#22-037

ORIGINAL

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name: Midwest Medical Center
Street Address: One Medical Center Drive
City and Zip Code: Galena 61036
County: Jo Daviess Health Service Area: I Health Planning Area: B-2

Applicant(s) [Provide for each applicant (refer to Part 1130.220)]

Exact Legal Name: Midwest Medical Center
Street Address: One Medical Center Drive
City and Zip Code: Galena 61036
Name of Registered Agent: Stephen T. Moore
Registered Agent Street Address: 100 Park Avenue
Registered Agent City and Zip Code: Rockford, Illinois 61101
Name of Chief Executive Officer: Tracy Bauer
Street Address: One Medical Center Drive
City and Zip Code: Galena 61036
Telephone Number: 815-776-7266

Type of Ownership of Applicants

☒	Non-profit Corporation	☐	Partnership		
☐	For-profit Corporation	☐	Governmental		
☐	Limited Liability Company	☐	Sole Proprietorship	☐	Other

- Corporations and limited liability companies must provide an **Illinois certificate of good standing.**
- Partnerships must provide the name of the state in which they are organized and the name and address of each partner specifying whether each is a general or limited partner.

APPEND DOCUMENTATION AS ATTACHMENT 1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Primary Contact [Person to receive ALL correspondence or inquiries]

Name: Tracy Bauer
Title: CEO
Company Name: Midwest Medical Center
Street Address: One Medical Center Drive
City and Zip Code: Galena 61036
E-mail Address: tbauer@midwestmedicalcenter.org
Fax Number: 815-777-2560

Additional Contact [Person who is also authorized to discuss the application for permit]

Name: Danielle Costello
Title: Partner
Company Name: Hinshaw & Culbertson LLP
Address: 100 Park Avenue, Rockford, Illinois 61101
Telephone Number: 815-490-4940
E-mail Address: dcostello@hinshawlaw.com
Fax Number: 815-490-4901

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

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Address: 100 Park Avenue, Rockford, Illinois 61101
Telephone Number: 815-490-4940
E-mail Address: dcostello@hinshawlaw.com
Fax Number: 815-490-4901

Post Permit Contact

[Person to receive all correspondence after permit issuance-**THIS PERSON MUST BE EMPLOYED BY THE LICENSED HEALTH CARE FACILITY AS DEFINED AT 20 ILCS 3960**]

Name: Tracy Bauer
Title: CEO
Company Name: Midwest Medical Center
Name: Tracy Bauer
Telephone Number: 815-776-7266
E-mail Address: tbauer@midwestmedicalcenter.org
Fax Number: 815-777-2560

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Midwest Medical Center
Address of Site Owner: One Medical Center Drive, Galena, IL 61036
Street Address or Legal Description of the Site: One Medical Center Drive, Galena, IL 61036 **Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statements, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease, or a lease.**
APPEND DOCUMENTATION AS ATTACHMENT 2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Operating Identity/Licensee

[Provide this information for each applicable facility and insert after this page.]

Exact Legal Name: Midwest Medical Center
Address: One Medical Center Drive, Galena, IL 61036

☒	Non-profit Corporation	☐	Partnership		
☐	For-profit Corporation	☐	Governmental		
☐	Limited Liability Company	☐	Sole Proprietorship	☐	Other

- Corporations and limited liability companies must provide an Illinois Certificate of Good Standing.
- Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.
- **Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.**

APPEND DOCUMENTATION AS ATTACHMENT 3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Organizational Relationships

Provide (for each applicant) an organizational chart containing the name and relationship of any person or entity who is related (as defined in Part 1130.140). If the related person or entity is participating in the development or funding of the project, describe the interest and the amount and type of any financial contribution.

APPEND DOCUMENTATION AS ATTACHMENT 4, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Flood Plain Requirements

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2006-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements, please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at **www.FEMA.gov** or **www.illinoisfloodmaps.org**. **This map must be in a readable format**. In addition, please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #2006-5 (**http://www.hfsrb.illinois.gov**). **NOTE:** A SPECIAL FLOOD HAZARD AREA AND 500-YEAR FLOODPLAIN DETERMINATION FORM has been added at the conclusion of this Application for Permit that must be completed to deem a project complete.

APPEND DOCUMENTATION AS ATTACHMENT 5, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

Provide documentation regarding compliance with the requirements of the Historic Resources Preservation Act.

APPEND DOCUMENTATION AS ATTACHMENT 6, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

DESCRIPTION OF PROJECT

1. Project Classification

[Check those applicable - refer to Part 1110.20 and Part 1120.20(b)]

Part 1110 Classification :

☐ Substantive

☒ Non-substantive

2. Narrative Description

In the space below, provide a brief narrative description of the project. Explain **WHAT** is to be done in **State Board defined terms**, **NOT WHY** it is being done. If the project site does NOT have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive.

The project is:

1. A new addition to the hospital including:

   a. a 12,075 gross square foot addition to the existing wellness center (lower level);

   e. a 600 gross square foot addition to the existing wellness center (main level);

   b. a 1,950 gross square foot addition to the existing surgical department

   c. a 4,860 gross square foot addition to the existing atrium and lobby (main level);

   d. a 11,900 gross square foot addition to the existing rehab unit;

   g. a 2,028 gross square foot addition to the existing atrium/lobby (second level);

   f. a 9,133 gross square foot addition to the existing primary care clinic; and

   f. a 1,878 drop off canopy.

   The new clinic entrance and addition will include a new drive under canopy, lobby, atrium, conference center with public restrooms. The new clinic entrance will give patients and visitors a dedicated entrance that is separated from the hospital entrance. The new entrance will improve patient access to the clinic and improve access to all clinical departments.

   The clinic addition and remodel will include a lower-level rehabilitation department and a wellness center. The lower level will include a walking / running track, studios, restrooms, and private treatment rooms for both rehabilitation patients and wellness members. The main level addition to the rehabilitation department and wellness center will allow direct access to the clinic for patients and a separate 24-hour entrance to the wellness center for fitness members. The new rehabilitation department and wellness center will include a new rehab & wellness gym, lockers rooms, semi-private treatment rooms and a new cardiac rehab department.

   The second-floor addition and remodel will allow the clinic to expand their behavioral health department and add a new infusion department. The behavioral health department will include four behavioral health offices, telehealth exam room, nurse station, restroom, and a group therapy room. The new infusion department will include 4 semi-private treatment bays, 1 private treatment room, nurse station, restroom, and support spaces. The primary care clinic and specialty care clinic will be designed around a collaborative layout. The new clinic was designed to have a shared waiting area and reception desk. The waiting room will allow direct access to the specialty care clinic or primary care clinic. The collaborative clinic design will allow the clinic to share exam rooms, procedure rooms and support spaces. The new clinic design will have 27 exam rooms, 3 procedure rooms along with 3 collaborative work areas for nurses and providers. The new design will

improve patient access and improve staff productivity. The addition and remodeling to the second-floor clinic was designed to allow the current clinic to stay open for the entire duration of construction.

2. Modernization of:

   a. existing rehab unit (6,666 gross square feet) (main level);

   b. existing surgical department (3,780 gross square feet);

   c. existing primary care clinic (5,900 gross square feet); and

   d. existing specialty care clinic / infusion (6,460 gross square feet).

   The existing rehabilitation department will be remodeled into a new waiting area, reception area, private treatment rooms, occupational therapy, private & semi-private offices, and support spaces. The addition and remodeling to the rehab and wellness center was designed to allow the current department to stay open for the entire duration of construction.

   The Surgery department will also be remodeled along with a new addition. The design will allow for additional pre/post rooms, new procedure room, and new endoscopy room along with shell space for a future operating room. The design also focused on improving central processing, PACU, expanding clean storage, and equipment storage. The surgery department is designed to be remodeled in multiple phases to allow the current surgery department to stay open for the entire duration of construction.

The address of the project is One Medical Center Drive, Galena IL 61036.

The co-applicants are Midwest Medical Center and Midwest Medical Foundation.

Total capital cost is $34,750,000. The project is being funded as follows: $9,000,000 through cash and securities, and $25,750,000 through bond issues.

