

**Greater Prince William Area
Community Health Center, Inc.
and Subsidiary**

Consolidated Financial Statements
and Supplementary Information

June 30, 2025 and 2024

Greater Prince William Area Community Health Center, Inc. and Subsidiary

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Independent Auditors' Report

To the Board of Trustees of
Greater Prince William Area Community Health Center, Inc. and Subsidiary

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Greater Prince William Area Community Health Center, Inc. and Subsidiary (the Center), which comprise the consolidated balance sheet as of June 30, 2025, and the related consolidated statements of operations, changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Center as of June 30, 2025, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (*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 Consolidated Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2026 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Baker Tilly US, LLP

New Castle, Pennsylvania
April 23, 2026

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Consolidated Balance Sheets

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,794,552	\$ 901,737
Accounts receivable:		
Patients	678,138	1,603,505
Estimated third-party payor settlements	3,021,853	3,535,742
Grants and other	117,431	138,481
Prepaid expenses and other current assets	<u>245,268</u>	<u>118,862</u>
Total current assets	6,857,242	6,298,327
Investments	3,958,920	3,560,871
Investment in Community Care Network of Virginia	15,000	15,000
Security Deposits	121,994	121,994
Property and Equipment, Net	5,183,998	5,378,142
Finance Lease, Right-of-Use Assets	31,797	57,252
Operating Lease, Right-of-Use Assets	<u>8,088,221</u>	<u>7,649,416</u>
Total assets	<u><u>\$ 24,257,172</u></u>	<u><u>\$ 23,081,002</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 744,801	\$ 561,008
Accrued expenses	981,574	886,430
Margin loan	840,685	-
Current portion of:		
Finance lease obligations	26,456	25,706
Operating lease obligations	905,581	871,340
Current portion of long-term debt	<u>51,123</u>	<u>50,184</u>
Total current liabilities	3,550,220	2,394,668
Finance Lease Obligations	6,731	33,190
Operating Lease Obligations	8,046,226	7,861,064
Long-Term Debt	<u>2,232,493</u>	<u>2,282,201</u>
Total liabilities	<u>13,835,670</u>	<u>12,571,123</u>
Net Assets		
Without donor restrictions	10,135,466	10,318,212
With donor restrictions	<u>286,036</u>	<u>191,667</u>
Total net assets	<u>10,421,502</u>	<u>10,509,879</u>
Total liabilities and net assets	<u><u>\$ 24,257,172</u></u>	<u><u>\$ 23,081,002</u></u>

See notes to consolidated financial statements

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Consolidated Statements of Operations and Changes in Net Assets

Years Ended June 30, 2025 and 2024

	2025	2024
Changes in Net Assets Without Donor Restrictions		
Revenues:		
Net patient service revenue	\$ 17,115,472	\$ 15,595,265
Grant and reimbursement revenue	3,841,153	4,071,988
Contributed services	10,976	3,166
Investment income	395,417	355,738
Other income	519,422	469,868
Net assets released from restrictions	295,631	295,000
Total revenues	22,178,071	20,791,025
Expenses:		
Payroll, benefits and other personnel expenses	16,717,889	15,977,185
Supplies	1,524,365	1,289,674
Occupancy and telecommunications	1,532,444	1,496,771
Professional services	1,474,853	1,343,175
Equipment maintenance and rental	220,443	312,428
Interest	129,106	145,165
Depreciation	516,254	582,125
Other operating expenses	245,463	237,577
Total expenses	22,360,817	21,384,100
Revenues less than expenses	(182,746)	(593,075)
Changes in net assets without donor restrictions	(182,746)	(593,075)
Changes in Net Assets With Donor Restrictions		
Grant and contributions	390,000	300,000
Net assets released from restrictions	(295,631)	(295,000)
Changes in net assets with donor restrictions	94,369	5,000
Change in net assets	(88,377)	(588,075)
Net Assets, Beginning	10,509,879	11,097,954
Net Assets, Ending	<u>\$ 10,421,502</u>	<u>\$ 10,509,879</u>

See notes to consolidated financial statements

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Consolidated Statements of Cash Flows

Years Ended June 30, 2025 and 2024

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (88,377)	\$ (588,075)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	490,799	525,595
Amortization of financing lease right-of-use assets	25,455	56,530
Change in operating lease right-of-use assets	853,114	837,900
Gain on termination of operating lease	(265,422)	-
Payments on operating lease obligations	(807,094)	(818,150)
Gain on disposal property and equipment	(36,157)	-
Realized and unrealized gains on investments	(321,671)	(293,099)
Changes in assets and liabilities:		
Patient accounts receivable	925,367	266,764
Estimated third-party payor settlements	513,889	(783,464)
Grants and other receivable	21,050	(12,362)
Prepaid expenses and other current assets	(126,406)	(9,216)
Security deposits	-	1,000
Accounts payable	183,793	(16,385)
Accrued expenses	95,144	93,542
Net cash provided by (used in) operating activities	<u>1,463,484</u>	<u>(739,420)</u>
Cash Flows From Investing Activities		
Purchase of investments	(960,469)	(1,088,184)
Proceeds from sales of investments	884,091	1,386,882
Purchase of property and equipment	(312,998)	(69,663)
Proceeds from disposal of property and equipment	<u>52,500</u>	<u>-</u>
Net cash (used in) provided by investing activities	<u>(336,876)</u>	<u>229,035</u>
Cash Flows From Financing Activities		
Proceeds from margin loan	840,685	-
Repayment of long-term debt	(48,769)	(45,455)
Repayment of financing lease obligations	<u>(25,709)</u>	<u>(56,503)</u>
Net cash provided by (used in) financing activities	<u>766,207</u>	<u>(101,958)</u>
Change in cash and cash equivalents	1,892,815	(612,343)
Cash and Cash Equivalents, Beginning	<u>901,737</u>	<u>1,514,080</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 2,794,552</u></u>	<u><u>\$ 901,737</u></u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u><u>\$ 129,106</u></u>	<u><u>\$ 145,165</u></u>
Supplemental Disclosure of Noncash Financing Activities		
Operating lease obligations incurred for right-of-use assets	<u><u>\$ 3,712,817</u></u>	<u><u>\$ -</u></u>

See notes to consolidated financial statements

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Greater Prince William Area Community Health Center, Inc. (the GPW Center) is a community based not-for-profit organization incorporated under the laws of the Commonwealth of Virginia in August 2005. Subsequent to year end, the GPW Center filed a fictitious name certificate for the use of the name Lunera Health, which became effective on August 4, 2025. The GPW Center's mission is to increase access to high quality, comprehensive and preventive healthcare that is culturally sensitive in order to improve the health status of the uninsured, underserved and vulnerable individuals of Prince William County and the Cities of Manassas and Manassas Park.

