that share similar clinical characteristics, resource utilization patterns and cost so that the payment is based on the relative intensity of the entire visit.

In FY2020 Department of Health Care Finance (DHCF) transitioned recipients from straight Medicaid into their contracted Managed Care Organization (MCO) plans. All recipients were then required to select and enroll in one of the designated MCO Plans. The impact of this migration affected the Medical Center's DC Medicaid Payor Mix.

In FY2025 Medicaid will be moving to a directed payment methodology, or state directed payment (SDP). Per District of Columbia code 44-665.05, beginning October 1, 2024 Medicaid managed care organizations are required to make inpatient directed payments to hospitals consistent with the applicable State direct payment preprint approved by the Centers for Medicare and Medicaid Services. This payment method will close the gap between Medicaid managed care payments and the rate paid by commercial payor, or the Average Commercial Rate. Payments will be distributed to hospitals based on a uniform percentage increase on their inpatient and outpatient Medicaid managed care payments, tiered based on Medicaid managed care volume.

Other Insurance Carriers

The Medical Center also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily or procedure rates.

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Income Taxes

The principal operations of the Medical Center, as an instrumentality of the District, are recognized as exempt from income tax under the applicable income tax regulations of the Internal Revenue Code and the District. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

(q) New pronouncements

GASB issued statement No. 101, *Compensated Absences*, effective for fiscal years beginning after December 15, 2023, GASB statement No. 102, *Certain Risk Disclosures*, effective for fiscal years beginning after June 15, 2024, GASB statement No. 103, *Financial Reporting Model Improvements*, effective for fiscal years beginning after June 15, 2025, and GASB statement No. 104, *Disclosure of Certain Capital Assets*, for fiscal years beginning after June 15, 2025. GASB No. 101 has been evaluated and The Medical Center did not have any changes relating to Compensated Absences in fiscal years 2025 and 2024. GASB statement No. 102 effective for FY2025 was evaluated and did not have any significant impact on the financial statements.

NOTE 2: CASH AND CASH EQUIVALENTS

The Medical Center's cash is held in various bank accounts. These accounts were established and approved by the Office of the Chief Financial Officer (OCFO), Office of Finance and Treasury (OFT) for the District. As of September 30, 2025 and 2024, total cash and cash equivalents held was $4.2 million and $19.0 million, respectively, of which $0.0 million and $5.7 million, respectively, was set aside for capital expenditures from the District capital subsidy.

The Medical Center maintains cash and cash equivalents balances and securities at several financial institutions. The cash balance at each financial institution is insured under the Federal Deposit Insurance Corporation (FDIC) up to $250 thousand and securities are insured up to $500 thousand under Securities Investor Protection Corporation (SIPC). At times, the balances on deposit and securities will exceed the balance insured by the FDIC and SIPC. The total deposits held are collateralized at 102%. The Medical Center has a sweep investment account that is a repurchase sweep investment and is in accordance with the District Financial Institutions and Deposit Act of 1997 and the investment policy. The District's investment policy limits investments to obligations of the United States and agencies thereof, prime commercial paper, banker's acceptances and repurchase agreements fully collateralized in obligations of the United States government and agency securities. As of September 30, 2025 and 2024, there were no deposits exposed to custodial credit risk.

NOT-FOR-PROFIT HOSPITAL CORPORATION
UNITED MEDICAL CENTER
(A Blended Component Unit of the District of Columbia)

NOTE 3: ACCOUNTS RECEIVABLE, ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Medical Center as of September 30, 2025, consisted of these amounts:

	2025	2024
Patient Accounts Receivable:		
Receivable from patients and their insuance carriers	**$ 28,434,765**	$ 29,835,141
Receivable from Medicare	**10,529,309**	13,075,096
Receivable from Medicaid	**3,147,995**	6,389,903
Total patient accounts receivable	**42,112,069**	49,300,140
Less allowance for uncollectible amounts	**42,112,069**	36,201,140
Patient accounts receivable, net	**$ -**	$ 13,099,000

	2025	2024
Accounts Payable and Accrued Expenses:		
Payable to employees	**$ -**	$ 3,042,307
Payable to suppliers	**739,653**	9,760,350
Payable to payroll taxing authorities and others	**-**	(975,016)
Total accounts payable and accrued expenses	**$ 739,653**	$ 11,827,641

NOTE 4: CAPITAL ASSETS AND DEPRECIATION

Capital asset additions, and balances for the year ended September 30, 2025, were as follows:

