

# DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

OIG Project No. 23-1-09HW

January 31, 2024



## Not-for-Profit Hospital Corporation

Financial Statements (with  
Independent Auditor's Report)  
September 30, 2023 and 2022

### **GUIDING PRINCIPLES**

**ACCOUNTABILITY \* INTEGRITY \* PROFESSIONALISM**

**TRANSPARENCY \* CONTINUOUS IMPROVEMENT \* EXCELLENCE**



## OUR MISSION

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

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

## OUR GUIDING PRINCIPLES

- Accountability
- Continuous Improvement
- Excellence
- Integrity
- Professionalism
- Transparency





DISTRICT OF COLUMBIA | OFFICE OF THE INSPECTOR GENERAL

January 31, 2024

The Honorable Muriel Bowser  
Mayor of the District of Columbia  
Mayor's Correspondence Unit  
John A. Wilson Building  
1350 Pennsylvania Avenue NW, Suite 316  
Washington, DC 20004

The Honorable Phil Mendelson  
Chairman  
Council of the District of Columbia  
John A. Wilson Building  
1350 Pennsylvania Avenue NW, Suite 504  
Washington, DC 20004

Subject: **Not-for-Profit Hospital Corporation | 23-1-09HW**

Dear Mayor Bowser and Chairman Mendelson:

Enclosed is the final report *Not-for-Profit Hospital Corporation Financial Statements (with Independent Auditor's Report) September 30, 2023 and 2022* (OIG No. 23-1-09HW). McConnell Jones, LLP (MJ) conducted the audit and submitted this component report as part of our overall contract for the audit of the District of Columbia's general-purpose financial statements for fiscal year 2023.

On January 3, 2024, MJ 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. MJ identified no material weaknesses in internal control over financial reporting.

If you have questions about this report, please contact me or Eileen Shanklin-Andrus, Acting Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

Daniel W. Lucas  
Inspector General

DWL/ws

Enclosure

**DISTRIBUTION LIST**

Ms. Betsy Cavendish, General Counsel, Executive Office of the Mayor

Mr. Kevin Donahue, City Administrator for the District of Columbia

Mr. Barry Kreiswirth, General Counsel, Office of the City Administrator

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Ms. Lindsey V. Parker, Chief of Staff, Executive Office of the Mayor

Mr. Wayne Turnage, Deputy Mayor for Health and Human Services

The Honorable Christina Henderson, Chairperson, Committee on Health Council of the District of Columbia

The Honorable Anita Bonds, Chairperson, Committee on Executive Administration and Labor, Council of the District of Columbia

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Ms. Jennifer Reed, Director, Office of Budget and Performance Management  
Office of the City Administrator

Ms. Nyasha Smith, Secretary to the Council

The Honorable Brian L. Schwalb, Attorney General for the District of Columbia

Mr. Glen Lee, Chief Financial Officer, Office of the Chief Financial Officer

Mr. Timothy Barry, Executive Director, Office of Integrity and Oversight  
Office of the Chief Financial Officer

The Honorable Kathy Patterson, D.C. Auditor, Office of the D.C. Auditor

Ms. Angell Jacobs, Chair, Board of Directors  
Not-For-Profit Hospital Corporation/United Medical Center

Dr. Jacqueline Payne-Borden, Chief Executive Officer  
Not-For-Profit Hospital Corporation/United Medical Center

Mr. Wayne McConnell, Managing Partner, McConnell & Jones LLP

**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, 2023 and 2022**

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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

#### *Opinions*

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 blended component unit of the Government of the District of Columbia, as of and for the years ended September 30, 2023, and 2022, and the related notes to the financial statements, which collectively comprise the Medical Center’s basic financial statements as listed in the table of contents.

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, 2023, and 2022, and the respective changes in its financial position and, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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 the 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 opinions.

#### *Responsibilities of Management for the Financial Statements*

The Medical Center’s 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, 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.

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, located as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2024, 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 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.

*McConnell Jones LLP*

Washington, D.C.  
January 3, 2024

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

**Management's Discussion and Analysis  
September 30, 2023 and 2022**

**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 years ended September 30, 2023, and 2022, with 2021 included for comparative purposes. 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 provides 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 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, 2023 and 2022 and can be used to assess profitability and credit worthiness. Activities are reported as either operating or non-operating. Operating revenues are generally earned by providing goods or services to various customers, 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.

**NOT-FOR-PROFIT HOSPITAL CORPORATION  
UNITED MEDICAL CENTER  
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**Management's Discussion and Analysis  
September 30, 2023 and 2022**

**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 2023 Financial Highlights**

- The Medical Center's total assets exceed its liabilities as of September 30, 2023 and 2022, by \$59.1 million and \$68.3 million, respectively.
- The Medical Center's net patient revenue improved by \$12.9 million or 19% in fiscal year 2023 due to improvements in collections efforts.
- The Medical Center's change in net position was (\$9.2) million and (\$11.0) million for the years ended September 30, 2023 and 2022, respectively. The negative change in net position was primarily due to a \$22.2 million decrease in disproportionate share transfers.
- The Medical Center's operating loss includes \$10.8 million and \$14.2 million of depreciation expense for the years ended September 30, 2023 and 2022, respectively.
- The Medical Center received \$22.0 million of grants and subsidies from the District of Columbia (the District) in fiscal years 2023 and 2022. There were no federal grants received in fiscal year 2023 and \$507 thousand received in 2022.
  - During fiscal year 2023, a District grant of \$22.0 million was for continued operating support, with no subsidy for capital related costs.
  - During fiscal year 2022, 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 \$38.1 million to \$28.4 million during fiscal year 2023.
- The Medical Center's net working capital (current assets minus current liabilities) decreased from \$35.4 million to \$27.8 million during fiscal year 2023.