The GPW Center operates health clinics in the Prince William County region and provides information and access to other community and governmental health services. The GPW Center provides health and medical, dental, behavioral, and OB-GYN care to residents on a fee schedule based upon criteria similar to that used by federal governmental agencies for determining eligibility for public assisted health care or based upon fee schedules as agreed with health insurance companies.

CC Center, LLC (the CC Center) is a limited liability company organized under the laws of the Commonwealth of Virginia in July 2022. The GPW Center is the sole member of the CC Center, which leases certain property and equipment to the GPW Center.

Principles of Consolidation

The consolidated financial statements include the accounts of Greater Prince William Area Community Health Center, Inc. and its subsidiary (the Center). All material intercompany balances and transactions have been eliminated in consolidation.

Basis of Accounting

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Revenue is recognized when earned and expenses are recognized when incurred.

Income Taxes

The Center is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes on its exempt income under Section 509(a) of the IRC.

The Center accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management has determined that there were no tax uncertainties that met the recognition threshold in 2025 and 2024.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less.

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

Accounts Receivable, Patients

The Center assesses collectability on patient contracts prior to the recognition of net patient service revenue. Patient accounts receivable are recorded at net realizable value. Accounts are written off through credit loss expense when the Center has exhausted all collection efforts and determines accounts are impaired based on changes in patient credit worthiness. No material credit loss expense has been recognized for the years ended June 30, 2025 and 2024.

Investments and Investment Return

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in revenues in excess of expenses unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

Investments are comprised of a variety of financial instruments. The fair values reported in the consolidated balance sheets are subject to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the consolidated balance sheets could change materially in the future.

Investment in Community Care Network of Virginia

The Center carries its 3.7% Class A interest in the Community Care Network of Virginia, Inc. (the Network) at cost, adjusted for observable prices changes, given that the Network is a small closely held corporation with no readily determinable market value. The Network has both voting and nonvoting common stock. The Network is an affiliation of managed health care clinics and provides technical support and software systems to assist community health centers throughout Virginia, including the Center.

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated over the estimated useful life ranging from five to seven years using the straight-line method. Leasehold improvements are recorded at cost and amortized over the shorter of the asset's useful life or the term of the lease period. The Center capitalizes all purchases above \$5,000 per unit and with a useful life of one or more years. The Center also capitalizes purchases of small and attractive assets (i.e., computers and other items determined to be particularly vulnerable to loss) with a unit cost of at least \$500. Expenditures for repairs and maintenance that do not extend the useful life of an asset and purchases of small items are expensed as incurred in accordance with the Center's capitalization policy.

Certain property and equipment have been purchased with grant funds received from the U.S. Department of Health and Human Services (HHS). These assets are considered to be owned by the Center while in use by current or future authorized programs; however, HHS retains a reversionary interest in these assets as well as the right to determine the use of any proceeds from the sale of such assets. Accordingly, the Center may not transfer, mortgage, assign, lease or in any other manner, encumber certain items without prior approval of HHS.

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

Donations of property and equipment are reported at fair value as an increase in net assets without donor restrictions unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in net assets without donor restriction when the donated asset is placed in service.

Lease Obligations and Right-of-Use Assets

The Center follows authoritative guidance found in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. Topic 842, *Leases (ASC No. Topic 842)*. This guidance requires lessees to recognize the assets and liabilities that arise from leases on the consolidated balance sheet. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use (ROU) asset and lease liability measured at the net present value of future lease payments using a discount rate. Operating leases are expensed on a straight-line basis as lease expense over the noncancelable lease term. Expenses for finance leases are comprised of the amortization of the ROU asset and interest expense recognized based on the effective interest method.

The lease term is the noncancellable period for which the Center has the right to use an underlying asset, together with all periods covered by extension or termination options that the Center is reasonably certain to exercise, as well as extension options in which the exercise of the option is controlled by the lessor. The lease term begins at the commencement date, which is the date on which the lessor makes an underlying asset available for use by the Center.

ASC No. Topic 842 provides for several accounting policy elections, as follows:

- When the rate implicit in the lease is not determinable, rather than use the Center's incremental borrowing rate, the Center elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes;
- The Center elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the Center is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will be recorded on a straight-line basis over the lease term; and
- The Center has elected the policy not to separate lease and nonlease components for its equipment leases.

The Center makes significant assumptions and judgments in applying the requirements of ASC No. Topic 842. In particular, the Center:

- Evaluates whether a contract contains a lease, by considering factors such as whether the Center obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;
- Determines whether contracts contain embedded leases;
- Evaluates leases with similar commencement dates, lengths of term, renewal options or other contract terms, which therefore meet the definition of a portfolio of leases, whether to apply the portfolio approach to such leases; and
- Determines for leases that contain residual value guarantee, whether a payment at the end of the lease term is probable, and accordingly, whether to consider the amount of a residual value guarantee in future lease payments.

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

The future lease payments used to measure the lease liability include fixed payments, as well as the exercise price of any options to purchase the underlying asset that have been deemed reasonably certain of being executed, if applicable. Future lease payments for optional renewal periods that are not reasonably certain of being exercised are excluded from the measurement of the lease liability.

ROU assets represent the Center's right to use an underlying asset for the lease term, while lease liabilities represent the Center's obligation to make lease payments arising from the lease. For all leases, the ROU asset is initially derived from the measurement of the lease liability and adjusted for certain items, such as initial direct costs and lease incentives received. ROU assets are subject to long-lived impairment testing. The Center reassesses lease classification and remeasures ROU assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with the authoritative guidance.

Margin Loan

The Center has a margin loan with Alliance Bernstein, which is secured by a portion of the Center's investments. The margin loan is due on demand and bears interest at a variable rate (6.95% at June 30, 2025). The outstanding balance was \$840,685 at June 30, 2025. There was no outstanding balance on the margin loan at June 30, 2024.