Asset Class	September 30, 2024	Additions	Dispositions	Reclass	Transfers	September 30, 2025
Non-depreciable:						
Land	$ 8,100,000	$ -	-		$ (8,100,000)	$ -
Total Non-depreciable	8,100,000	-	-		-	-
Depreciable and amortizable:						
Land improvements	1,205,674	-	-		(1,205,674)	$ -
Buildings and improvements	89,088,228	-	-		(89,088,228)	-
Equipment	50,010,964	-	(50,121,867)	110,903	-	-
Right-to-Use Asset	1,567,602	-	(1,567,602)		-	-
Software	16,627,401	-	(16,627,401)		-	-
Total depreciable and amortizable	158,499,869	-	(68,316,870)	110,903	(90,293,902)	-
Less: accumulated depreciation and amortization for:						
Land improvements	(1,022,612)	(13,522)			1,036,134	-
Buildings and improvements	(67,231,568)	(3,773,290)		(110,903)	71,115,761	-
Equipment	(47,293,948)	(2,827,919)	50,121,867			-
Right-to-Use Asset	(1,567,602)	-	1,567,602			-
Software	(16,394,411)	(232,990)	16,627,401			-
Total accumulated depreciation and amortiz	(133,510,141)	(6,847,721)	68,316,870	(110,903)	72,151,896	-
Capital assets, net	$ 33,089,728	$ (6,847,721)	$ -	$ -	**(26,242,006)**	$ -

Capital asset additions, and balances for the year ended September 30, 2024, were as follows:

Asset Class	September 30, 2023	Additions	Disposition	Reclass	Transfers	September 30, 2024
Non-depreciable:						
Land	$ 8,100,000	$ -	-		$ -	$ 8,100,000
Total Non-depreciable	8,100,000	-			-	8,100,000
Depreciable and amortizable:						
Land improvements	1,205,674	-	-			1,205,674
Buildings and improvements	88,690,376	397,852	-		-	89,088,228
Equipment	49,797,426	213,538	-		-	50,010,964
Right-to-Use Asset	1,567,602	-	-		-	1,567,602
Software	16,580,911	46,490	-		-	16,627,401
Total depreciable and amortizable	157,841,989	657,880	-		-	158,499,869
Less: accumulated depreciation and amortization for:						
Land improvements	(999,431)	(23,181)	-			(1,022,612)
Buildings and improvements	(60,133,970)	(7,097,598)	-			(67,231,568)
Equipment	(46,114,888)	(1,179,060)	-			(47,293,948)
Right-to-Use Asset	(1,567,602)	-	-			(1,567,602)
Software	(15,845,197)	(549,214)	-			(16,394,411)
Total accumulated depreciation and amortiz	(124,661,088)	(8,849,053)	-			(133,510,141)
Capital assets, net	$ 41,280,901	$ (8,191,173)	$ -	$ -	$ -	$ 33,089,728

NOTE 5: LONG-TERM LIABILITIES

A schedule of the Medical Center's long-term liabilities as of September 30, 2025 and 2024, were as follows:

	2024	Additions	Reductions	2025	Amounts due in one year
Estimated third party settlements	$ 812,748	$ -	$ (812,748)	$ -	$ -
Other liabilities	3,711,488	8,971,961	(3,711,488)	8,971,961	-
Total noncurrent liabilities	**$ 4,524,236**	**$ 8,971,961**	**$ (4,524,236)**	**$ 8,971,961**	**$ -**

	2023	Additions	Reductions	2024	Amounts due in one year
Estimated third party settlements	$ 4,006,072	$ 3,173,962	$ (6,367,286)	$ 812,748	$ -
Other liabilities	6,002,901	2,347,587	(4,639,000)	3,711,488	-
Total noncurrent liabilities	**$ 10,008,973**	**$ 5,521,549**	**$ (11,006,286)**	**$ 4,524,236**	**$ -**

NOTE 6: THIRD PARTY SETTLEMENTS

The Medical Center is reimbursed for serving a disproportionate share of low income patients, reimbursable Medicare bad debt, a high percentage of End-Stage Renal Disease (ESRD) beneficiaries, and certain other items at a tentative rate with final settlement determined after the Medical Center's submission of annual reports and audits thereof by State and Federal agencies and through their contractors. Cost Reports for the Medicare program have been final settled for all years through 2022 while 2023-2025 are not final settled or reported. Medicaid Disproportionate Share Hospital (DSH) payments remain unsettled for 2023-2025 and are subject to final audit. Results of cost report and DSH audit settlements, as well as the Medical Center's estimates for settlements, of all fiscal years through 2025 are reflected in the accompanying financial statements.