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

**Management's Discussion and Analysis  
September 30, 2023 and 2022**

**Fiscal Year 2022 Financial Highlights**

- The Medical Center's total assets exceed its liabilities as of September 30, 2023 and 2021, by \$68.3 million and \$79.3 million, respectively.
- The Medical Center's change in net position was (\$11.0) million and (\$9.6) million for the years ended September 30, 2023 and 2022, respectively. The negative change in net position was primarily due to a \$1.3 million decrease in grant revenue.
- The Medical Center's operating loss includes \$14.2 million and \$14.8 million of depreciation expense for the years ended September 30, 2022 and 2021, respectively.
- The Medical Center's operating loss decreased by \$1.5 million primarily due to lower grant revenue.
- The Medical Center received \$22.0 million and \$42.8 million of grants and subsidies from the District of Columbia (the District) in fiscal years 2022 and 2021, respectively. In addition to the above subsidies and grants there were also federal grants of \$507 thousand in 2022 and \$4.1 million in 2021.
  - During fiscal year 2022, a District grant of \$22.0 million was for continued operating support, with no subsidy for capital related costs.
  - During fiscal year 2021, a District grant of \$40.0 million was for continued operating support, and a subsidy of \$2.8 million was for capital related costs.
- The Medical Center's total liabilities decreased from \$47.1 million to \$38.1 million during fiscal year 2022.

The Medical Center's net working capital (current assets minus current liabilities) decreased from \$37.4 million to \$35.4 million during fiscal year 2022.

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

**Management's Discussion and Analysis  
September 30, 2023 and 2022**

**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, 2023, 2022, and 2021:

**Condensed Statements of Net Position**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Assets:</b>			
Current assets	\$ 46,211,252	\$ 57,107,936	\$ 64,080,835
Non-current assets:			
Capital assets, net	<u>41,280,901</u>	<u>49,316,873</u>	<u>62,295,931</u>
Total non-current assets	<u>41,280,901</u>	<u>49,316,873</u>	<u>62,295,931</u>
<b>Total assets</b>	<u><b>87,492,153</b></u>	<u>106,424,809</u>	<u>126,376,766</u>
<b>Liabilities:</b>			
Current liabilities	<u>18,397,758</u>	21,689,779	26,644,080
Non-current liabilities	<u>10,008,973</u>	16,455,448	20,454,624
<b>Total liabilities</b>	<u><b>28,406,731</b></u>	<u>38,145,227</u>	<u>47,098,704</u>
<b>Net Position:</b>			
Net investment in capital assets	<u>41,280,901</u>	49,316,873	62,295,931
Restricted for capital projects	<u>6,058,014</u>	7,680,357	10,489,609
Unrestricted	<u>11,746,507</u>	11,282,352	6,492,522
<b>Total net position</b>	<u><b>\$ 59,085,422</b></u>	<u>\$ 68,279,582</u>	<u>\$ 79,278,062</u>

**2023** – The net position, over a period of time, can serve as a useful indicator of an organization's financial position. As of September 30, 2023 and 2022, the Medical Center's assets exceeded liabilities by \$59.1 million and \$68.3 million, respectively.

As of September 30, 2023 and 2022, capital assets represent 47.2% and 46.3% 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 \$8.0 million during the fiscal year 2023. The Medical Center's annual depreciation and amortization was \$10.8 million in fiscal year 2023, a decrease of \$3.4 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.

**NOT-FOR-PROFIT HOSPITAL CORPORATION**  
**UNITED MEDICAL CENTER**  
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**Management's Discussion and Analysis**  
**September 30, 2023 and 2022**

The largest portion of the Medical Center's assets is current assets, which are mostly comprised of cash and net patient receivables. As of September 30, 2023 and 2022, current assets represented 52.8% and 53.7%, respectively of total assets. Total current assets decreased by \$10.9 million. The decrease was mainly due to lower disproportionate share cash receipts in fiscal year 2023.

Current liabilities represent 64.8% and 56.9% of the Medical Center's total liabilities as of September 30, 2023 and 2022, respectively. Current liabilities decreased by \$3.3 million or 15.2% as of September 30, 2023 compared to the balance as of September 30, 2022. The change in current liabilities was primarily due to a decrease in accrued salaries and benefits.