Net Assets

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - net assets available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor-restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net Assets With Donor Restrictions - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. Net assets with donor restrictions representing unexpended contributions received for operating expenditures totaled \$286,036 and \$191,667 at June 30, 2025 and 2024, respectively. Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes.

Net Patient Service Revenue

Net patient service revenue is recognized at the amount that reflects the consideration to which the Center expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including commercial and governmental programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Center bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

Performance obligations are determined based on the nature of the services provided by the Center. Revenue for performance obligations satisfied at a point in time is generally recognized when goods or services are provided and the Center does not believe it is required to provide additional services to the patient. The majority of services provided by the Center are satisfied at a point in time. Revenues for performance obligations satisfied over time are recognized based on actual charges incurred in relation to total expected (or actual) charges. The Center believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Center measures the performance obligation from the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods or services are provided, and the Center does not believe it is required to provide additional services to the patient.

The Center determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured or underinsured patients in accordance with the Center's policies, and/or implicit price concessions provided to uninsured or underinsured patients. The Center determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Center determines its estimates of implicit price concessions based on its historical collection experience with a respective class of patient using a portfolio approach as a practical expedient to account for patient contracts as a collective group rather than individually. The financial statement effects of using this practical expedient are not materially different from an individual contract approach.

Sliding Fee Discounts

The Center has a sliding fee schedule for patients who meet certain criteria under its charity care policy. The sliding fees are amounts less than established rates. Because the Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue.

The Center maintains records to identify and monitor the level of charity care it provides. The costs associated with the charity care services provided are the difference between established rates and the sliding fees for qualified patients. The level of charity care provided by the Center amounted to approximately \$2,445,000 in 2025 and \$2,226,000 in 2024.

Grant Revenue

The Center accounts for grant revenue in accordance with the FASB ASC No. 958-605 guidance for conditional contributions and accordingly, revenues are recognized when conditions are substantially met. Revenue from grants designated for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions. Grants awarded for the acquisition of long-lived assets are reported as changes to net assets without donor restrictions, in the absence of grantor stipulations to the contrary, during the fiscal year in which the assets are acquired or expended. Cash received in excess of revenue recognized is recorded as a refundable advance. Receivables from the grantor agency are reported at their outstanding unpaid balances as accounts receivable, grants and other in the accompanying consolidated balance sheets.

At June 30, 2025 and 2024, the Center has been awarded funding in the aggregate amount of approximately \$2,563,000 and \$2,425,000, respectively, which has not been recorded in the accompanying consolidated financial statements as the conditions of the grant agreements have not been substantially met and funds have not been received.

Noncompliance with the terms and conditions of these funding sources could result in repayment of some or all of the support, which can be subject to government review and interpretation. In addition, the funding received by the Center is subject to future reporting and audit requirements.

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

The Center has a significant concentration of grant revenues of approximately 86% and 85% from the Department of Health and Human Services (HHS) in 2025 and 2024, respectively. Any significant reductions in these grants could have an adverse impact on the Center.

Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified as net assets without donor restriction and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restriction in the accompanying consolidated statements of operations and changes in net assets.

The Center periodically receives contributed services and goods from concerned citizens, community volunteers and board members to carry out its activities. Although the value of these services are valuable to the Center, the Center has not recorded such contributions as they do not meet the criteria for recognition under accounting principles generally accepted in the United States of America. The Center does receive other contributed services that do meet the requirement for recognition at estimated fair value. Contributed services that either create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would ordinarily be purchased by the Center are recognized at estimated fair value at the time of donations. The Center also recognizes contributed donations of medical supplies, laboratory services, facilities and other goods, including property and equipment, at estimated fair value at the time of donation.

Functional Allocation of Expenses

The Center summarizes the cost of providing its various programs and supporting services on a functional basis in the consolidated statements of operations and changes in net assets. Accordingly, certain expenses were allocated to the program and supporting services benefited, as further detailed in the consolidated statements of functional expenses.

Revenues Less Than Expenses

The consolidated statements of operations and changes in net assets includes the determination of revenues less than expenses. The Center's revenues less than expenses includes all operating revenues and expenses that are an integral part of its programs and supporting activities, net assets released from donor restrictions to support operating expenditures, and transfers from board-designated and other nonoperating funds to support current operating activities. Changes in net assets without donor restrictions which are excluded revenues less than expenses, consistent with industry practice, include contributions or grants for long-lived assets, including assets acquired using contributions or grants which by donor or granting agency restriction are to be used for the purpose of acquiring such assets.

Reclassifications

Certain amounts and balances in the 2024 financial statements have been reclassified to conform to the 2025 presentation.

Subsequent Events

The Center has evaluated subsequent events through April 23, 2026, which is the date the consolidated financial statements were available to be issued.

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

2. Net Patient Service Revenue

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. These payment arrangements include:

Medicare - Covered FQHC services rendered to Medicare program beneficiaries are paid under a prospective payment system (PPS). Medicare payment, including patient coinsurance, are paid based on the lesser of the Center's actual charge or the applicable PPS rate. Services not covered under the FQHC benefit are paid based on established fee schedules.

Medical Assistance - Covered FQHC services rendered to Medical Assistance program beneficiaries are paid based on a prospective reimbursement methodology. The Center is reimbursed at a predetermined encounter rate for all services under this plan. Services not covered under the FQHC benefit are paid based on established fee schedules.

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

Settlements with third party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence with the payor and the Center's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price were \$328,057 in 2025. Adjustments arising from a change in the transaction price were not significant in 2024.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Center also provides services to uninsured patients, and offers those uninsured or underinsured patients a discount, either by policy or law, from standard charges. The Center estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charges by any contractual adjustment, discounts and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustment to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as credit loss expense.

Consistent with the Center's mission, care is provided to patients regardless of their ability to pay. Therefore, the Center has determined it has provided implicit price concessions to uninsured patients and certain insured patients (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Center expects to collect based on its collection history with those patients.

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

The Center has determined that the nature, timing and uncertainty of revenue and cash flows are primarily affected by the payor (for example, Medicare, Medical Assistance, commercial and self-pay).

The composition of net patient service revenue by primary payor for the years ending June 30 are as follows:

	2025	2024
Medical Assistance	\$ 12,716,416	\$ 10,919,074
Commercial	1,828,411	1,611,355
Self-pay	1,704,814	2,295,884
Medicare	865,831	768,952
Total net patient service revenue	<u>\$ 17,115,472</u>	<u>\$ 15,595,265</u>

3. Investments and Fair Value Measurements

The Center measures its long-term investments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America.