Construction will be started in the Spring of 2023. The completion date of the project is April 2025.

The project is Non-Substantive. It does not establish a new service and it does not increase the inpatient bed capacity of the hospital.

Project Costs and Sources of Funds

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must be equal.

Project Costs and Sources of Funds			
USE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts			
Modernization Contracts			
Contingencies			
Architectural/Engineering Fees			
Consulting and Other Fees			
Movable or Other Equipment (not in construction contracts)			
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment			
Other Costs to Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS			
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities			
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS			

NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT 7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Related Project Costs
Provide the following information, as applicable, with respect to any land related to the project that will be or has been acquired during the last two calendar years:

Land acquisition is related to project ☐ Yes ☒ No
Purchase Price: $_____
Fair Market Value: $_____

The project involves the establishment of a new facility or a new category of service
☐ Yes ☒ No

If yes, provide the dollar amount of all **non-capitalized** operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.

Estimated start-up costs and operating deficit cost is $ _____.

Project Status and Completion Schedules

For facilities in which prior permits have been issued please provide the permit numbers.

Indicate the stage of the project's architectural drawings:

☐ None or not applicable ☐ Preliminary
☐ Schematics ☒ Final Working

Anticipated project completion date (refer to Part 1130.140): April 2025

Indicate the following with respect to project expenditures or to financial commitments (refer to Part 1130.140):

☐ Purchase orders, leases or contracts pertaining to the project have been executed.
☐ Financial commitment is contingent upon permit issuance. Provide a copy of the contingent "certification of financial commitment" document, highlighting any language related to CON Contingencies
☒ Financial Commitment will occur after permit issuance.

APPEND DOCUMENTATION AS ATTACHMENT 8, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

State Agency Submittals [Section 1130.620(c)]

Are the following submittals up to date as applicable?
☒ Cancer Registry
☒ APORS
☒ All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
☒ All reports regarding outstanding permits
Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.

Cost Space Requirements

Provide in the following format, the **Departmental Gross Square Feet (DGSF)** or the **Building Gross Square Feet (BGSF)** and cost. The type of gross square footage either **DGSF** or **BGSF** must be identified. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the departments or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

Not Reviewable Space [i.e., non-clinical]: *means an area for the benefit of the patients, visitors, staff, or employees of a health care facility and not directly related to the diagnosis, treatment, or rehabilitation of persons receiving services from the health care facility. "Non-clinical service areas" include, but are not limited to, chapels; gift shops; newsstands; computer systems; tunnels, walkways, and elevators; telephone systems; projects to comply with life safety codes; educational facilities; student housing; patient, employee, staff, and visitor dining areas; administration and volunteer offices; modernization of structural components (such as roof replacement and masonry work); boiler repair or replacement; vehicle maintenance and storage facilities; parking facilities; mechanical systems for heating, ventilation, and air conditioning; loading docks; and repair or replacement of carpeting, tile, wall coverings, window coverings or treatments, or furniture. Solely for the purpose of this definition, "non-clinical service area" does not include health and fitness centers.* [20 ILCS 3960/3]

		Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
Dept. / Area	**Cost**	**Existing**	**Proposed**	**New Const.**	**Modernized**	**As Is**	**Vacated Space**
REVIEWABLE							
Medical Surgical							
Intensive Care							
Diagnostic Radiology							
MRI							
Total Clinical							
NON-REVIEWABLE							
Administrative							
Parking							
Gift Shop							
Total Non-clinical							
TOTAL							

APPEND DOCUMENTATION AS ATTACHMENT 9, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Facility Bed Capacity and Utilization

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert the chart after this page. Provide the existing bed capacity and utilization data for the latest **Calendar Year for which data is available. Include observation days in the patient day totals for each bed service.** Any bed capacity discrepancy from the Inventory will result in the application being deemed **incomplete**.

FACILITY NAME: Midwest Medical Center		**CITY: Galena, Illinois**			
REPORTING PERIOD DATES:		**From: January 1, 2021**	**to: December 31, 2021**		
Category of Service	**Authorized Beds**	**Admissions**	**Patient Days**	**Bed Changes**	**Proposed Beds**
Medical/Surgical	25	359	2429	0	0
Obstetrics					
Pediatrics					
Intensive Care					
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness					
Neonatal Intensive Care					
General Long-Term Care	57	49	12,624	0	0
Specialized Long-Term Care					
Long Term Acute Care					
Other ((identify)					
TOTALS:	82	408	15,053	0	0

CERTIFICATION

The Application must be signed by the authorized representatives of the applicant entity. Authorized representatives are:

- in the case of a corporation, any two of its officers or members of its Board of Directors.
- in the case of a limited liability company, any two of its managers or members (or the sole manager or member when two or more managers or members do not exist).
- in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist).
- in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- in the case of a sole proprietor, the individual that is the proprietor.

This Application is filed on the behalf of Midwest Medical Center in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this Application on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the fee required for this application is sent herewith or will be paid upon request.

Tracy L. Bauer
SIGNATURE

Tracy Bauer
PRINTED NAME

President and Chief Executive Officer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 20 day of Oct

Tammie Lynn Turner
Signature of Notary

Seal

OFFICIAL SEAL
TAMMIE LYNN TURNER
NOTARY PUBLIC, STATE OF ILLINOIS
My Commission Expires 5/19/26

Kelli Jackson
SIGNATURE

Kelli Jackson
PRINTED NAME

Controller
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 20 day of Oct

Tammie Lynn Turner
Signature of Notary

Seal

OFFICIAL SEAL
TAMMIE LYNN TURNER
NOTARY PUBLIC, STATE OF ILLINOIS
My Commission Expires 5/19/26

*Insert the EXACT legal name of the applicant

CERTIFICATION – CO-APPLICANT

The Application must be signed by the authorized representatives of the applicant entity. Authorized representatives are:

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- in the case of a limited liability company, any two of its managers or members (or the sole manager or member when two or more managers or members do not exist).
- in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist).
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Tracy L. Bauer
SIGNATURE

Tracy Bauer
PRINTED NAME

President and Chief Executive Officer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 20 day of Oct

Tammie Lynn Turner
Signature of Notary

Seal

OFFICIAL SEAL
TAMMIE LYNN TURNER
NOTARY PUBLIC, STATE OF ILLINOIS
My Commission Expires 5/19/26

Kelli Jackson
SIGNATURE

Kelli Jackson
PRINTED NAME

Controller
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 20 day of Oct

Tammie Lynn Turner
Signature of Notary

Seal

OFFICIAL SEAL
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NOTARY PUBLIC, STATE OF ILLINOIS
My Commission Expires 5/19/26

*Insert the EXACT legal name of the applicant

SECTION II. DISCONTINUATION

N/A. THE PROJECT DOES NOT INVOLVE DISCONTINUATION

This Section is applicable to the discontinuation of a health care facility or the discontinuation of more than one category of service in a 6-month period. If the project is solely for a discontinuation of a health care facility the **Background of the Applicant(s) and Purpose of Project MUST** be addressed. **A copy of the Notices listed in Item 7 below MUST be submitted with this Application for Discontinuation https://www.ilga.gov/legislation/ilcs/documents/002039600K8.7.htm**

Criterion 1110.290 – Discontinuation

READ THE REVIEW CRITERION and provide the following information:

GENERAL INFORMATION REQUIREMENTS

1. Identify the categories of service and the number of beds, if any that are to be discontinued.
2. Identify all the other clinical services that are to be discontinued.
3. Provide the anticipated date of discontinuation for each identified service or for the entire facility.
4. Provide the anticipated use of the physical plant and equipment after the discontinuation occurs.
5. Provide the anticipated disposition and location of all medical records pertaining to the services being discontinued and the length of time the records will be maintained.
6. Provide copies of the notices that were provided to the local media that would routinely be notified about facility events.
7. **For applications involving the discontinuation of an entire facility, provide copies of the notices that were sent to the municipality in which the facility is located, the State Representative and State Senator of the district in which the health care facility is located, the Director of Public Health, and the Director of Healthcare and Family Services. These notices shall have been made at least 30 days prior to filing of the application.**
8. For applications involving the discontinuation of an entire facility, certification by an authorized representative that all questionnaires and data required by HFSRB or DPH (e.g., annual questionnaires, capital expenditures surveys, etc.) will be provided through the date of discontinuation, and that the required information will be submitted no later than 90 days following the date of discontinuation.