The following table reflects the change in net position for the years ended September 30, 2023 and 2022:

**Changes in Net Position**

Balance as of September 30, 2021	\$ 79,278,062
Decrease in net position	<u>(10,998,480)</u>
Balance as of September 30, 2022	68,279,582
Decrease in net position	<u>(9,194,160)</u>
Balance as of September 30, 2023	<u>\$ 59,085,422</u>

**2022** – As of September 30, 2022 and 2021, the Medical Center's assets exceeded liabilities by \$68.3 million and \$79.3 million, respectively.

Capital assets reported on the financial statements represent the largest portion of the Medical Center's assets. As of September 30, 2023 and 2021, capital assets represent 46.3% and 49.3% 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 \$13.0 million during the fiscal year 2022. The Medical Center's annual depreciation and amortization was \$14.2 million in fiscal year 2022, a decrease of \$559 thousand 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.

**NOT-FOR-PROFIT HOSPITAL CORPORATION**  
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**(A Component Unit of the District of Columbia)**

**Management's Discussion and Analysis**  
**September 30, 2023 and 2022**

The next largest portion of the Medical Center's assets is current assets, which are mostly comprised of cash and net patient receivables. As of September 30, 2022 and 2021, current assets represented 53.7% and 50.7%, respectively of total assets. Total current assets decreased by \$7.0 million. The decrease was mainly due to decreases in receivables (\$2.3M) and inventories (\$2.1M) in fiscal year 2022.

Current liabilities represent 56.9% and 56.6% of the Medical Center's total liabilities as of September 30, 2022 and 2021, respectively. Current liabilities decreased by \$5.0 million or 18.6% as of September 30, 2022 compared to the balance as of September 30, 2021. The change in current liabilities was primarily due to a decrease in accrued salaries and benefits.

The following table reflects the revenues, expenses and change in net position for the years ended September 30, 2023 and 2022:

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Revenues:</b>			
Operating revenues:			
Net patient service revenue	\$ 80,619,208	\$ 67,764,128	\$ 67,949,493
Disproportionate share revenues	9,669,144	31,843,803	15,954,293
Other operating revenues	<u>26,230,537</u>	<u>32,275,921</u>	<u>53,669,774</u>
Total operating revenues	<u>116,518,889</u>	<u>131,883,852</u>	<u>137,573,560</u>
Nonoperating revenues (expenses):			
Subsidy from District of Columbia	-	-	2,829,099
Total nonoperating revenues	<u>-</u>	<u>-</u>	<u>2,829,099</u>
Total revenues	<u>116,518,889</u>	<u>131,883,852</u>	<u>140,402,659</u>
<b>Expenses:</b>			
Operating expenses:			
Salaries and benefits	53,517,437	56,708,795	63,889,335
Supplies	10,682,323	12,466,458	14,261,039
Depreciation and amortization	10,800,110	14,212,223	14,771,375
Other expense	<u>50,713,179</u>	<u>59,494,856</u>	<u>57,112,975</u>
Total operating expenses	<u>125,713,049</u>	<u>142,882,332</u>	<u>150,034,724</u>
Change in net position	<u>(9,194,160)</u>	<u>(10,998,480)</u>	<u>(9,632,065)</u>
Net position, beginning of period	<u>68,279,582</u>	<u>79,278,062</u>	<u>88,910,127</u>
<b>Net position, end of period</b>	<u>\$ 59,085,422</u>	<u>\$ 68,279,582</u>	<u>\$ 79,278,062</u>

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

**Management's Discussion and Analysis  
September 30, 2023 and 2022**

**2023** – The Medical Center's total operating revenues were \$116.5 million and \$131.9 million for the years ended September 30, 2023 and 2022. Revenues from patient care services represent 69.2% and 51.4% of total operating revenues, respectively. The Medical Center receives approximately 83.6% 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 2023 compared to the prior fiscal year due to higher case mix and improved collections efforts.

The Medical Center's total costs were \$125.7 million and \$142.9 million for the years ended September 30, 2023 and 2022, a decrease of \$17.2 million. The difference was attributed to an overall reduction in variable expenses, primarily lower professional fees and purchased services.

**2022** – The Medical Center's total operating revenues were \$131.9 million and \$137.6 million for the years ended September 30, 2022 and 2021. Revenues from patient care services represent 51.4% and 49.4% of total operating revenues, respectively. The Medical Center receives approximately 91.3% 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, substantially unchanged in fiscal year 2022 compared to the prior fiscal year due to improved collections efforts minimized the impact of lower patient care activities.

The Medical Center's total costs were \$142.9 million and \$150.0 million for the years ended September 30, 2022 and 2021, a decrease of \$7.1 million. The decrease was primarily due to a decrease of labor costs.