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework established for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Center for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets or liabilities, and other observable inputs. The Center held no Level 2 investments as of June 30, 2024 and 2023.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques. The Center held no Level 3 investments as of June 30, 2025 and 2024.

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

The following table presents financial instruments measured at fair value at June 30, 2025 and 2024, by caption on the consolidated balance sheets:

		2025	
		Level 1	Total
Investments:			
Mutual funds:			
Equity mutual funds	\$	2,382,157	\$ 2,382,157
Fixed income mutual funds		1,373,787	1,373,787
Real assets mutual funds		202,976	202,976
Total		<u>\$ 3,958,920</u>	<u>\$ 3,958,920</u>
		2024	
		Level 1	Total
Investments:			
Mutual funds:			
Equity mutual funds	\$	2,155,706	\$ 2,155,706
Fixed income mutual funds		1,223,163	1,223,163
Real assets mutual funds		182,002	182,002
Total		<u>\$ 3,560,871</u>	<u>\$ 3,560,871</u>

Valuation Methodologies

Mutual funds are valued based upon closing market prices reported on the quoted market prices in active markets for the same securities.

Investment Return

Investment income is included as a component of other income on the consolidated statements of operations and changes in net assets. Investment income is as follows for the years ending June 30:

	2025	2024
Interest and dividend income, net of fees	\$ 73,746	\$ 62,640
Realized gains on investments	1,525	5,357
Net change in unrealized gains and losses on investments	320,146	287,742
Total investment income	<u>\$ 395,417</u>	<u>\$ 355,739</u>

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

4. Property and Equipment

Property and equipment consists of the following at June 30:

	2025	2024
Land	\$ 1,093,000	\$ 1,093,000
Leasehold improvements	1,770,427	1,638,715
Building and improvements	2,583,483	2,583,483
Furniture and fixtures	1,741,593	1,713,006
Computer equipment	267,377	267,377
Vehicles	477,797	414,243
Total	7,933,677	7,709,824
Less accumulated depreciation	(2,749,679)	(2,331,682)
Property and equipment, net	\$ 5,183,998	\$ 5,378,142

5. Liquidity and Availability of Resources

Financial assets available for general expenditure within one year of the consolidated balance sheets date, consist of the following at June 30:

	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 2,794,552	\$ 901,737
Accounts receivable:		
Patients, net	678,138	1,603,505
Estimated third-party payor settlements	3,021,853	3,535,742
Grants and other	117,431	138,481
Investments without donor restrictions	2,832,198	3,369,204
Total	\$ 9,444,172	\$ 9,548,669

As part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

6. Long-Term Debt

	2025	2024
Note payable, see terms below	\$ 2,283,616	\$ 2,332,385
Less current portion	(51,123)	(50,184)
Long-term debt, net of current portion	\$ 2,232,493	\$ 2,282,201

Note Payable

In December 2022, the Center received a \$2,400,000 promissory note (the Note) from a financial institution. The proceeds of the Note were used to purchase the Woodbridge facility, the acquisition of certain office equipment, and to pay for the costs of issuance.

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

Beginning in January 2023, monthly payments of \$14,652, which includes principal and interest at a fixed rate of 5.44%, commenced. These payments are payable through December 2029 with a balloon payment of approximately \$2,036,000. Payments of principal and interest on the Note are secured by the gross revenues of the CC Center together with a lien on, and security interest in certain property and equipment of the CC Center. The loan agreement contains restrictive covenants, the most significant of which is the maintenance of minimum debt service coverage and minimum liquidity amounts.

Long-Term Debt Maturities

The long-term debt maturing in the next five years and thereafter is as follows:

2026	\$	51,123
2027		54,016
2028		56,743
2029		60,281
2030		2,061,453
Total long-term debt		<u>\$ 2,283,616</u>

7. Leases

The Center has entered into three operating leases for its real property. The Center leases three medical office buildings located in Woodbridge, Manassas and Dumfries, Virginia. The Center's leases have terms of 10 years, 18 years and 10 years, respectively, including options for renewal periods that are considered reasonably certain to be exercised. The Center has finance leases for medical equipment.

The Center utilizes discount rates to determine the net present value of its gross lease obligations when calculating the lease liability and related ROU asset. In cases in which the rate implicit in the lease is readily determinable, the Center utilizes that discount rate for purposes of the net present value calculation. In most cases, the Center's lease agreements do not have a discount rate that is readily determinable. Therefore, the Center elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes.

Future minimum payments under lease obligations as of June 30, 2025 were as follows:

	<u>Operating Leases</u>	<u>Finance Leases</u>
Years ending June 30:		
2026	\$ 1,181,629	\$ 27,000
2027	1,214,032	6,750
2028	1,247,332	-
2029	1,281,551	-
2030	1,231,382	-
Thereafter	4,355,771	-
Total	10,511,697	33,750
Less amounts representing present value discount	<u>(1,559,890)</u>	<u>(563)</u>
Total lease obligations	<u>\$ 8,951,807</u>	<u>\$ 33,187</u>

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

Other supplemental and cash flow lease information as of and for the years ended June 30, 2025 and 2024 were as follows:

	2025	2024
Cash paid for amounts included in the measurement of lease liabilities for finance leases:		
Operating cash flows	\$ 25,455	\$ 56,530
Financing cash flows	25,709	56,503
Cash paid for amounts included in the measurement of lease liabilities for operating leases:		
Operating cash flows	807,094	818,150
ROU assets obtained in exchange for lease liabilities:		
Operating leases	3,712,817	-
Weighted-average remaining lease term:		
Finance leases	1.3 years	2.3 years
Operating leases	9.2 years	8.5 years
Weighted-average discount rate:		
Finance leases	2.88%	2.88%
Operating leases	3.26%	2.89%

Lease Expense

Variable lease expense is related to the Center's real property leases and consists of variable property tax and insurance components that are for the benefit of the lessor and are remitted as part of the Center's lease payments. The Center's variable lease expense also includes expenses that result from rent adjustments required under lease agreements whereby rental increases (in full or in part) are based on changes in the Consumer Price Index (CPI) or similar variable index rates.