REASONS FOR DISCONTINUATION

The applicant shall state the reasons for the discontinuation and provide data that verifies the need for the proposed action. See criterion 1110.290(b) for examples.

IMPACT ON ACCESS

1. Document whether the discontinuation of each service or of the entire facility will have an adverse effect upon access to care for residents of the facility's market area.
2. Document that a written request for an impact statement was received by all existing or approved health care facilities (that provide the same services as those being discontinued) located within the **geographic service area**.

APPEND DOCUMENTATION AS ATTACHMENT 10, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION III. BACKGROUND, PURPOSE OF THE PROJECT, AND ALTERNATIVES - INFORMATION REQUIREMENTS

This Section is applicable to all projects except those that are solely for discontinuation with no project costs.

1110.110(a) – Background of the Applicant

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.

2. A listing of all health care facilities currently owned and/or operated in Illinois, by any corporate officers or directors, LLC members, partners, or owners of at least 5% of the proposed health care facility.

3. For the following questions, please provide information for each applicant, including corporate officers or directors, LLC members, partners, and owners of at least 5% of the proposed facility. A health care facility is considered owned or operated by every person or entity that owns, directly or indirectly, an ownership interest.

    a. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant, directly or indirectly, during the three years prior to the filing of the application.

    b. A certified listing of each applicant, identifying those individuals that have been cited, arrested, taken into custody, charged with, indicted, convicted, or tried for, or pled guilty to the commission of any felony or misdemeanor or violation of the law, except for minor parking violations; or the subject of any juvenile delinquency or youthful offender proceeding. Unless expunged, provide details about the conviction, and submit any police or court records regarding any matters disclosed.

    c. A certified and detailed listing of each applicant or person charged with fraudulent conduct or any act involving moral turpitude.

    d. A certified listing of each applicant with one or more unsatisfied judgements against him or her.

    e. A certified and detailed listing of each applicant who is in default in the performance or discharge of any duty or obligation imposed by a judgment, decree, order or directive of any court or governmental agency.

4. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. **Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**

5. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest that the information was previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant can submit amendments to previously submitted information, as needed, to update and/or clarify data.

APPEND DOCUMENTATION AS ATTACHMENT 11, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-4) MUST BE IDENTIFIED IN ATTACHMENT 11.

Criterion 1110.110(b) & (d)

PURPOSE OF PROJECT

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.
2. Define the planning area or market area, or other relevant area, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed as applicable and appropriate for the project.
4. Cite the sources of the documentation.
5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals **as appropriate**.

For projects involving modernization, describe the conditions being upgraded, if any. For facility projects, include statements of the age and condition of the project site, as well as regulatory citations, if any. For equipment being replaced, include repair and maintenance records.

NOTE: Information regarding the "Purpose of the Project" will be included in the State Board Staff Report.

APPEND DOCUMENTATION AS ATTACHMENT 12, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-6) MUST BE IDENTIFIED IN ATTACHMENT 12.

ALTERNATIVES

1) Identify **ALL** the alternatives to the proposed project:

Alternative options **must** include:

A) Proposing a project of greater or lesser scope and cost.

B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes.

C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and

D) Provide the reasons why the chosen alternative was selected.

2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of total costs, patient access, quality, and financial benefits in both the short-term (within one to three years after project completion) and long-term. This may vary by project or situation. **FOR EVERY ALTERNATIVE IDENTIFIED, THE TOTAL PROJECT COST AND THE REASONS WHY THE ALTERNATIVE WAS REJECTED MUST BE PROVIDED.**

3) The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

APPEND DOCUMENTATION AS ATTACHMENT 13, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IV. PROJECT SCOPE, UTILIZATION, AND UNFINISHED/SHELL SPACE

Criterion 1110.120 - Project Scope, Utilization, and Unfinished/Shell Space

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

1. Document that the amount of physical space proposed for the proposed project is necessary and not excessive. **This must be a narrative and it shall include the basis used for determining the space and the methodology applied.**

2. If the gross square footage exceeds the BGSF/DGSF standards in Appendix B, justify the discrepancy by documenting one of the following:

    a. Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies and certified by the facility's Medical Director.

    b. The existing facility's physical configuration has constraints or impediments and requires an architectural design that delineates the constraints or impediments.

    c. The project involves the conversion of existing space that results in excess square footage.

    d. Additional space is mandated by governmental or certification agency requirements that were not in existence when Appendix B standards were adopted.

Provide a narrative for any discrepancies from the State Standard. A table must be provided in the following format with Attachment 14.

SIZE OF PROJECT				
DEPARTMENT/SERVICE	**PROPOSED BGSF/DGSF**	**STATE STANDARD**	**DIFFERENCE**	**MET STANDARD?**

APPEND DOCUMENTATION AS ATTACHMENT 14, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

PROJECT SERVICES UTILIZATION: **N/A: PROJECT DOES NOT IMPACT LISTED SERVICE AREAS**

This criterion is applicable only to projects or portions of projects that involve services, functions, or equipment for which HFSRB has established utilization standards or occupancy targets in 77 Ill. Adm. Code 1100.

Document that in the second year of operation, the annual utilization of the service or equipment shall meet or exceed the utilization standards specified in 1110.Appendix B. **A narrative of the rationale that supports the projections must be provided.**

A table must be provided in the following format with Attachment 15.

UTILIZATION					
	DEPT./ SERVICE	**HISTORICAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC.**	**PROJECTED UTILIZATION**	**STATE STANDARD**	**MEET STANDARD?**
YEAR 1					
YEAR 2					

APPEND DOCUMENTATION AS ATTACHMENT 15, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

UNFINISHED OR SHELL SPACE:

Provide the following information:

1. Total gross square footage (GSF) of the proposed shell space.

2. The anticipated use of the shell space, specifying the proposed GSF to be allocated to each department, area, or function.

3. Evidence that the shell space is being constructed due to:
   a. Requirements of governmental or certification agencies; or
   b. Experienced increases in the historical occupancy or utilization of those areas proposed to occupy the shell space.

4. Provide:
   a. Historical utilization for the area for the latest five-year period for which data is available; and
   b. Based upon the average annual percentage increase for that period, projections of future utilization of the area through the anticipated date when the shell space will be placed into operation.

APPEND DOCUMENTATION AS ATTACHMENT 16, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

ASSURANCES:

Submit the following:

1. Verification that the applicant will submit to HFSRB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at the time or the categories of service involved.

2. The estimated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted; and

3. The anticipated date when the shell space will be completed and placed into operation.

APPEND DOCUMENTATION AS ATTACHMENT 17, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

M. Criterion 1110.270 - Clinical Service Areas Other than Categories of Service

1. Applicants proposing to establish, expand and/or modernize Clinical Service Areas Other than categories of service must submit the following information:

2. Indicate changes by Service: Indicate # of key room changes by action(s):

Service	# Existing Key Rooms	# Proposed Key Rooms
☐		
☐		
☐		

3. READ the applicable review criteria outlined below and **submit the required documentation for the criteria:**

Project Type	Required Review Criteria
New Services or Facility or Equipment	(b) – Need Determination – Establishment
Service Modernization	(c)(1) – Deteriorated Facilities
	AND/OR
	(c)(2) – Necessary Expansion
	PLUS
	(c)(3)(A) – Utilization – Major Medical Equipment
	OR
	(c)(3)(B) – Utilization – Service or Facility
1APPEND DOCUMENTATION AS ATTACHMENT 31, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.	