**Capital and Debt Administration**

***Capital Assets***

The Medical Center's capital assets as of September 30, 2023, 2022 and 2021 amount to \$41.3 million, \$49.3 million and \$62.3 million (net of accumulated depreciation and amortization), respectively. This investment in capital assets includes land, land improvements, buildings and improvements, equipment, software, right-to-use lease assets-equipment, and construction in progress. The following table summarizes the Medical Center's capital assets net of accumulated depreciation and amortization as of September 30, 2023, 2022, and 2021, respectively:

<b>Asset Category:</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Land	\$ 8,100,000	8,100,000	\$ 8,100,000
Construction in progress	-	-	1,931,199
Land improvements, net	206,243	229,424	252,606
Buildings and improvements, net	28,556,406	35,392,584	41,387,377
Equipment, net	3,682,538	3,678,115	7,517,704
Software, net	735,714	1,916,750	3,107,045
<b>Capital assets, net</b>	<b>\$ 41,280,901</b>	<b>\$ 49,316,873</b>	<b>\$ 62,295,931</b>



**NOT-FOR-PROFIT HOSPITAL CORPORATION  
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**Management’s Discussion and Analysis  
September 30, 2023 and 2022**

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

***Long-term Liabilities***

As of September 30, 2023, 2022 and 2021, the Medical Center had total long-term liabilities outstanding of \$10.0 million, \$16.5 million, and \$20.5 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:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Estimated third party settlements	\$ 4,006,072	\$ 10,547,035	\$ 18,762,191
Other liabilities	6,002,901	5,908,413	1,692,433
<b>Total noncurrent liabilities</b>	<b>\$ 10,008,973</b>	<b>\$ 16,455,448</b>	<b>\$ 20,454,624</b>

**Economic Factors**

- COVID-19 Pandemic*** – On March 11, 2020, Mayor Bowser of the District of Columbia (the District) declared public health emergency due to the COVID-19 pandemic. As a part of this declaration of public health emergency the Medical Center began coordinating with other agencies regarding preparation to meet the surge requirements mandated by the District. On March 27, 2020 The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress and the CARES Act provides funding to providers during this time of pandemic. The Surgeon General, on March 17, 2020, advised a halt to all hospital elective procedures to ensure resources are available to treat patients with coronavirus (COVID-19). In addition to halting all hospital elective procedures, the District of Columbia Department of Health (DC Health) recommended that all elective medical procedures, non-urgent hospital and outpatient visits, and non- urgent dental procedures be postponed to preserve health care capacity as the community mitigation strategies worked to flatten the epidemic curve. The Medical Center adhered to every regulation imposed by Federal or the District. The Medical Center experienced the impact of COVID-19 most of FY2020 and into FY2021 as the surge continued. The Medical Center will continue to monitor the impact of the ongoing COVID-19 pandemic. The Medical Center has required that all staff receive the COVID-19 vaccination unless an approved exemption is received.

In addition to the COVID-19 pandemic, in 2022 the medical community was hit by the Monkey Pox and Ebola pandemic. However, there was no impact on the Medical Center.

Mayor Bowser of the District of Columbia ended the public health emergency on April 16, 2022, and on May 11, 2023 the federal COVID-19 public health emergency declaration ended. The medical community continues to be faced by the Monkey Pox pandemic and The Medical Center is continuing to monitor the effects of these pandemics.

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- ***Health Resources & Services Administration (HRSA) Provider Relief Fund (PRF) distribution***— In FY2020 the Medical Center received \$27.2M in stimulus from the first phases of the distribution. HRSA made available \$20 billion and \$25 billion in Phase 3 and Phase 4 respectively and the distribution portals were opened in FY2021. The Medical Center applied for both phases. The Medical Center did not receive any funds in Phase 3 and received in FY2022 \$507 thousand for phase 4.

On June 3, 2023, with passing of the Fiscal Responsibility Act of 2023, there will be no further payments made to providers under the Provider relief fund including no reconsideration payments.

- ***HRSA 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.

- ***HRSA COVID-19 Coverage Assistance Fund*** – The Health Resources and Services Administration's (HRSA) COVID-19 Coverage Assistance Fund (CAF) covered the costs of administering COVID-19 vaccines to patients whose health insurance did not cover vaccine administration fees or did but typically had patient cost-sharing. While patients could not be billed directly for COVID-19 vaccine fees, costs to health care providers on the front lines for administering COVID-19 vaccines to underinsured patients were fully covered through CAF, subject to available funding. The Medical Center applied and had been approved for the CAF as of November 24, 2021. As of April 5, 2022, the HRSA COVID-19 Coverage Assistance Fund was closed due to lack of funds.

On June 3, 2023, with the passing of the Fiscal Responsibility Act of 2023, there will be no further payments under the Coverage Assistance Fund.

- ***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

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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 were 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 update 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.

- **Surprise Billing** – The No Surprises Act, passed by Congress, states that 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 your 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.

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- ***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 and on the Medical Center in particular. 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 to 2022 and is on track to meet the measures for 2023.
- ***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, however it is not possible to determine how future congressional actions to reduce the federal deficit will impact the Medical Center's revenues.

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.

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- ***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.

The Medical Center has made payments of \$71,336 and \$269,284 for fiscal years ended September 30, 2023 and 2022, 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.

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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.