The Center's decisions regarding lease renewal options that are reasonably certain to be exercised have been incorporated as part of the lease term in ROU asset and lease liability calculations. To support these determinations, the Center evaluated each new lease that includes a renewal option (or options) to assess whether or not the future renewal options were reasonably certain to be exercised. The periods related to any renewal options deemed not reasonably certain to be exercised were excluded from the lease term with respect to the ROU asset and lease liability calculations.

Lease costs for the years ended June 30, 2025 and 2024 as presented on the consolidated statements of functional expenses were as follows:

	2025	2024
Finance lease cost:		
Amortization of right-of-use assets, included in depreciation expense	\$ 25,455	\$ 56,530
Interest on lease obligations, included in interest expense	1,294	2,397
Operating lease cost, included in occupancy expense	912,375	1,089,636
Total lease expense	\$ 939,124	\$ 1,148,563

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

8. Retirement Plan

The Center maintains a 401(k) defined contribution retirement plan covering all employees meeting certain minimum eligibility requirements. Under the 401(k) plan, the Center annually contributes 3% of each eligible employee's compensation. During the fiscal years ended June 30, 2025 and 2024, the Center incurred retirement plan expenses associated with matching contributions totaling approximately \$418,000 and \$400,000, respectively.

9. Medical Malpractice

HHS deemed the Center and its practicing providers covered under the Federal Tort Claims Act (FTCA) for damage for personal injury, including death, resulting from the performance of medical, surgical, dental and related functions. FTCA coverage is comparable to an occurrence policy without a monetary cap.

Claim liabilities are determined without consideration of insurance recoveries. Expected recoveries are based upon the Center's claims experience, no accrual has been made for medical malpractice costs for the years ended June 30, 2025 and 2024. However, because of the risk of providing health care services, it is possible that an event has occurred which will be the basis of a future material claim.

10. Contingencies

Healthcare Industry

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. Management is not aware of any material incidents of noncompliance that have not been provided for in the accompanying consolidated financial statements; however, the possible future financial effects of this matter on the Center, if any, are not determinable.

Federal and State Awards

The Center participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Center is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

11. Concentrations of Credit Risk

The Center maintains substantially all of its cash and cash equivalents with financial institutions. Total cash balances are insured up to \$250,000 by the Federal Deposit Insurance Center. The balances at times may exceed the insurance limit and management considers this to be a normal business risk.

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

The Center grants credit without collateral to its patients, most of whom are local residents insured under third-party payor arrangements, primarily with Medicare, Medicaid and various commercial insurance companies. The Center maintains allowances for potential credit losses and such losses have historically been within management's expectations.

The mix of accounts receivable, patients as of June 30 is as follows:

	2025	2024
Medical Assistance	61 %	49 %
Commercial	24	35
Self-pay	9	10
Medicare	6	6
	<u>100 %</u>	<u>100 %</u>

**Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards***

Independent Auditors' Report

To the Board of Directors of
Greater Prince William Area Community Health Center, Inc. and Subsidiary

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the consolidated financial statements of Greater Prince William Area Community Health Center, Inc. and Subsidiary (the Center), which comprise the Center's consolidated balance sheet as of June 30, 2025, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 23, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

The Center's Response to Findings

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

Purpose of This Report

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

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

New Castle, Pennsylvania
April 23, 2026

**Report on Compliance
for the Major Federal Program and
Report on Internal Control Over Compliance
Required by the Uniform Guidance**

Independent Auditors' Report

To the Board of Directors of
Greater Prince William Area Community Health Center, Inc. and Subsidiary

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Greater Prince William Area Community Health Center, Inc. and Subsidiary's (the Center) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Center's major federal program for the year ended June 30, 2025. The Center's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baker Tilly US, LLP

New Castle, Pennsylvania
April 23, 2026

Greater Prince William Area Community Health Center, Inc. and Subsidiary

 Consolidating Balance Sheet
 June 30, 2025

	Greater Prince William Area Community Health Center, Inc.	CC Center, LLC	Eliminations	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 2,769,756	\$ 24,796	\$ -	\$ 2,794,552
Accounts receivable:				
Patients	677,084	1,054	-	678,138
Estimated third-party payor settlements	3,021,853	-	-	3,021,853
Grants and other	117,431	-	-	117,431
Due from related parties	-	683,826	(683,826)	-
Prepaid expenses and other current assets	245,268	-	-	245,268
Total current assets	6,831,392	709,676	(683,826)	6,857,242
Investments	3,958,920	-	-	3,958,920
Investment in Community Care Network of Virginia	15,000	-	-	15,000
Investment in CC Center, LLC	1,868,458	-	(1,868,458)	-
Security Deposits	121,994	-	-	121,994
Property and Equipment, Net	1,756,953	3,427,045	-	5,183,998
Finance Lease, Right-of-Use Assets	31,797	-	-	31,797
Operating Lease, Right-of-Use Assets	8,088,221	-	-	8,088,221
Total assets	<u>\$ 22,672,735</u>	<u>\$ 4,136,721</u>	<u>\$ (2,552,284)</u>	<u>\$ 24,257,172</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 760,154	\$ (15,353)	\$ -	\$ 744,801
Accrued expenses	981,574	-	-	981,574
Due to related parties	683,826	-	(683,826)	-
Margin loan	840,685	-	-	840,685
Current portion of:				
Finance lease obligations	26,456	-	-	26,456
Operating lease obligations	905,581	-	-	905,581
Current portion of long-term debt	-	51,123	-	51,123
Total current liabilities	4,198,276	35,770	(683,826)	3,550,220
Finance Lease Obligations	6,731	-	-	6,731
Operating Lease Obligations	8,046,226	-	-	8,046,226
Long-Term Debt	-	2,232,493	-	2,232,493
Total liabilities	<u>12,251,233</u>	<u>2,268,263</u>	<u>(683,826)</u>	<u>13,835,670</u>
Net Assets				
Without donor restrictions	10,135,466	1,868,458	(1,868,458)	10,135,466
With donor restrictions	286,036	-	-	286,036
Total net assets	<u>10,421,502</u>	<u>1,868,458</u>	<u>(1,868,458)</u>	<u>10,421,502</u>
Total liabilities and net assets	<u>\$ 22,672,735</u>	<u>\$ 4,136,721</u>	<u>\$ (2,552,284)</u>	<u>\$ 24,257,172</u>

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Consolidating Balance Sheet
June 30, 2024