The following Sections DO NOT need to be addressed by the applicants or co-applicants responsible for funding or guaranteeing the funding of the project if the applicant has a bond rating of A- or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18-month period prior to the submittal of the application):

- **Section 1120.120 Availability of Funds – Review Criteria**
- **Section 1120.130 Financial Viability – Review Criteria**
- **Section 1120.140 Economic Feasibility – Review Criteria, subsection (a)**

VII. 1120.120 - AVAILABILITY OF FUNDS

The applicant shall document those financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable **[Indicate the dollar amount to be provided from the following sources]:**

$9,000,000	a)	Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion.
_____	b)	Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated timetable of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
_____	c)	Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated timetable of receipts.
$25,750,000	d)	Debt – a statement of the estimated terms and conditions (including the debt time, variable or permanent interest rates over the debt time, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including: 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated. 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate. 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc. 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment. 5) For any option to lease, a copy of the option, including all terms and conditions.

_____	e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent.
_____	f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt.
_____	g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
$34,750,000	**TOTAL FUNDS AVAILABLE**

APPEND DOCUMENTATION AS ATTACHMENT 34, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION VIII. 1120.130 - FINANCIAL VIABILITY

All the applicants and co-applicants shall be identified, specifying their roles in the project funding, or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

Financial Viability Waiver

The applicant is not required to submit financial viability ratios if:

1. "A" Bond rating or better
2. All the project's capital expenditures are completely funded through internal sources
3. The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent
4. The applicant provides a third-party surety bond or performance bond letter of credit from an A rated guarantor.

See Section 1120.130 Financial Waiver for information to be provided

APPEND DOCUMENTATION AS ATTACHMENT 35, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which **audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion.** When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards.

	Historical 3 Years			Projected
Enter Historical and/or Projected Years:				
Current Ratio				
Net Margin Percentage				
Percent Debt to Total Capitalization				
Projected Debt Service Coverage				
Days Cash on Hand				
Cushion Ratio				

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each.

Variance

Applicants not in compliance with any of the viability ratios shall document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.

APPEND DOCUMENTATION AS ATTACHMENT 36, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IX. 1120.140 - ECONOMIC FEASIBILITY

This section is applicable to all projects subject to Part 1120.

A. Reasonableness of Financing Arrangements

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or

2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:

   A) A portion or all the cash and equivalents must be retained in the balance sheet asset accounts to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or

   B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

B. Conditions of Debt Financing

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

1) That the selected form of debt financing for the project will be at the lowest net cost available.

2) That the selected form of debt financing will not be at the lowest net cost available but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors.

3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

1. Identify each department or area impacted by the proposed project and provide a cost and square footage allocation for new construction and/or modernization using the following format (insert after this page).

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (List below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Cost/Square Foot Mod.	Gross Sq. Ft. New	Gross Sq. Ft. Circ.*	Gross Sq. Ft. Mod.	Gross Sq. Ft. Circ.*	Const. $ (A x C)	Mod. $ (B x E)	
Contingency									
TOTALS									

* Include the percentage (%) of space for circulation

D. Projected Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

E. Total Effect of the Project on Capital Costs

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

APPEND DOCUMENTATION AS ATTACHMENT 37, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION X. SAFETY NET IMPACT STATEMENT N/A. THE PROJECT IS NON-SUBSTANTIVE

SAFETY NET IMPACT STATEMENT that describes all the following must be submitted for ALL SUBSTANTIVE PROJECTS AND PROJECTS TO DISCONTINUE HEALTH CARE FACILITIES [20 ILCS 3960/5.4]:

1. The project's material impact, if any, on essential safety net services in the community, ***including the impact on racial and health care disparities in the community,*** to the extent that it is feasible for an applicant to have such knowledge.

2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.

3. How the discontinuation of a facility or service might impact the remaining safety net providers in each community, if reasonably known by the applicant.

Safety Net Impact Statements shall also include all the following:

1. For the 3 fiscal years prior to the application, a certification describing the amount of charity care provided by the applicant. The amount calculated by hospital applicants shall be in accordance with the reporting requirements for charity care reporting in the Illinois Community Benefits Act. Non-hospital applicants shall report charity care, at cost, in accordance with an appropriate methodology specified by the Board.

2. For the 3 fiscal years prior to the application, a certification of the amount of care provided to Medicaid patients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding "Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.

3. Any information the applicant believes is directly relevant to safety net services, including information regarding teaching, research, and any other service.

A table in the following format must be provided as part of Attachment 37.

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	**Year**	**Year**	**Year**
Inpatient			
Outpatient			
Total			
Charity (cost in dollars)			
Inpatient			
Outpatient			
Total			
MEDICAID			
Medicaid (# of patients)	**Year**	**Year**	**Year**
Inpatient			
Outpatient			
Total			
Medicaid (revenue)			
Inpatient			

Outpatient			
Total			

APPEND DOCUMENTATION AS ATTACHMENT 38, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION X. CHARITY CARE INFORMATION

Charity Care information MUST be furnished for ALL projects [1120.20(c)].

1. All applicants and co-applicants shall indicate the amount of charity care for the latest three **audited** fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.

2. If the applicant owns or operates one or more facilities, the reporting shall be for each individual facility located in Illinois. If charity care costs are reported on a consolidated basis, the applicant shall provide documentation as to the cost of charity care; the ratio of that charity care to the net patient revenue for the consolidated financial statement; the allocation of charity care costs; and the ratio of charity care cost to net patient revenue for the facility under review.

3. If the applicant is not an existing facility, it shall submit the facility's projected patient mix by payer source, anticipated charity care expense and projected ratio of charity care to net patient revenue by the end of its second year of operation.

Charity care" means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third-party payer (20 ILCS 3960/3). Charity Care must be provided at cost.

A table in the following format must be provided for all facilities as part of Attachment 39.

CHARITY CARE			
	Year	Year	Year
Net Patient Revenue			
Amount of Charity Care (charges)			
Cost of Charity Care			

APPEND DOCUMENTATION AS ATTACHMENT 39, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION XI -SPECIAL FLOOD HAZARD AREA AND 500-YEAR FLOODPLAIN DETERMINATION FORM

In accordance with Executive Order 2006-5 (EO 5), the Health Facilities & Services Review Board (HFSRB) must determine if the site of the CRITICAL FACILITY, as defined in EO 5, is in a mapped floodplain (Special Flood Hazard Area) or a 500-year floodplain. All state agencies are required to ensure that before a permit, grant or a development is planned or promoted, the proposed project meets the requirements of the Executive Order, including compliance with the National Flood Insurance Program (NFIP) and state floodplain regulation.

1. Applicant: Midwest Medical Center 1 Medical Center Drive, Galena IL 61036, (815) 777-1340
   (Name) (Address)

   (City) (State) (ZIP Code) (Telephone Number)

2. Project Location: 1 Medical Center Drive Galena, IL
   (Address) (City) (State)

   Jo Daviess
   (County) (Township) (Section)

3. You can create a small map of your site showing the FEMA floodplain mapping using the FEMA Map Service Center website (https://msc.fema.gov/portal/home) by entering the address for the property in the Search bar. If a map, like that shown on page 2 is shown, select the ***Go to NFHL Viewer*** tab above the map. You can print a copy of the floodplain map by selecting the  icon in the top corner of the page. Select the pin tool icon  and place a pin on your site. Print a FIRMETTE size image.

   If there is no digital floodplain map available select the **View/Print FIRM** icon above the aerial photo. You will then need to use the Zoom tools provided to locate the property on the map and use the **Make a FIRMette** tool to create a pdf of the floodplain map.

IS THE PROJECT SITE LOCATED IN A SPECIAL FLOOD HAZARD AREA: Yes___ No _X?