NOTE 7: MEDICAL MALPRACTICE CLAIMS

The Medical Center was involved in litigation arising in the ordinary course of business. Claims alleging malpractice were asserted against the Medical Center. All known litigations in various stages as of September 30, 2025 were all settled. Additional claims may be asserted against the Medical Center arising from services provided to patients through April 15, 2025 and the Medical Center purchased professional and general liability insurance to cover any medical malpractice claims. No liabilities were recorded as of September 30, 2025 as a result of no asserted claims. All liabilities as of September 30, 2024 were all settled as of September 30, 2025.

NOTE 8: COMPENSATED ABSENCES

The Medical Center's accumulated leave policy allows employees to accumulate unused leave at various limits depending on employee's classification and years of service. Effective January 1, 2015 the accrual rate changed for non-union employees to a basic maximum of 352 hours. The United Federation of Special Police and Security Officers (UFSPSO) and the 1199 Service Employees International Union (SEIU) unions remained the same at the original rate of 352 hours. Effective January 13, 2021, District of Columbia Nursing Association (DCNA) accepted a new accrual rate to a maximum of 480 hours.

NOTE 8: COMPENSATED ABSENCES (CONTINUED)

The accrued accumulated leave balance is payable to employees in those cases where (1) employee did not take scheduled time off to meet operational needs, and the employee's request is approved by the Vice President and Chief Executive Officer, or (2) upon qualified separation of employment.

The Medical Center's accumulated leave policy allows regular full-time and part-time employees paid leave benefits. The Medical Center records accumulated leave as an expense and related liability as the benefit accrues to employees based on salary rates and accumulated leave hours. The policy of the Medical Center is to permit employees to accumulate earned but unused paid time off benefits. There is no liability for unpaid disability reserve leave as the amounts do not vest and are not payable upon termination of the employee. All vacation pay is accrued when earned.

All accrued leave balances for all employees including collective bargaining agreements were fully paid out as of September 30, 2025. As of April 15, 2025, all collective bargaining agreements were deemed terminated.

As of September 30, 2025, $3.7 million was paid for all annual balances and there is no additional liability for accrued vacations. $2.2 million was recorded as accrued vacation, within the line item accrued salaries and benefits in the statements of net position as of September 30, 2024.

NOTE 9: RETIREMENT PLANS

During the current fiscal year, the Medical Center administered two types of retirement plans available to its employees.

(a) Defined Contribution Plan

The Medical Center maintained a defined contribution plan in accordance with Internal Revenue Code (IRC) Section 401(a) covering substantially all employees. It provides matching contributions up to 3% of employees' compensation by the Medical Center for the fiscal years ended September 30, 2023 and 2022. For the 401(a) Medical Center contributions, participants vest in their accounts at a rate of 20% for each year of service, with 100% vesting after 5 years of service.

For the fiscal years ended September 30, 2024 and 2023, the Medical Center's contributions to the 401(a) defined contribution plan were $619 thousand and $493 thousand, respectively. Forfeitures may be used first to reduce the Medical Center's contribution, and then to pay any expenses payable to the plan.

For the fiscal years ended September 30, 2025 and 2024, the Medical Center's contributions to the 401(a) defined contribution plan were $350 and $619 thousand, respectively. Effective October 1, 2024, all UMC Matching Contributions were fully vested and no forfeitures may be used first to reduce the Medical Center's contribution, and then to pay any expenses payable to the plan.

ADMENDMENT OF UMC DEFINED CONTRIBUTION RETIREMENT PLAN: Due to the closure of the Medical Center, the Chief Financial Officer of the District of Columbia amended Article 6.1 – Termination Prior to Retirements which addressed Vesting under the Plan subject to Article 9 of the Plan.

NOTE 9: RETIREMENT PLANS (Continued)

AMENDMENT:

Vesting – Effective October 1, 2024, all Employer Matching Contributions to Participant's Accounts and any additional Matching Contributions made thereafter shall be considered fully vested regardless of the Participant's years of service. All forfeitures after October 1, 2024 based on the previous vesting schedule shall be credited to each Participant's account.