	Greater Prince William Area Community Health Center, Inc.	CC Center, LLC	Eliminations	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 897,304	\$ 4,433	\$ -	\$ 901,737
Accounts receivable:				
Patients	1,603,505	-	-	1,603,505
Estimated third-party payor settlements	3,535,742	-	-	3,535,742
Grants and other	138,481	-	-	138,481
Due from related parties	-	310,030	(310,030)	-
Prepaid expenses and other current assets	118,862	-	-	118,862
Total current assets	6,293,894	314,463	(310,030)	6,298,327
Investments	3,560,871	-	-	3,560,871
Investment in Community Care Network of Virginia	15,000	-	-	15,000
Investment in CC Center, LLC	1,475,124	-	(1,475,124)	-
Security Deposits	121,994	-	-	121,994
Property and Equipment, Net	1,850,018	3,528,124	-	5,378,142
Finance Lease, Right-of-Use Assets	57,252	-	-	57,252
Operating Lease, Right-of-Use Assets	7,649,416	-	-	7,649,416
Total assets	<u>\$ 21,023,569</u>	<u>\$ 3,842,587</u>	<u>\$ (1,785,154)</u>	<u>\$ 23,081,002</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 525,930	\$ 35,078	\$ -	\$ 561,008
Accrued expenses	886,430	-	-	886,430
Due to related parties	310,030	-	(310,030)	-
Current portion of:				
Finance lease obligations	25,706	-	-	25,706
Operating lease obligations	871,340	-	-	871,340
Current portion of long-term debt	-	50,184	-	50,184
Total current liabilities	2,619,436	85,262	(310,030)	2,394,668
Finance Lease Obligations	33,190	-	-	33,190
Operating Lease Obligations	7,861,064	-	-	7,861,064
Long-Term Debt	-	2,282,201	-	2,282,201
Total liabilities	<u>10,513,690</u>	<u>2,367,463</u>	<u>(310,030)</u>	<u>12,571,123</u>
Net Assets				
Without donor restrictions	10,318,212	1,475,124	(1,475,124)	10,318,212
With donor restrictions	191,667	-	-	191,667
Total net assets	<u>10,509,879</u>	<u>1,475,124</u>	<u>(1,475,124)</u>	<u>10,509,879</u>
Total liabilities and net assets	<u>\$ 21,023,569</u>	<u>\$ 3,842,587</u>	<u>\$ (1,785,154)</u>	<u>\$ 23,081,002</u>

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Consolidating Statement of Operations and Changes in Net Assets

Year Ended June 30, 2025

	Greater Prince William Area Community Health Center, Inc.	CC Center, LLC	Eliminations	Total
Changes in Net Assets Without Donor Restrictions				
Revenues:				
Net patient service revenue	\$ 17,115,472	\$ -	\$ -	\$ 17,115,472
Grant and reimbursement revenue	3,841,153	-	-	3,841,153
Contributed services	10,976	-	-	10,976
Investment income	788,750	-	(393,333)	395,417
Other income	503,087	726,910	(710,575)	519,422
Net assets released from restrictions	295,631	-	-	295,631
Total revenues	22,555,069	726,910	(1,103,908)	22,178,071
Expenses:				
Payroll, benefits and other personnel expenses	16,711,714	6,175	-	16,717,889
Supplies	1,524,365	-	-	1,524,365
Occupancy and telecommunications	2,153,765	89,253	(710,574)	1,532,444
Professional services	1,474,603	250	-	1,474,853
Equipment maintenance and rental	220,443	-	-	220,443
Interest	2,048	127,058	-	129,106
Depreciation	415,175	101,079	-	516,254
Other operating expenses	235,702	9,761	-	245,463
Total expenses	22,737,815	333,576	(710,574)	22,360,817
Revenues (less than) in excess of expenses	(182,746)	393,334	(393,334)	(182,746)
Changes in net assets without donor restrictions	(182,746)	393,334	(393,334)	(182,746)
Changes in Net Assets With Donor Restrictions				
Grant and contributions	390,000	-	-	390,000
Net assets released from restrictions	(295,631)	-	-	(295,631)
Changes in net assets with donor restrictions	94,369	-	-	94,369
Change in net assets	(88,377)	393,334	(393,334)	(88,377)
Net Assets, Beginning	10,509,879	1,475,124	(1,475,124)	10,509,879
Net Assets, Ending	\$ 10,421,502	\$ 1,868,458	\$ (1,868,458)	\$ 10,421,502

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Consolidating Statement of Operations and Changes in Net Assets

Year Ended June 30, 2024

	Greater Prince William Area Community Health Center, Inc.	CC Center, LLC	Eliminations	Total
Changes in Net Assets Without Donor Restrictions				
Revenues:				
Net patient service revenue	\$ 15,595,265	\$ -	\$ -	\$ 15,595,265
Grant and reimbursement revenue	4,071,988	-	-	4,071,988
Contributed services	3,166	-	-	3,166
Investment income	714,684	-	(358,946)	355,738
Other income	469,868	709,713	(709,713)	469,868
Net assets released from restrictions	295,000	-	-	295,000
Total revenues	21,149,971	709,713	(1,068,659)	20,791,025
Expenses:				
Payroll, benefits and other personnel expenses	15,971,121	6,064	-	15,977,185
Supplies	1,289,674	-	-	1,289,674
Occupancy and telecommunications	2,102,132	104,352	(709,713)	1,496,771
Professional services	1,343,175	-	-	1,343,175
Equipment maintenance and rental	312,428	-	-	312,428
Interest	14,793	130,372	-	145,165
Depreciation	481,046	101,079	-	582,125
Other operating expenses	228,677	8,900	-	237,577
Total expenses	21,743,046	350,767	(709,713)	21,384,100
Revenues (less than) in excess of expenses	(593,075)	358,946	(358,946)	(593,075)
Grant income used for long-term purposes	-	-	-	-
Contributions from members	-	-	-	-
Changes in net assets without donor restrictions	(593,075)	358,946	(358,946)	(593,075)
Changes in Net Assets With Donor Restrictions				
Grant and contributions	300,000	-	-	300,000
Net assets released from restrictions	(295,000)	-	-	(295,000)
Changes in net assets with donor restrictions	5,000	-	-	5,000
Change in net assets	(588,075)	358,946	(358,946)	(588,075)
Net Assets, Beginning	11,097,954	1,116,178	(1,116,178)	11,097,954
Net Assets, Ending	\$ 10,509,879	\$ 1,475,124	\$ (1,475,124)	\$ 10,509,879