- ***Medicaid Disproportionate Share Revenues*** – The Medicaid program pays the Medical Center Disproportionate Share (DSH) payments for servicing certain low income patients. The Medical Center received \$8.3 million in DSH payments in fiscal year 2023. The Medical Center continues to receive DSH payments and expects to receive those payments for the foreseeable future based on new regulations.
- ***Joint Commission*** – The Joint Commission survey for FY2023 was successful and the Medical Center received re-accreditation.
- ***Department of Health*** – The annual Department of Health survey will occur in 2023, but subsequent to September 30, 2023.

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.

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- ***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 were up for renewal in FY2021. District of Columbia Nursing Association (DCNA) and United Federation of Special Police and Security Officers (UFSPSO) were renewed successfully prior to September 30, 2021 and 1199 SEIU was also successfully renewed subsequent to September 20, 2021. The related retro payments were made for DCNA and UFSPSO. In FY2022, the DC Council approved the CBA for 1199 SEIU and the retro payments were made for all applicable years.

In FY2023, the Medical Center entered to 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 employees were made during the fiscal year

- ***Permanent Closure of United Medical Center*** – The District of Columbia is building a new hospital for Wards 7 and 8, and based on preliminary discussions from the District, United Medical Center is proposed to cease admitting new patients, cease patient operations by the end of the second quarter of 2025 and the planned dissolution of the Corporation subsequent to that. All of its real or personal property and all capital assets will revert to the District. Additionally, all other assets (including cash, accounts receivable, reserve funds, and contract and other rights), personnel records, patient 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 settled and the liquidation processes have taken place. The office of the Chief Financial Officer shall ensure that the FY2025 year-end audit for the Not-for-Profit Hospital Corporation is properly carried out.

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**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  
Not-for-Profit Hospital Corporation  
United Medical Center  
1310 Southern Avenue, S.E.  
Washington, DC 20032  
(202) 574-6623



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**Statements of Net Position  
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<b>ASSETS</b>	<b>2023</b>	<b>2022</b>
Current assets:		
Cash	\$ 35,938,782	43,419,221
Patient receivables, net of allowances for estimated uncollectibles	4,607,114	6,839,932
Inventories	4,100,732	3,899,271
Prepaid expenses and other assets	1,564,624	2,949,512
<b>Total current assets</b>	<b>46,211,252</b>	<b>57,107,936</b>
Capital assets, net	41,280,901	49,316,873
<b>Total assets</b>	<b>87,492,153</b>	<b>106,424,809</b>
<b>LIABILITIES AND NET POSITION</b>		
Current liabilities:		
Accounts payable and accrued expenses	13,055,228	13,004,114
Accrued salaries and benefits	2,940,415	5,707,797
Other liabilities	2,402,115	2,977,868
<b>Total current liabilities</b>	<b>18,397,758</b>	<b>21,689,779</b>
Estimated settlements due to third party payors, net of current portion	4,006,072	10,547,035
Other long-term liabilities	6,002,901	5,908,413
<b>Total noncurrent liabilities</b>	<b>10,008,973</b>	<b>16,455,448</b>
<b>Total liabilities</b>	<b>28,406,731</b>	<b>38,145,227</b>
Net position:		
Net investment in capital assets	41,280,901	49,316,873
Restricted for:		
Expendable		
Capital projects	6,058,014	7,680,357
Unrestricted	11,746,507	11,282,352
<b>Total net position</b>	<b>\$ 59,085,422</b>	<b>\$ 68,279,582</b>

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

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**Statements of Revenues, Expenses, and Changes in Net Position  
For the Years Ended September 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Operating revenues:</b>		
Patient service revenue, net of contractual allowance and other adjustments	\$ 95,502,541	\$ 81,165,328
Provision for bad debts	<u>(14,883,333)</u>	<u>(13,401,200)</u>
Net patient service revenue, less provision for bad debts	<b>80,619,208</b>	67,764,128
Disproportionate share revenues	<b>9,669,144</b>	31,843,803
Grant revenues	<b>233,607</b>	184,471
District Grants	<b>22,000,000</b>	22,000,000
Federal Grants	-	507,078
Other operating revenues	<u>3,996,930</u>	<u>9,584,372</u>
<b>Total operating revenues</b>	<u><b>116,518,889</b></u>	<u>131,883,852</u>
<b>Operating expenses:</b>		
Salaries and wages	<b>41,210,172</b>	44,169,590
Employee benefits	<b>12,307,265</b>	12,539,205
Contract labor	<b>12,066,663</b>	9,641,070
Supplies	<b>10,682,323</b>	12,466,458
Professional fees	<b>14,845,232</b>	19,923,772
Purchased services	<b>11,717,585</b>	15,872,574
Depreciation and amortization	<b>10,800,110</b>	14,212,223
Utilities	<b>3,001,773</b>	3,114,046
Insurance	<b>7,089,069</b>	8,677,387
Rent and leases	<b>203,578</b>	334,642
Repairs and maintenance	<b>1,058,257</b>	1,428,751
Other expenses	<u>731,022</u>	<u>502,614</u>
<b>Total operating expenses</b>	<u><b>125,713,049</b></u>	<u>142,882,332</u>
<b>Operating loss</b>	<b>(9,194,160)</b>	(10,998,480)
<b>Changes in net position</b>	<b>(9,194,160)</b>	(10,998,480)
Net position, beginning of year	<u>68,279,582</u>	<u>79,278,062</u>
<b>Net position, end of year</b>	<u><b>\$ 59,085,422</b></u>	<u>\$ 68,279,582</u>