IS THE PROJECT SITE LOCATED IN THE 500-YEAR FLOOD PLAIN? No

If you are unable to determine if the site is in the mapped floodplain or 500-year floodplain, contact the county or the local community building or planning department for assistance.
If the determination is being made by a local official, please complete the following:

FIRM Panel Number:_____ Effective Date:_____

Name of Official:_____ Title: _____

Business/Agency:_____ Address:_____

(City) (State) (ZIP Code) (Telephone Number)

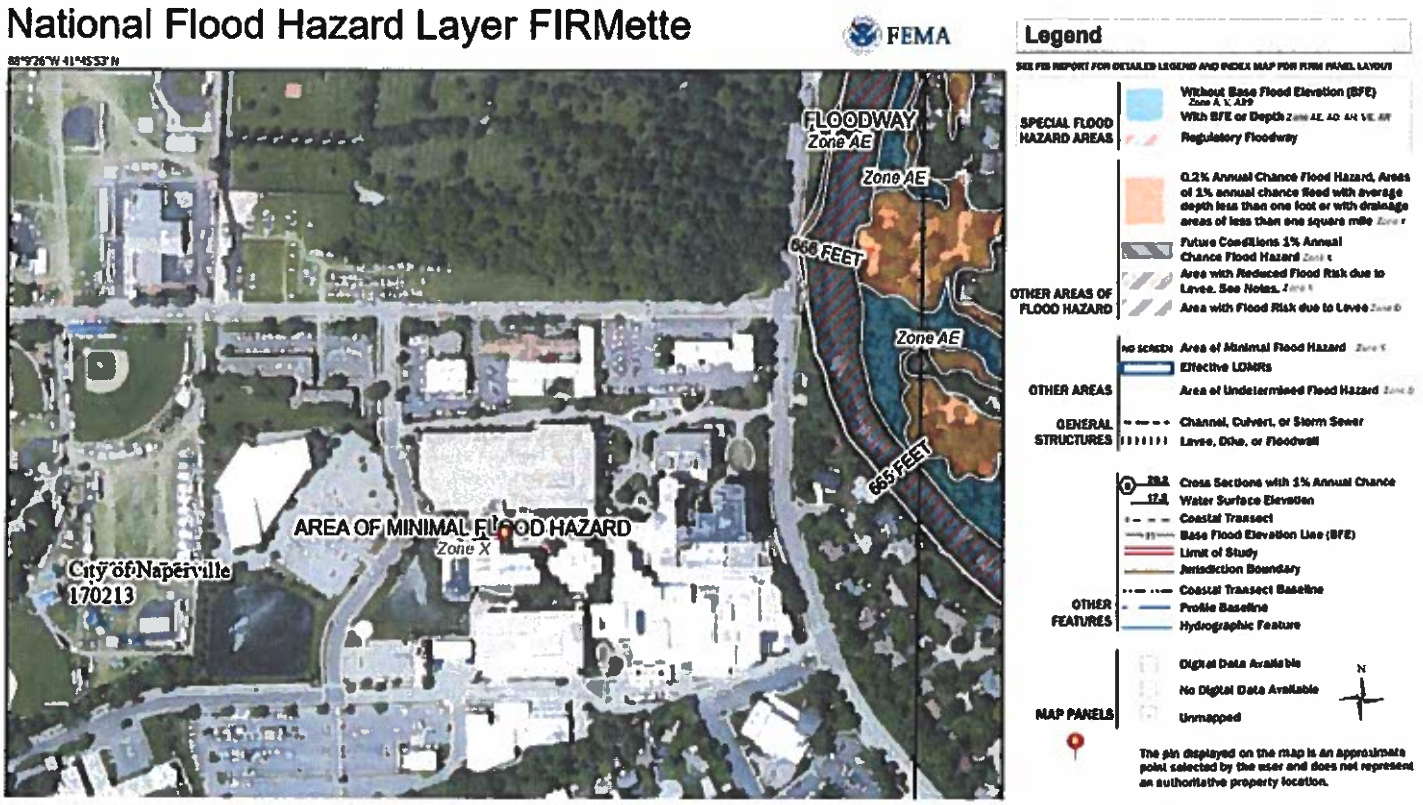
Signature:_____ Date: _____

NOTE: This finding only means that the property in question is or is not in a Special Flood Hazard Area or a 500-year floodplain as designated on the map noted above. It does not constitute a guarantee that the property will or will not be flooded or be subject to local drainage problems.

If you need additional help, contact the Illinois Statewide Floodplain Program at 217/782-4428

Floodplain Map Example

The image below is an example of the floodplain mapping required as part of the IDPH swimming facility construction permit showing that the swimming pool, to undergo a major alteration, is outside the mapped floodplain.



After paginating the entire completed application indicate, in the chart below, the page numbers for the included attachments:

INDEX OF ATTACHMENTS

ATTACHMENT NO.		PAGES
1	Applicant Identification including Certificate of Good Standing	30-31
2	Site Ownership	32-34
3	Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.	35-37
4	Organizational Relationships (Organizational Chart) Certificate of Good Standing Etc.	38
5	Flood Plain Requirements	39-40
6	Historic Preservation Act Requirements	41
7	Project and Sources of Funds Itemization	42-45
8	Financial Commitment Document if required	N/A
9	Cost Space Requirements	46-52
10	Discontinuation	N/A
11	Background of the Applicant	53-61
12	Purpose of the Project	62-64
13	Alternatives to the Project	65-66
14	Size of the Project	67
15	Project Service Utilization	N/A
16	Unfinished or Shell Space	68
17	Assurances for Unfinished/Shell Space	69
	Service Specific:	
18	Medical Surgical Pediatrics, Obstetrics, ICU	N/A
19	Comprehensive Physical Rehabilitation	N/A
20	Acute Mental Illness	N/A
21	Open Heart Surgery	N/A
22	Cardiac Catheterization	N/A
23	In-Center Hemodialysis	N/A
24	Non-Hospital Based Ambulatory Surgery	N/A
25	Selected Organ Transplantation	N/A
26	Kidney Transplantation	N/A
27	Subacute Care Hospital Model	N/A
28	Community-Based Residential Rehabilitation Center	N/A
29	Long Term Acute Care Hospital	N/A
30	Clinical Service Areas Other than Categories of Service	N/A
31	Freestanding Emergency Center Medical Services	70-72
32	Birth Center	N/A
	Financial and Economic Feasibility:	
33	Availability of Funds	N/A
34	Financial Waiver	73-219
35	Financial Viability	N/A
36	Economic Feasibility	220-227
37	Safety Net Impact Statement	228-230
38	Charity Care Information	N/A
39	Flood Plain Information	231

File Number 6467-284-3

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

MIDWEST MEDICAL FOUNDATION, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JANUARY 25, 2006, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 27TH *day of* SEPTEMBER *A.D.* 2022 .

Authentication #: 2227003604 verifiable until 09/27/2023
Authenticate at: https://www.ilsos.gov

Jesse White

SECRETARY OF STATE

File Number 6467-283-5

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

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I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

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In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 27TH *day of* SEPTEMBER *A.D.* 2022 .

Authentication #: 2227003598 verifiable until 09/27/2023
Authenticate at: https://www.ilsos.gov

Jesse White

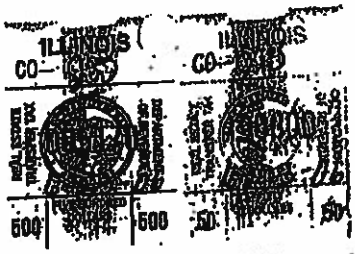
SECRETARY OF STATE

ATTACHMENT 2

Site Ownership

Attached is a copy of the Warranty Deed conveying ownership of the site to Midwest Medical Center.