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Consolidated Schedule of Functional Expenses

Year Ended June 30, 2025

	Program Services					Supporting Services	Total Expenses
	Primary Care	OB-GYN Care	Dental Care	Behavioral Health	Total	Management and General	
Expenses							
Salaries, wages, payroll taxes and benefits	\$ 7,207,525	\$ 1,349,688	\$ 1,877,634	\$ 1,331,660	\$ 11,766,507	\$ 4,564,138	\$ 16,330,645
Other personnel expenses	82,938	15,572	16,144	13,103	127,757	259,487	387,244
Travel and meetings	488	-	157	142	787	9,257	10,044
Equipment maintenance and rental	61,138	25,955	13,095	-	100,188	120,255	220,443
Supplies	999,634	120,977	279,383	-	1,399,994	124,371	1,524,365
Laboratory tests	67,635	305,490	-	-	373,125	-	373,125
Electronic health records	171,256	61,550	48,695	52,305	333,806	36,917	370,723
Contracted patient care services	119,278	12,014	9,426	-	140,718	-	140,718
Billing services	3,149	10	606	1,926	5,691	24,239	29,930
Professional fees	94,280	32,635	29,009	25,383	181,307	133,813	315,120
Information technology	-	-	-	-	-	245,237	245,237
Occupancy	-	-	-	-	-	1,436,624	1,436,624
Telecommunications	-	-	-	-	-	95,820	95,820
Insurance	-	-	-	-	-	44,887	44,887
Agency membership fees	1,023	-	-	-	1,023	35,321	36,344
Community outreach	-	-	-	-	-	27,783	27,783
Postage and printing	-	383	-	-	383	21,650	22,033
Merchant and bank charges	-	-	-	-	-	101,921	101,921
Interest	-	-	-	-	-	129,106	129,106
Depreciation	33,367	19,152	56,888	-	109,407	406,847	516,254
Other operating expenses	-	-	-	-	-	2,451	2,451
Total	\$ 8,841,711	\$ 1,943,426	\$ 2,331,037	\$ 1,424,519	\$ 14,540,693	\$ 7,820,124	\$ 22,360,817

See notes to consolidated financial statements

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Consolidated Schedule of Functional Expenses

Year Ended June 30, 2024

	Program Services					Supporting Services	Total Expenses
	Primary Care	OB-GYN Care	Dental Care	Behavioral Health	Total	Management and General	
Expenses							
Salaries, wages, payroll taxes and benefits	\$ 5,865,769	\$ 1,771,586	\$ 1,972,414	\$ 1,514,304	\$ 11,124,073	\$ 4,588,880	\$ 15,712,953
Other personnel expenses	77,566	9,127	20,513	5,313	112,519	151,713	264,232
Travel and meetings	-	-	-	-	-	2,591	2,591
Equipment maintenance and rental	109,579	51,626	29,677	-	190,882	121,546	312,428
Supplies	849,042	110,601	248,056	345	1,208,044	81,630	1,289,674
Laboratory tests	89,423	306,336	-	-	395,759	-	395,759
Electronic health records	135,232	51,843	37,029	42,789	266,893	7,506	274,399
Contracted patient care services	21,091	11,065	8,687	-	40,843	-	40,843
Billing services	19,548	6,528	6,710	7,291	40,077	18,726	58,803
Professional fees	81,033	28,050	24,933	21,817	155,833	191,792	347,625
Information technology	-	-	-	-	-	225,746	225,746
Occupancy	-	-	-	-	-	1,382,810	1,382,810
Telecommunications	-	-	-	-	-	113,961	113,961
Insurance	-	-	-	-	-	34,497	34,497
Agency membership fees	-	-	-	-	-	38,316	38,316
Community outreach	-	-	-	-	-	25,604	25,604
Postage and printing	-	-	-	-	-	23,624	23,624
Merchant and bank charges	-	-	-	-	-	112,421	112,421
Interest	-	-	-	-	-	145,165	145,165
Depreciation	32,664	19,491	56,887	1,410	110,452	471,673	582,125
Other operating expenses	-	-	-	-	-	524	524
Total	\$ 7,280,947	\$ 2,366,253	\$ 2,404,906	\$ 1,593,269	\$ 13,645,375	\$ 7,738,725	\$ 21,384,100

See notes to consolidated financial statements

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2025

Federal Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Agency	Pass-Through Agency Identifying Number	Grant Award	Federal Expenditures	Payments Made to Subrecipients
Department of Health and Human Services, Health Resources and Services Administration						
Health Center Program	93.224	N/A	N/A	\$ 3,352,375	\$ 2,353,560	\$ -
Health Center Program	93.224	N/A	N/A	3,352,375	916,458	-
Subtotal					3,270,018	-
Grants for New and Expanded Services Under the Health Center Program	93.527	N/A	N/A	140,160	13,042	-
Grants for New and Expanded Services Under the Health Center Program	93.527	N/A	N/A	75,174	29,524	-
Subtotal					42,566	-
Total Health Center Program Cluster					3,312,584	-
Total expenditure of federal awards					\$ 3,312,584	\$ -

See notes to schedule of expenditures of federal awards

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2025

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Greater Prince William Area Community Health Center, Inc. and Subsidiary (the Center) under programs of the federal government for the year ended June 30, 2025. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Center.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule (where applicable) represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented, where applicable.

3. Indirect Costs

The Center has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Section I - Summary of Auditors' Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 X yes

 no

Significant deficiency(ies) identified?

 yes

 X none reported

Noncompliance material to financial statements noted?

 yes

 X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

 yes

 X no

Significant deficiency(ies) identified?

 yes

 X none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance?

 yes

 X no

Auditee qualified as low-risk auditee?

 yes

 X no

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Identification of major programs:

<u>Federal Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.224/93.527	Health Center Program Cluster (Community Health Centers and Affordable Care Act Grants for New and Expanded Services Under the Health Center Program)

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Section II - Financial Statement Findings

2025-001 - Internal Control Over Financial Reporting - Net Realizable Value of Patient Accounts Receivable - Material Weakness

Criteria: Patient accounts receivable are required to be recognized at their net realizable value in accordance with generally accepted accounting principles.