TERMINATION OF THE UMC DEFINED CONTRIBUTION RETIREMENT PLAN: Due to the pending closure of the Medical Center, the Chief Financial Officer of the District of Columbia amended Article 10 – Right to Terminate the Retirements Plan subject to Article 10.1 of the Plan as follows:

AMENDMENT AND TERMINATION:

The UMC 401(a) Defined Contribution Plan shall terminate effective October 1, 2025 with an additional Grace Period of six (6) months through March 31, 2026 for restricted Participant Plan Account activities which may involve:

a. Converting Plan Accounts by type to individual accounts with MissionSquare:

   - Employer Matching 401(a) Accounts to Individual Traditional IRA Accounts;

b. Converting Participant 401(a) Accounts to Individual ROTH accounts with MissionSquare.

c. Rolling over Plan Accounts to another Retirement Account Custodian through Custodian to Custodian Transfers

d. Making full Distributions of Plan Account assets to Participants and / or Beneficiaries as appropriate accordance with the provisions of Section 6 of the Plan and any updated requirements under applicable statutes under Federal and District regulations;

e. Converting current Plan Annuities for both 401(a) Plan Accounts for all Retirees receiving Annuities under the Plan into Individual Annuity instruments.

f. Liquidating loan balances in accordance with Internal Revenue provisions and guidelines.

g. Not accepting any new rollovers into any Participant Plan Accounts except into Individual Traditional and / or Individual ROTH Accounts.

If no action has been taken by Plan Participant with regard to the Participant Plan Accounts with the Custodian by March 15, 2026, the Custodian shall make a full Distribution of all remaining balances by March 25, 2026 and fully terminate the Plan at midnight on March 31, 2026.

NOTE 9: RETIREMENT PLANS (Continued)

The Medical Center offers its employees a deferred compensation plan in accordance with IRC Section 457(b), which allows employees in calendar year 2025 to defer up to $23.5 thousand of compensation for regular contributions, an additional $7.5 thousand catchup contributions for employees who are fifty (50) years and older for a total of $31.0 thousand and an additional $23.5 thousand pre-retirement contributions for employees who are within five (5) years of retirement for a total of $47.0 thousand under the IRS annual limitations. Additionally, for the 2025 calendar year, the Internal Revenue Service approved a "Super Catch-up Amount per the Secure Act 2.0 which allowed employees in the 60 to 63 Age group to contribute an additional $11,250 for a total contribution limit of $34,750.

The Medical Center offers its employees a deferred compensation plan in accordance with IRC Section 457(b), which allows employees in calendar year 2024 to defer up to $23.0 thousand of compensation for regular contributions, an additional $7.5 thousand catchup contributions for employees who are fifty (50) years and older for a total of $30.5 thousand and an additional $23.0 thousand pre-retirement contributions for employees who are within five (5) years of retirement for a total of $46.0 thousand under the IRS annual limitations.

For the calendar year 2023, IRS allowed employees to defer up to $22.5 thousand of compensation for regular contributions, an additional $7.5 thousand catchup contributions for employees who are fifty (50) years and older for a total of $30.0 thousand and an additional $22.5 thousand pre-retirement contributions for employees who are within five (5) years of retirement for a total of $45.0 thousand under the IRS annual limitations.

The participants are fully vested in their contributions to the 457(b) plan at all times. The Medical Center does not contribute to the deferred compensation plan. This plan is also administered by MissionSquare (formerly ICMA-RC).

AMENDMENT AND TERMINATION – 457(b) DEFERRED COMPENSATION PLAN:

Due to the closure of the Medical Center, the Chief Financial Officer of the District of Columbia amended and Terminated the 457(b) Deferred Compensation Plan subject to Articles 13.1 and 13.2 of the Plan.

The UMC 457(b) Deferred Compensation Plan shall terminate effective October 1, 2025 with an additional Grace Period of six (6) months through March 31, 2026 for restricted Participant Plan Account activities concurrently with the 401(a) Defined Contribution Plan. Restricted Participant Plan Account activities during the Grace Period may involve:

a. Converting Plan Accounts by type to individual accounts with MissionSquare:

   - Pre-Tax 457(b) Plan Accounts to an Individual Traditional IRA Account,
   - 457(b) ROTH Account to an Individual ROTH IRA Account.

b. Converting Participant 401(a) Accounts to Individual ROTH accounts with MissionSquare.

NOTE 9: RETIREMENT PLANS (Continued)

AMENDMENT AND TERMINATION – 457(b) DEFERRED COMPENSATION PLAN (Continued):

c. Rolling over Plan Accounts to another Retirement Account Custodian through Custodian to Custodian Transfers

d. Making full Distributions of Plan Account assets to Participants and / or Beneficiaries as appropriate accordance with the provisions of Section 6 of the Plan and any updated requirements under applicable statutes under Federal and District regulations;

e. Converting current Plan Annuities for 457(b) Plan Accounts for all Retirees receiving Annuities under the Plan into Individual Annuity instruments.

f. Liquidating loan balances in accordance with Internal Revenue provisions and guidelines.

g. Not accepting any new rollovers into any Participant Plan Accounts except into Individual Traditional and / or Individual ROTH Accounts.