328766
JO DAVIESS COUNTY RECORDER
STATE OF ILLINOIS
June 23 '06 DATE 1:40 P M TIME
Jan Dinkgr



PREPARED BY:
Vincent & Roth P.C.
Main & Perry Streets
Galena, IL 61036

MAIL TAX BILL TO:
Midwest Regional Medical Center
215 Summit Street
Galena, IL 61036

MAIL RECORDED DEED TO:
Midwest Regional Medical Center
215 Summit Street
Galena, IL 61036

Rental Housing Support Program
$10 State Surcharge Paid
Date: 6-23-06

WARRANTY DEED

Statutory (Illinois)

THE GRANTORS, J Eric Einsweiler and Kurt D Einsweiler, as Tenants in Common, and not as Joint Tenants with right of survivorship, both of the City of Galena, County of Jo Daviess and State of Illinois, for and in consideration of Ten Dollars ($10.00) and other good and valuable considerations, in hand paid, CONVEY AND WARRANT to MIDWEST REGIONAL MEDICAL CENTER, an Illinois not-for-profit corporation, of 215 Summit Street, Galena, IL 61036, all right, title, and interest in the following described real estate situated in the County of JO DAVIESS, State of Illinois, to wit:

Part of the Southeast and Southwest Quarters of Section 2, Township 28 North, Range 1 West of the Fourth Principal Meridian, Jo Daviess County, Illinois, more particularly described as follows: Beginning at a hex bolt found in concrete at the South Quarter Corner of Section 2, Township 28 North, Range 1 West of the Fourth Principal Meridian, Jo Daviess County, Illinois; thence North 87 degrees 30 minutes 49 seconds West along the South line of the Southwest Quarter of said Section 2, a distance of 985.07 feet to an iron rod survey monument set in Norris Lane over the center of an existing North-South drainage ditch; thence North 4 degrees 02 minutes 18 seconds West along said ditch line, a distance of 160.48 feet; thence North 20 degrees 04 minutes 28 seconds East along said ditch, a distance of 249.38 feet; thence North 3 degrees 27 minutes 05 seconds East along said ditch, a distance of 177.13 feet; thence North 17 degrees 34 minutes 11 seconds East along said ditch, a distance of 199.47 feet; thence North 14 degrees 08 minutes 41 seconds West along said ditch, a distance of 111.10 feet; thence North 37 degrees 31 minutes 30 seconds East along said ditch, a distance of 138.77 feet; thence North distance of 95.72 feet; thence North 20 degrees 45 minutes 17 seconds East along said ditch, a distance of 158.58 feet; thence North 15 degrees 29 minutes 06 seconds 27 degrees 51 minutes 05 seconds East along said ditch, a distance of 96.18 feet to an iron rod survey monument set on the North line of the South Half of said Southwest Quarter of East along said ditch, Section 2; thence South 87 degrees 26 minutes 30 seconds East along said North line, a distance of 649.27 feet to an iron rod survey monument found at the Northeast Corner of said South Half of the Southwest Quarter of Section 2; thence South 87 degrees 30 minutes 08 seconds East along the North line of the South Half of the Southeast Quarter of said Section 2, a distance of 92.64 feet to the centerline of US Highway 20; thence South 15 degrees 54 minutes 48 seconds East along said centerline, a distance of 1395.73 feet to the South line of said Southeast Quarter of Section 2; thence North 86 degrees 55 minutes 47 seconds West, a distance of 465.66 feet to the point of beginning, containing 34.440 acres, more or less, all situated in Jo Daviess County, Illinois.

Permanent Index Number(s): Split of 43-13-000-056-00
Property Address: Route 20 West, Galena, IL 61036

Subject, however, to the general taxes for the year of 2005 and thereafter, and all instruments, covenants, restrictions, conditions, applicable zoning laws, ordinances, and regulations of record.

Hereby releasing and waiving all rights under and by virtue of the Homestead Exemptions Laws of the State of Illinois.

Dated this 23rd Day of June 20 06

J Eric Einsweiler

Kurt D Einsweiler

JO DAVIESS COUNTY, ILLINOIS
Real Estate Transfer Tax
$ 275.75
25¢ per $500 consideration

FOR USE IN: ALL STATES

ATG FORM 4067-R
© ATG (REV. 5/02)

Warranty Deed - *Continued*

STATE OF ILLINOIS)
) SS.
COUNTY OF JO DAVIESS)

I, the undersigned, a Notary Public in and for said County, in the State aforesaid, do hereby certify that J Eric Einsweiler and Kurt D Einsweiler, personally known to me to be the same persons whose names are subscribed to the foregoing instrument, appeared before me this day in person, and acknowledged that they signed, sealed and delivered the said instrument, as their free and voluntary act, for the uses and purposes therein set forth, including the release and waiver of the right of homestead.

Given under my hand and notarial seal, this 23rd Day of June 20 06

Notary Public

My commission expires:

"OFFICIAL SEAL"
Mary O. Jobgen
Notary Public, State of Illinois
My Commission Exp. 03/17/2007

Exempt under the provisions of paragraph _____

ATTACHMENT 3

Operating Identity/Licensee

Midwest Medical Center: an Illinois not-for-profit corporation, is the owner and operator of a licensed critical access hospital, two rural health clinics (Midwest Health Clinic and Midwest Health Clinic of Elizabeth), a 24-apartment assisted living center (Galena-Stauss Assisted Living), a 57-bed intermediate care skilled nursing facility (Galena-Stauss Nursing Care Center) and an adult day care center. Midwest Medical Center will remain the owner and operator of such facilities following the project contemplated in this application. A copy of the Midwest Medical Center Illinois Certificate of Good Standing is attached.

File Number 6467-283-5

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

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Authentication #: 2227003598 verifiable until 09/27/2023
Authenticate at: https://www.ilsos.gov

Jesse White
SECRETARY OF STATE

File Number 6467-284-3

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

MIDWEST MEDICAL FOUNDATION, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JANUARY 25, 2006, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 27TH *day of* SEPTEMBER *A.D.* 2022 .

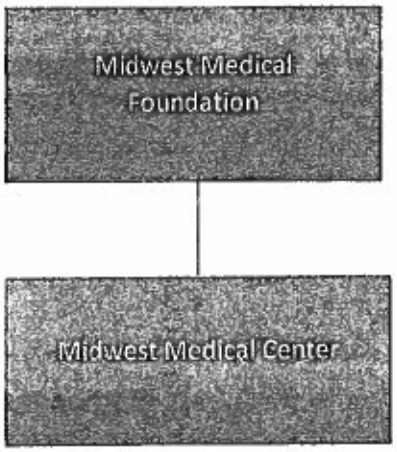
Authentication #: 2227003604 verifiable until 09/27/2023
Authenticate at: https://www.ilsos.gov

Jesse White
SECRETARY OF STATE

ATTACHMENT 4

Organizational Relationships

Midwest Medical Foundation is the sole member of Midwest Medical Center



ATTACHMENT 5

By their signature on the certification page for this application, the applicants certify that the hospital and other health care facilities located at One Medical Center Drive, Galena, Illinois are not located in a special flood hazard area and this project complies with the requirements of the Flood Plain Rule under Illinois Executive Order #2006-5.

National Flood Hazard Layer FIRMette

Basemap: USGS National Map: Orthoimagery: Data refreshed October, 2020

Legend

SEE FIS REPORT FOR DETAILED LEGEND AND INDEX MAP FOR FIRM PANEL LAYOUT

SPECIAL FLOOD HAZARD AREAS
- Without Base Flood Elevation (BFE) Zone A, V, A99
- With BFE or Depth Zone AE, AO, AH, VE, AR
- Regulatory Floodway

OTHER AREAS OF FLOOD HAZARD
- 0.2% Annual Chance Flood Hazard, Areas of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile Zone X
- Future Conditions 1% Annual Chance Flood Hazard Zone X
- Area with Reduced Flood Risk due to Levee. See Notes. Zone X
- Area with Flood Risk due to Levee Zone D

OTHER AREAS
- NO SCREEN Area of Minimal Flood Hazard Zone X
- Effective LOMRs
- Area of Undetermined Flood Hazard Zone D

GENERAL STRUCTURES
- Channel, Culvert, or Storm Sewer
- Levee, Dike, or Floodwall

OTHER FEATURES
- 20.2 Cross Sections with 1% Annual Chance
- 17.5 Water Surface Elevation
- Coastal Transect
- 513 Base Flood Elevation Line (BFE)
- Limit of Study
- Jurisdiction Boundary
- Coastal Transect Baseline
- Profile Baseline
- Hydrographic Feature

MAP PANELS
- Digital Data Available
- No Digital Data Available
- Unmapped

N

The pin displayed on the map is an approximate point selected by the user and does not represent an authoritative property location.