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

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**Statements of Cash Flows  
For the Years Ended September 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Receipts from and on behalf of patients	\$ 76,311,063	\$ 61,894,849
Payments to employees and fringe benefits	(56,284,819)	(58,763,240)
Payments to suppliers and contractors	(60,642,226)	(68,639,739)
Other receipts and payments, net	35,899,681	64,119,724
Net cash used by operating activities	(4,716,301)	(1,388,406)
<b>Cash flows from capital and related financing activities:</b>		
Purchase of capital assets	(2,764,138)	(1,233,164)
Net cash used by capital and related financing activities	(2,764,138)	(1,233,164)
Net increase in cash and cash equivalents	(7,480,439)	(2,621,570)
Cash, beginning of year	43,419,221	46,040,791
<b>Cash, end of year</b>	<b>\$ 35,938,782</b>	<b>\$ 43,419,221</b>

	<b>2023</b>	<b>2022</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$ (9,194,160)	\$ (10,998,480)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation and amortization	10,800,110	14,212,223
Provision for bad debts	14,883,333	13,401,200
Effect of changes in noncash operating assets and liabilities:		
Patient receivables, net	(12,650,515)	(11,055,323)
Inventories	(201,461)	2,145,576
Prepaid expenses and other assets	1,384,888	(140,125)
Estimated settlements due to third party payors	(6,540,963)	(8,215,156)
Accounts payable and accrued expenses	51,114	(1,577,833)
Accrued salaries and benefits	(2,767,382)	(2,054,445)
Other liabilities	(481,265)	2,893,957
<b>Net cash used by operating activities</b>	<b>\$ (4,716,301)</b>	<b>\$ (1,388,406)</b>

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

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**Notes to Financial Statements  
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**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 is building a new hospital for Wards 7 and 8, and based on preliminary discussions from the District, United Medical Center is proposed to cease admitting new patients and cease patient operations by the end of the second quarter of 2025, with the planned dissolution of the Corporation subsequent to that. All of its real or personal property and all capital assets will revert to the District. Additionally, all other assets (including cash, accounts receivable, reserve funds, and contract and other rights), personnel records, patient 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 and the liquidation processes have taken place. The office of the Chief Financial Officer shall ensure that the FY2025 year-end audit for the Not-for-Profit Hospital Corporation is properly carried out.

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 change 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:

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**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.

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September 30, 2023 and 2022**

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

**(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.

**(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, 2023 and September 30, 2022.

**(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 is recorded net of estimated contractual allowances and amounts estimated to be uncollectible. The total estimated allowance for contractual and doubtful accounts as of 2023 and 2022 was approximately \$90.5 million and \$78.3 million, respectively.

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

**(f) Revenue Recognition (continued)**

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. The Medical Center also receives funding to defray the costs of management related operating expenses, and the funding of emergency department physicians and hospitalists. 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.

Amounts received under grants and the District outpatient access are recognized as revenue when the related expenses are incurred or when the requirements are met.

**(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 \$9.7 million and \$31.8 million in Medicaid DSH revenues for the years ended September 30, 2023 and 2022, 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.

**(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, software, and construction in progress 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.

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

**(i) Capital Assets (continued)**

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

**(j) 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.

**(k) 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 \$758 thousand and \$727 thousand of charity care during the years ended September 30, 2023 and 2022, respectively, based on the cost to charge ratio.

**(l) 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.



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

**(m) 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.

**(n) 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 FY2023 or FY2022 from the coverage in FY2022 or FY2021. Additionally, the amount of settlements in FY2023, FY2022, and FY2021, did not exceed the insurance coverage in each of these fiscal years

**(o) Net Patient Service Revenues**

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.

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**Notes to Financial Statements  
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**NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(o) Net Patient Service Revenues (continued)**

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 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.

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**Notes to Financial Statements  
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**NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**(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 GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for fiscal years beginning after June 15, 2022 and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for fiscal years beginning after June 15, 2022. The Medical Center implemented these GASB statements in FY2022.

**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, 2023 and 2022, total cash and cash equivalents held was \$35.9 million and \$43.4 million, respectively, of which \$6.1 million and \$7.7 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, 2023 and 2022, there were no deposits exposed to custodial credit risk.