If no action has been taken by Plan Participant with regard to the Participant Plan Accounts with the Custodian by March 15, 2026, the Custodian shall make a full Distribution of all remaining balances by March 25, 2026 and fully terminate the Plan at midnight on March 31, 2026.

NOTE 10: COMMITMENTS AND SHORT-TERM LEASES

The Medical Center is committed under various short-term leases, all of which are related to equipment and software. There are no future minimum lease payments under short-term leases as of September 30, 2025.

NOTE 11: TRANSACTIONS WITH RELATED PARTIES

The Medical Center receives payments from the District for services provided to Medicaid-eligible residents of the District. The Medical Center also receives grant funding for operational needs and covering additional costs of providing services to certain at-risk populations of the District.

The following is a summary of related party transactions included in the accompanying financial statements as of September 30, 2025 and 2024:

	2025	2024
Patient receivables, net		
Accounts receivable due from DC Medicaid	$ -	$ 920,179
Patient service revenues		
Net patient revenue - DC Medicaid	-	6,773,783
DSH revenues - the District Medicaid	374,586	6,778,820
District funding for ED physicians and hospitalists	2,083,151	6,855,378
Direct subsidy - operating	26,000,000	22,000,000
Provider fees	(148,377)	(299,995)

NOTE 12: Concentrations of Credit Risk

The Medical Center grants credit without collateral to its patients, most of who are local residents and insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors as of September 30, 2025 and 2024 were as follows:

	2025	2024
Medicare	**17%**	13%
Medicaid	**10%**	5%
HMO Medicare/Medicaid	**58%**	26%
HMO/PPO	**9%**	9%
Commercial/Other	**5%**	9%
Self Pay	**1%**	38%
Total	**100%**	100%

NOTE 13: COMMITMENTS AND CONTINGENCIES

Litigation Matters

The Medical Center was named as a party in legal proceedings and investigations that occurred in the normal course of the Medical Center's operations. Although the ultimate outcome of the legal proceedings and investigations was unknown, the Medical Center is vigorously defended its position in each case. However, the Medical Center recorded litigation liability arising from both the ordinary course of business and claims alleging malpractice amounting to $0.00 and $3,711,488, as of September 30, 2025 and 2024, respectively and has reflected these amounts in long term liabilities in the statements of net position.

Collective Bargaining Agreements

The Medical Center has three unions: DCNA, UFSPSO, and SEIU. All collective bargaining agreements were up for renewal in FY2021. DCNA and UFSPSO were renewed successfully prior to September 30, 2022 and SEIU was also successfully renewed subsequent to September 20, 2022. The related retro payments were made for DCNA and UFSPSO. In FY2022, the DC Council approved the collective bargaining agreement for SEIU and the retro payments were made for all applicable years.

In FY2023, the Medical Center entered into Side Letter Agreements with SEIU to update the pay rates for certain hard-to-fill positions. The related retro payments to the SEIU were made during the fiscal year. Also, in FY2023, the Medical Center entered into a new Collective Bargaining Agreement with the UFSPSO. The terms of the Agreement remained substantially the same as the previous Agreement with the exception of pay rate changes. As a result of the rate changes, the UFSPSO members will not receive any future Cost of Living Adjustments. The related retro payments to the UFSPSO members were made during the fiscal year.

On August 17, 2023, a Side Letter was signed with UFSPO effective October 1, 2023 which offered three (3) percent rate increase to eligible UFSFSO staff effective October 1, 2024. The related retro pay was accrued as of September 30, 2024 and paid in FY2025. The rate increases were processed in FY2025.

NOTE 14: PERMANENT CLOSURE OF UNITED MEDICAL CENTER

The District built a new hospital in Southeast DC, the Cedar Hill Regional Medical Center - GW Health, which opened for operations on April 15, 2025. The Not-for-Profit Hospital Corporation ceased admitting new patients and discontinued patient operations on April 15, 2025 the same day the new hospital opened. In accordance with DC Code § 44-951.19, the Not-for-Profit Hospital Corporation dissolved on September 30, 2025, and all its assets, positions, personnel, and records, and the unexpended balances of appropriations, allocations, and other funds available or to be made available to it, shall revert to the District. The District closed UMC's facilities on September 30, 2025.

NOTE 15: SUBSEQUENT EVENT

Effective October 1, 2025, all cash balances, outstanding receivables and outstanding liabilities of the Not-for-Profit Hospital Corporation reported on its September 30, 2025 statement of net position were transferred to and assumed by the District of Columbia.

REPORT WASTE, FRAUD, ABUSE, AND MISMANAGEMENT

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