Condition/Context: In order to evaluate the net realizable value of patient accounts receivable, the Center should prepare an analysis based on current and historical collection experience. No such analysis was performed in the current year.

Effect: Cumulative adjustments were required to increase patient accounts receivable and net patient service revenues by \$460,732.

Cause: The Center lacks policies and procedures that would require that this analysis be performed, reviewed and the results thereof posted to the general ledger on a monthly basis.

Recommendation: We recommend that management implement policies and procedures to ensure patient accounts receivable are appropriately accounted for at their net realizable value in accordance with generally accepted accounting principles, as follows:

- Revise the patient accounts receivable valuation analysis to more closely reflect current collection trends experienced by the Center;
- Complete the patient accounts receivable valuation analysis on a monthly basis and adjust the general ledger accordingly;
- Perform timely reviews of the patient accounts receivable valuation analysis, including a comparison of the final adjusted balances for patient accounts receivable against the estimate calculated within the analysis.

Action Taken: Management concurred with the finding. Management is in the process of creating a comprehensive accounting policies and procedures manual, which will include the reconciliation and valuation analyses for patient accounts receivable. The anticipated completion date for the completion of this manual is March 31, 2026.

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

2025-002 - Internal Control Over Financial Reporting - Reconciliation Procedures – Material Weakness

Criteria: Management is responsible for designing and implementing controls to ensure that account balances are supported by appropriate documentation and that differences between the general ledger and supporting records are timely identified, investigated, and resolved. This includes preparing and reviewing reconciliations for significant balance sheet and income statement accounts as part of the financial close process.

Condition/Context: During our audit of the financial statements as of and for the year ended June 30, 2025, we noted that several account reconciliations provided by management did not properly reconcile general ledger balances to supporting documentation (such as sub-ledger detail) or contained unresolved reconciling differences. In some instances, reconciliations were incomplete, not sufficiently supported, or not reviewed to ensure accuracy and resolution of variances.

Effect: As a result of these deficiencies, errors and misstatements occurred in the current year that required adjustments as a part of the financial statement audit.

Cause: The cause of this condition was the lack of formalized reconciliation procedures as part of the monthly close process, including defined policies for the preparation, documentation and review of reconciliations. Additionally, there was insufficient oversight to ensure reconciling items were investigated and adjusted in the general ledger on a timely basis.

Recommendation: We recommend that management strengthen internal control over financial reporting by incorporating formal reconciliation policies and procedures into the monthly financial close process. At a minimum, this should include:

- Preparation of reconciliations for all significant balance sheet accounts;
- Clear linkage between general ledger balances and supporting documentation;
- Timely investigation and resolution of reconciling differences; and
- Independent review and approval of reconciliations by appropriate supervisory personnel.

Action Taken: Management concurred with the finding. Management is in the process of creating a comprehensive accounting policies and procedures manual, which will encompass the month-end close processes, including reconciliation of all balance sheet accounts. The anticipated completion date for the completion of this manual is March 31, 2026.

Section III - Federal Award Findings and Questioned Costs

None.

Greater Prince William Area Community Health Center, Inc. and Subsidiary

Schedule of Prior Audit Findings
Year Ended June 30, 2025

Section IV - Schedule of Prior Audit Findings

None.



Greater Prince William Area Community Health Center, Inc. & Subsidiary Corrective Action Plan For the Year Ended June 30, 2025

Finding 2025-001 - Internal Control Over Financial Reporting - Net Realizable Value of Patient Accounts Receivable - Material Weakness

Condition/Context: In order to evaluate the net realizable value of patient accounts receivable, the Center should prepare an analysis based on current and historical collection experience. No such analysis was performed in the current year.

Effect: Cumulative adjustments were required to increase patient accounts receivable and net patient service revenues by \$460,732.

Cause:

The Center lacks policies and procedures that would require that this analysis be performed, reviewed and the results thereof posted to the general ledger on a monthly basis.

Recommendation: We recommend that management implement policies and procedures to ensure patient accounts receivable are appropriately accounted for at their net realizable value in accordance with generally accepted accounting principles, as follows:

- Revise the patient accounts receivable valuation analysis to more closely reflect current collection trends experienced by the Center;
- Complete the patient accounts receivable valuation analysis on a monthly basis and adjust the general ledger accordingly;
- Perform timely reviews of the patient accounts receivable valuation analysis, including a comparison of the final adjusted balances for patient accounts receivable against the estimate calculated within the analysis.

Corrective Action Plan:

Corrective Action Planned: The Center will create a comprehensive Accounting Policies and Procedures manual that will encompass this process.

Name(s) of Contact Person(s) Responsible for Corrective Action: Andrea Jones, CFO; Kathy McGee, YPTC Associate

Anticipated Completion Date: We aim to have this manual complete by the end of March 2026.

Finding 2025-002 - Internal Control Over Financial Reporting - Reconciliation Procedures – Material Weakness

Condition/Context: During our audit of the financial statements as of and for the year ended June 30, 2025, we noted that several account reconciliations provided by management did not properly reconcile general ledger balances to supporting documentation (such as sub-ledger detail) or contained unresolved reconciling differences. In some instances, reconciliations were incomplete, not sufficiently supported, or not reviewed to ensure accuracy and resolution of variances.

Effect: As a result of these deficiencies, errors and misstatements occurred in the current year that required adjustments as a part of the financial statement audit.

Cause: The cause of this condition was the lack of formalized reconciliation procedures as part of the monthly close process, including defined policies for the preparation, documentation, and review of reconciliations. Additionally, there was insufficient oversight to ensure reconciling items were investigated and adjusted in the general ledger on a timely basis.

Recommendation: We recommend that management strengthen internal control over financial reporting by incorporating formal reconciliation policies and procedures into the monthly financial close process. At a minimum, this should include:

- Preparation of reconciliations for all significant balance sheet accounts;
- Clear linkage between general ledger balances and supporting documentation;
- Timely investigation and resolution of reconciling differences; and
- Independent review and approval of reconciliations by appropriate supervisory personnel.

Corrective Action Plan:

Corrective Action Planned: The Center will create a comprehensive Accounting Policies and Procedures manual that will cover all month end processes including reconciliation of all balance sheet accounts.

Name(s) of Contact Person(s) Responsible for Corrective Action: Andrea Jones, CFO, Kathy McGee, YPTC Associate

Anticipated Completion Date: We plan to have this completed by the end of March 2026.