This map complies with FEMA's standards for the use of digital flood maps if it is not void as described below. The basemap shown complies with FEMA's basemap accuracy standards

The flood hazard information is derived directly from the authoritative NFHL web services provided by FEMA. This map was exported on 9/21/2022 at 11:40 AM and does not reflect changes or amendments subsequent to this date and time. The NFHL and effective information may change or become superseded by new data over time.

This map image is void if the one or more of the following map elements do not appear: basemap imagery, flood zone labels, legend, scale bar, map creation date, community identifiers, FIRM panel number, and FIRM effective date. Map images for unmapped and unmodernized areas cannot be used for regulatory purposes.

Attachment 5

#22-037

Illinois Department of
Natural Resources
One Natural Resources Way Springfield, Illinois 62702-1271
www.dnr.illinois.gov

JB Pritzker, Governor
Colleen Callahan, Director

JoDaviess County
Galena
Partial Demolition, Rehabilitation, New Addition and Site Improvements, Midwest Medical Center
One Medical Center Dr.
SHPO Log #031080522

September 16, 2022

Jenna Williams
Fehr Graham
909 N. 8th St., Suite 101
Sheboygan, WI 53081

Dear Ms. Williams:

We have reviewed the documentation submitted for the referenced project(s) in accordance with 36 CFR Part 800.4. Based upon the information provided, no historic properties are affected. We, therefore, have no objection to the undertaking proceeding as planned.

Please retain this letter in your files as evidence of compliance with section 106 of the National Historic Preservation Act of 1966, as amended. This clearance remains in effect for two years from date of issuance. It does not pertain to any discovery during construction, nor is it a clearance for purposes of the Illinois Human Skeletal Remains Protection Act (20 ILCS 3440).

If you have any further questions, please contact Rita Baker, Cultural Resources Manager, at 217/785-4998 or at Rita.E.Baker@illinois.gov.

Sincerely,

Carey L. Mayer

Carey L. Mayer , AIA
Deputy State Historic
Preservation Officer

ATTACHMENT 7

Project Costs and Sources of Funds

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must be equal.

Project Costs and Sources of Funds			
USE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Preplanning Costs	-	-	
Site Survey and Soil Investigation	$200,000	-	$200,000
Site Preparation	200,000	-	200,000
Off Site Work	-	-	
New Construction Contracts	16,905,000	-	16,905,000
Modernization Contracts	5,900,000	-	5,900,000
Contingencies	5,207,486	-	5,207,486
Architectural/Engineering Fees	2,074,168	-	2,074,168
Consulting and Other Fees	1,052,927	-	1,052,927
Movable or Other Equipment (not in construction contracts)	1,508,325	-	1,508,325
Bond Issuance Expense (project related)	360,675	-	360,675
Net Interest Expense During Construction (project related)	1,341,419	-	1,341,419
Fair Market Value of Leased Space or Equipment	-	-	-
Other Costs to Be Capitalized	-	-	-
Acquisition of Building or Other Property (excluding land)	-	-	-
TOTAL USES OF FUNDS	**$34,750,000**	-	**$34,750,000**
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities	$9,000,000		$9,000,000
Pledges			
Gifts and Bequests			
Bond Issues (project related)	25,750,000		25,750,000
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	**$34,750,000**		**$34,750,000**

NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT 7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Site Survey and Soil Investigation $200,000

The site survey work includes pre-planning testing and investigation of existing conditions.

Site Preparation $200,000

The site preparation work includes earthwork to start the expansion project of the new addition.

New Construction Contracts $16,905,000

The new construction contract includes new additions for various departments. They are as follows:

Description	Square Footage	Projected Cost
Lower Level - Wellness Center Addition	12,075	$4,230,000
Main Level – Surgical Dept Addition	1,950	$980,000
Main Level – Atrium / Lobby Addition	4,860	$1,940,000
Main Level – Rehab Dept. Addition	11,900	$4,460,000
Main Level – Wellness Center Addition	600	$210,000
Second Level – Primary Care Clinic / Behavior Health Addition	9,133	$3,650,000
Second Level – Atrium / Lob Addition	2,028	$810,000
Drop Off Canopy	1,878	$300,000
Asphalt	2,941	$70,000
Retaining Wall	1	$50,000
Sidewalks / Curbs	1	$75,000
Utilities	1	$50,000
New Buried LP Tank	1	$80,000

The new clinic entrance and addition will include a new drive under canopy, lobby, atrium, conference center with public restrooms. The new clinic entrance will give patients and visitors a dedicated entrance that is separated from the hospital entrance. The new entrance will improve patient access to the clinic and improve access to all clinical departments.

The clinic addition and remodel will include a lower-level rehabilitation department and a wellness center. The lower level will include a walking / running track, studios, restrooms, and private treatment rooms for both rehabilitation patients and wellness members. The main level addition to the rehabilitation department and wellness center will allow direct access to the clinic for patients and a separate 24-hour entrance to the wellness center for fitness members. The new rehabilitation department and wellness center will include a new rehab & wellness gym, lockers rooms, semi-private treatment rooms and a new cardiac rehab department.

The second-floor addition and remodel will allow the clinic to expand their behavioral health department and add a new infusion department. The behavioral health department will include four behavioral health offices, telehealth exam room, nurse station, restroom, and a group therapy room. The new infusion department will include 4 semi-private treatment bays, 1 private treatment room, nurse station, restroom, and support spaces. The primary care clinic and specialty care clinic will be designed around a collaborative layout. The new clinic was designed to have a shared waiting area and reception desk. The waiting room will allow direct access to the specialty care clinic or primary care clinic. The collaborative clinic design will allow the clinic to share exam rooms, procedure rooms and support spaces. The new clinic design will have 27 exam rooms, 3 procedure rooms along with 3 collaborative work areas for nurses

and providers. The new design will improve patient access and improve staff productivity. The addition and remodeling to the second-floor clinic was designed to allow the current clinic to stay open for the entire duration of construction.

Modernization Contracts $5,900,000

The modernization contract includes remodels for various departments. They are as follows:

Description	Square Footage	Projected Cost
Main Level – Rehab Dept Remodel	6,666	$1,670,000
Main Level – Surgical Dept Remodel	3,780	$1,130,000
Second Level – Primary Care Clinic Remodel	5,900	$1,480,000
Second Level – Specialty Care Clinic / Infusion Remodel	6,460	$1,620,000

The existing rehabilitation department will be remodeled into a new waiting area, reception area, private treatment rooms, occupational therapy, private & semi-private offices, and support spaces. The addition and remodeling to the rehab and wellness center was designed to allow the current department to stay open for the entire duration of construction.

The Surgery department will also be remodeled along with a new addition. The design will allow for additional pre/post rooms, new procedure room, and new endoscopy room along with shell space for a future operating room. The design also focused on improving central processing, PACU, expanding clean storage, and equipment storage. The surgery department is designed to be remodeled in multiple phases to allow the current surgery department to stay open for the entire duration of construction.

Contingencies $5,207,486

The project costs are currently based off schematic design phase. There are many complexities to this project which explains the high contingency rate. The last two years market volatility has increased cost by 16%; 8% or $1,856,400 was built in as a contingency for market volatility. Escalation pricing is built in at 8% or $1,856,400 for a construction begin date in 2023. Typical construction contingency is estimated at 5% or $1,160,250 and owners contingency is $334,436. Contingencies are typically not this high, but with the way the market has operated the past two years, it was decided to stay very conservative for this project.

Architectural/Engineering Fees $2,074,168

The architectural and engineering fees cover the cost of programming, interior design, schematic design, design development, construction documentation and construction administration. The fees include coordinating site and/or virtual visits to the facility as well as virtual reality design aids. The fees for these professional services are as follows: Design Fees 7% or $2,039,168, Review Fees $25,000 and Geotechnical Engineering $10,000.

Consulting and Other Fees $1,052,927

The consultant fees are the construction management services for the project which is 3.75% or $1,052,927. The project fee or construction management fee includes corporate overhead, accounting, project administration, corporate project and items that occur offsite. This minimizes risk to MMC by no preconstruction fee, lean on-site staffing approach, completely open book process, guaranteed maximum price, fully auditable and all cost savings is MMCs.