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**Notes to Financial Statements  
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**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, 2023, consisted of these amounts:

	<u>2023</u>	<u>2022</u>
<b>Patient Accounts Receivable:</b>		
Receivable from patients and their insurance carriers	\$ 24,348,269	\$ 18,760,493
Receivable from Medicare	4,752,055	3,724,537
Receivable from Medicaid	4,852,820	5,163,138
Total patient accounts receivable	<u>33,953,144</u>	<u>27,648,168</u>
Less allowance for uncollectible amounts	<u>29,346,030</u>	<u>20,808,236</u>
<b>Patient accounts receivable, net</b>	<u>\$ 4,607,114</u>	<u>\$ 6,839,932</u>
	<u>2023</u>	<u>2022</u>
<b>Accounts Payable and Accrued Expenses:</b>		
Payable to employees	\$ 4,466,283	\$ 6,489,911
Payable to suppliers	13,055,228	13,004,114
Payable to payroll taxing authorities and others	<u>(1,525,868)</u>	<u>(782,114)</u>
<b>Total accounts payable and accrued expenses</b>	<u>\$ 15,995,643</u>	<u>\$ 18,711,911</u>

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**Notes to Financial Statements**  
**September 30, 2023 and 2022**

**NOTE 4: CAPITAL ASSETS AND DEPRECIATION**

Capital asset additions, and balances for the year ended September 30, 2023, were as follows:

Asset Class	September 30, 2022	Additions	Transfers	September 30, 2023
<b>Non-depreciable:</b>				
Land	\$ 8,100,000	\$ -	\$ -	\$ 8,100,000
Construction in progress	-	-	-	-
<b>Total Non-depreciable</b>	<b>8,100,000</b>	<b>-</b>	<b>-</b>	<b>8,100,000</b>
<b>Depreciable and amortizable:</b>				
Land improvements	1,205,674	-	-	1,205,674
Buildings and improvements	88,324,251	366,125	-	88,690,376
Equipment	47,518,898	2,278,528	-	49,797,426
Right-to-Use Asset	1,567,602	-	-	1,567,602
Software	16,461,426	119,485	-	16,580,911
<b>Total depreciable and amortizable</b>	<b>155,077,851</b>	<b>2,764,138</b>	<b>-</b>	<b>157,841,989</b>
<b>Less: accumulated depreciation and amortization for:</b>				
Land improvements	(976,250)	(23,181)	-	(999,431)
Buildings and improvements	(52,931,667)	(7,202,303)	-	(60,133,970)
Equipment	(43,840,783)	(2,274,105)	-	(46,114,888)
Right-to-Use Asset	(1,567,602)	-	-	(1,567,602)
Software	(14,544,676)	(1,300,521)	-	(15,845,197)
<b>Total accumulated depreciation and amortization</b>	<b>(113,860,978)</b>	<b>(10,800,110)</b>	<b>-</b>	<b>(124,661,088)</b>
Capital assets, net	<b>\$ 49,316,873</b>	<b>\$ (8,035,972)</b>	<b>\$ -</b>	<b>\$ 41,280,901</b>

Capital asset additions, and balances for the year ended September 30, 2022, were as follows:

Asset Class	September 30, 2021	Additions	Transfers	September 30, 2022
<b>Non-depreciable:</b>				
Land	\$ 8,100,000	\$ -	\$ -	\$ 8,100,000
Construction in progress	1,931,199	18,000	(1,949,199)	-
<b>Total Non-depreciable</b>	<b>10,031,199</b>	<b>18,000</b>	<b>(1,949,199)</b>	<b>8,100,000</b>
<b>Depreciable and amortizable:</b>				
Land improvements	1,205,674	-	-	1,205,674
Buildings and improvements	86,255,341	119,711	1,949,199	88,324,251
Equipment	47,230,430	288,468	-	47,518,898
Right-to-Use Asset	1,567,602	-	-	1,567,602
Software	15,654,440	806,986	-	16,461,426
<b>Total depreciable and amortizable</b>	<b>151,913,487</b>	<b>1,215,165</b>	<b>1,949,199</b>	<b>155,077,851</b>
<b>Less: accumulated depreciation and amortization for:</b>				
Land improvements	(953,068)	(23,182)	-	(976,250)
Buildings and improvements	(44,867,964)	(8,063,703)	-	(52,931,667)
Equipment	(39,712,726)	(4,128,057)	-	(43,840,783)
Right-to-Use Asset	(1,567,602)	-	-	(1,567,602)
Software	(12,547,395)	(1,997,281)	-	(14,544,676)
<b>Total accumulated depreciation and amortization</b>	<b>(99,648,755)</b>	<b>(14,212,223)</b>	<b>-</b>	<b>(113,860,978)</b>
Capital assets, net	<b>\$ 62,295,931</b>	<b>\$ (12,979,058)</b>	<b>\$ -</b>	<b>\$ 49,316,873</b>

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**Notes to Financial Statements  
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**NOTE 5: LONG-TERM LIABILITIES**

A schedule of the Medical Center's long-term liabilities as of September 30, 2023 and 2022, were as follows:

	<u>2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>2023</u>	<u>Amounts due in one year</u>
Estimated third party settlements	\$ 10,547,035	\$ 1,044,436	\$ (7,585,399)	\$ 4,006,072	\$ -
Other liabilities	5,908,413	844,488	(750,000)	6,002,901	-
<b>Total noncurrent liabilities</b>	<b>\$ 16,455,448</b>	<b>\$ 1,888,924</b>	<b>\$ (8,335,399)</b>	<b>\$ 10,008,973</b>	<b>\$ -</b>

  

	<u>2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>2022</u>	<u>Amounts due in one year</u>
Estimated third party settlements	\$ 18,762,191	\$ 315,340	\$ (8,530,496)	\$ 10,547,035	\$ -
Other liabilities	1,692,433	4,215,980		5,908,413	-
<b>Total noncurrent liabilities</b>	<b>\$ 20,454,624</b>	<b>\$ 4,531,320</b>	<b>\$ (8,530,496)</b>	<b>\$ 16,455,448</b>	<b>\$ -</b>

**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 2019. 2020-2023 Medicaid DSH remain unsettled 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 2023 are reflected in the accompanying financial statements.

**NOTE 7: MEDICAL MALPRACTICE CLAIMS**

The Medical Center is involved in litigation arising in the ordinary course of business. Claims alleging malpractice have been asserted against the Medical Center and are currently in various stages of litigation. Additional claims may be asserted against the Medical Center arising from services provided to patients through September 30, 2022. The Medical Center purchases professional and general liability insurance to cover medical malpractice claims. The liability recorded as of September 30, 2023 and 2022, within the line item other long term liabilities in the statements of net position, represents estimated costs associated with litigating and settling claims.

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**Notes to Financial Statements  
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**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.

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.

As of September 30, 2023 and 2022, \$2.9 million and \$3.1 million, respectively, were recorded as accrued vacation, within the line item accrued salaries and benefits in the statements of net position.

**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 maintains 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, 2023 and 2022, the Medical Center's contributions to the 401(a) defined contribution plan were \$493 thousand and \$539 thousand, respectively. Forfeitures may be used first to reduce the Medical Center's contribution, and then to pay any expenses payable to the plan.

The forfeited contributions as of September 30, 2023 and 2022, were \$3.2 thousand and \$49 thousand, respectively. The Medical Center contracts with Mission Square (formerly ICMA-RC), as its third-party administrator for this plan.

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**(b) Deferred Compensation Plan**

The Medical Center offers its employees a deferred compensation plan in accordance with IRC Section 457(b), which allows employees in calendar year 2023 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.

For the calendar year 2022, IRS allowed employees to defer up to \$20.5 thousand of compensation for regular contributions, an additional \$6.5 thousand catchup contributions for employees who are fifty (50) years and older for a total of \$27.0 thousand and an additional \$20.5 thousand pre-retirement contributions for employees who are within five (5) years of retirement for a total of \$41.0 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).

**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, 2023.



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**Notes to Financial Statements  
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**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 certain expenditure 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, 2023 and 2022:

	<b>2023</b>	<b>2022</b>
<i><b>Patient receivables, net</b></i>		
Accounts receivable due from DC Medicaid	\$ 1,036,030	\$ 5,078,112
<i><b>Patient service revenues</b></i>		
Net patient revenue - DC Medicaid	5,568,933	3,441,550
<i><b>DSH revenues - the District Medicaid</b></i>	8,269,144	31,843,803
Funding for mangement related expenses	-	5,189,872
Funding for ED physicians and hospitalists	9,204,031	15,022,431
Direct subsidy - operating	22,000,000	15,000,000
<i><b>Direct subsidy - capital</b></i>	-	-
<i><b>Provider fees</b></i>	(273,072)	(283,806)

**NOTE 12: CONCENTRATIONS OF CREDIT RISK**

The Medical Center grants credit without collateral to its patients, most of whom 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, 2023 and 2022 were as follows:

	<b>2023</b>	<b>2022</b>
Medicare	<b>17%</b>	18%
Medicaid	<b>6%</b>	7%
HMO Medicare/Medicaid	<b>32%</b>	32%
HMO/PPO	<b>7%</b>	10%
Commercial/Other	<b>6%</b>	7%
Self Pay	<b>32%</b>	26%
<b>Total</b>	<b>100%</b>	100%

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**Notes to Financial Statements  
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**NOTE 13: COMMITMENTS AND CONTINGENCIES**

**Litigation Matters**

The Medical Center is named as a party in legal proceedings and investigations that occur in the normal course of the Medical Center's operations. Although the ultimate outcome of the legal proceedings and investigations is unknown, the Medical Center is vigorously defending 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 \$6,002,901 and \$5,908,413, as of September 30, 2023 and 2022, 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 to 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 employees were made during the fiscal year.

**NOTE 14: SUBSEQUENT EVENTS**

The Medical Center has evaluated subsequent events from the statement of net position through January 3, 2024, the date these financial statements were available for issue, noting no additional events that affect the financial statements as of September 30, 2023 or require additional disclosure.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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.

We were engaged to audit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the District of Columbia Not-for-Profit Hospital Corporation (the Medical Center), a blended component unit of the Government of the District of Columbia, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements, and have issued our report thereon dated January 3, 2024.

**Report on Internal Control over Financial Reporting**

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

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



## **Report on Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Medical Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*McConnell Jones LLP*

Washington, D.C.  
January 3, 2024

**REPORT WASTE, FRAUD, ABUSE, AND MISMANAGEMENT.**

 (202) 724-TIPS (8477) and (800) 521-1639

 <https://oig.dc.gov>

 [oig@dc.gov](mailto:oig@dc.gov)