Movable or Other Equipment (not in construction contracts) $1,508,325

Most existing furnishings and equipment will be used in the new space, but does require additional purchase since there will be more space. Items that will be purchased are: cardio equipment, weight lifting equipment, exam tables and chairs, plinth tables, mat tables, office furniture, etc. The cost was estimated at 6.5% or $1,508,325.

Bond Issuance Expense (project related) $360,675

The costs of issuance detail for bonds is as follows:

Description	Amount
USDA Guarantee Fee @ 80% Guarantee x 1.25%	$50,000
Compeer Document Prep / Legal Fee	$5,000
Title Insurance – Bonds Mortgages ($1.35/$1000 Mtg)	$34,763
Title Insurance – USDA Direct Loan Mortgage ($1.35/$1000 Mtg)	$28,013
Bond Trustee (Setup and 1st Yr Fee)	$5,000
Trustee Legal Counsel Fees	$3,000
Real Estate Appraisal	$13,500
Wipfli – Debt Capacity, Master Planning, & Financial Forecasting	$175,000
Owner's Legal Counsel	$25,000
Environmental & Surveys	$20,000
Misc / Rounding	$1,400
Total	**$360,675**

Net Interest Expense During construction (project related) $1,341,419

The financing or construction period interest expense (24 month construction period) is estimated to be $1,341,419.

ATTACHMENT 9

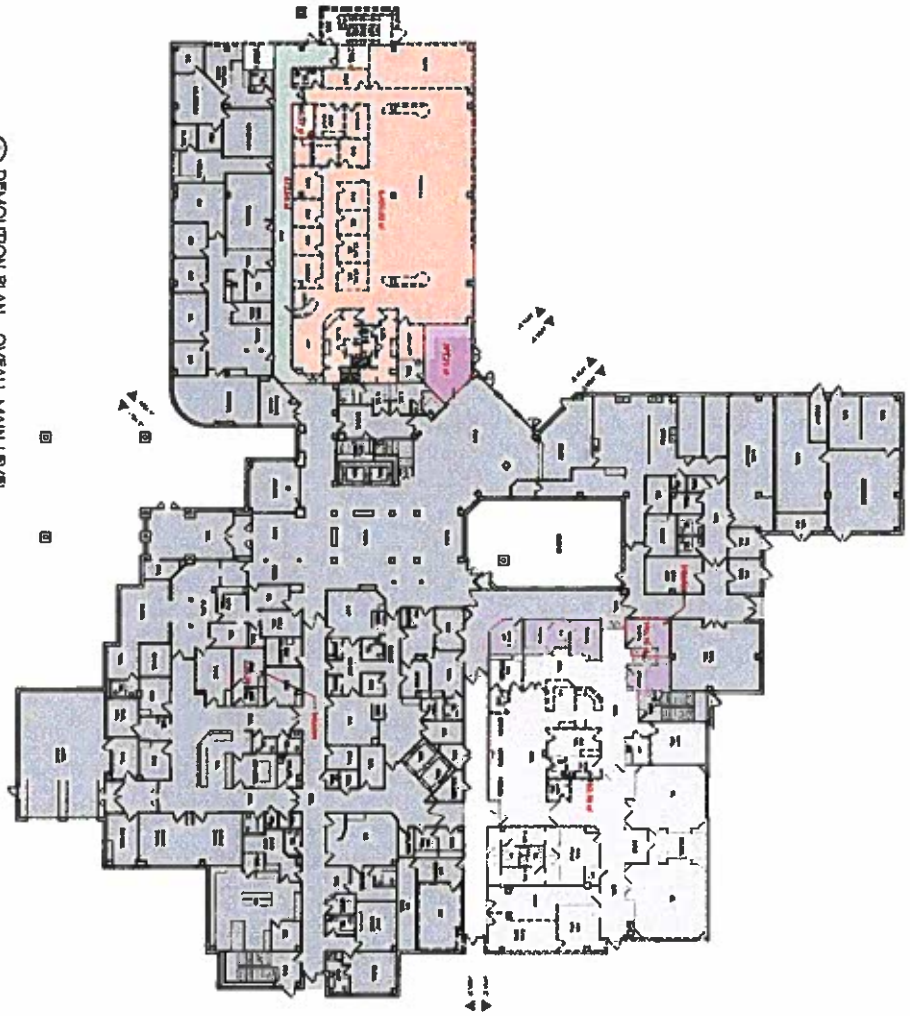
Cost Space Requirements

		Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
Dept. / Area	Cost	Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
REVIEWABLE							
Surgery Department	2,888,090	7,782 DGSF	10,638 DGSF	2,856 DGSF	4,075 DGSF	3,707 DGSF	
Primary Care Clinic	3,493,750	5,642 DGSF	10,768 DGSF	5,158 DGSF	5,610 DGSF	0 DGSF	
Specialty Clinic	1,780,155	2,577 DGSF	6,981 DGDF	0 DGSF	6,981 DGDF	0 DGSF	1,758 DGSF
Behavioral Health	790,000	305 DGSF	1,975 DGSF	1,975 DGSF	0 DGSF	0 DGSF	
Infusion	304,470	429 DGSF	1,194 DGSF	0 DGSF	1,194 DGSF	0 DGSF	429 DGSF
PT/OT Department	5,126,795	6,490 DGSF	15,133 DGSF	8,744 DGSF	6,389 DGSF	0 DGSF	
Cardiac Rehab	930,000	421 DGSF	2,325 DGSF	2,325 DGSF	0 DGSF	0 DGSF	421 DGSF
Wellness Center	3,677,100	4,801 DGSF	10,506 DGSF	10,506 DGSF	0 DGSF	0 DGSF	
Total Clinical	18,990,360	28,447 DGSF	59,520 DGSF	31,564 DGSF	24,249 DGSF	3,707 DGSF	
		``					
NON-REVIEWABLE							
Public Spaces	1,908,360	371 DGSF	4,913 DGSF	4,521 DGSF	392 DGSF	0 DGSF	
Facility Support	375,860	387 DGSF	1,089 DGSF	677 DGSF	412 DGSF	0 DGSF	
Circulation	1,205,420	1,771 DGSF	3,276 DGSF	2,552 DGSF	724 DGSF	0 DGSF	

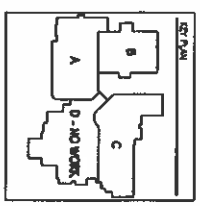
Total Non-clinical	3,489,640	2,529 DGSF	9,278 DGSF	7,750 DGSF	1,528 DGSF	0 DGSF	
OTHER PROJECT COSTS							
Site Development, Contingency, CM Fees, Pro Fees, Owner Items	12,270,000						
TOTAL	**34,750,000**	**30,976 DGSF**	**68,798 DGSF**	**39,314 DGSF**	**25,777 DGSF**	**3,707 DGSF**	

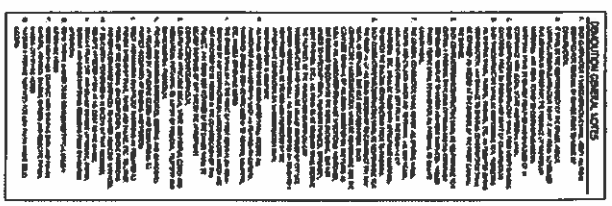
Vacated Space:

1. Infusion: Currently done in the Surgery Department and Emergency Department. The new Infusion department will allow the vacated spaces to be given back to the Surgery Department and Emergency Department and will be utilized as a Pre/Post Room and an Emergency Department Exam Room.
2. Specialty Clinic: Currently done in the Med Surge Department. The new Specialty Clinic will allow the vacated spaces to be given back to the Med Surge Department and be utilized as Patient Rooms, Offices, and a Nurse Station.
3. Cardiac Rehab: Currently done in the Med Surge Department. The new Cardiac Rehab Department will allow the vacated spaces to be given back to the Med Surg Department and be utilized as a Patient Room.



DEMOLITION PLAN - OVERALL MAIN LEVEL



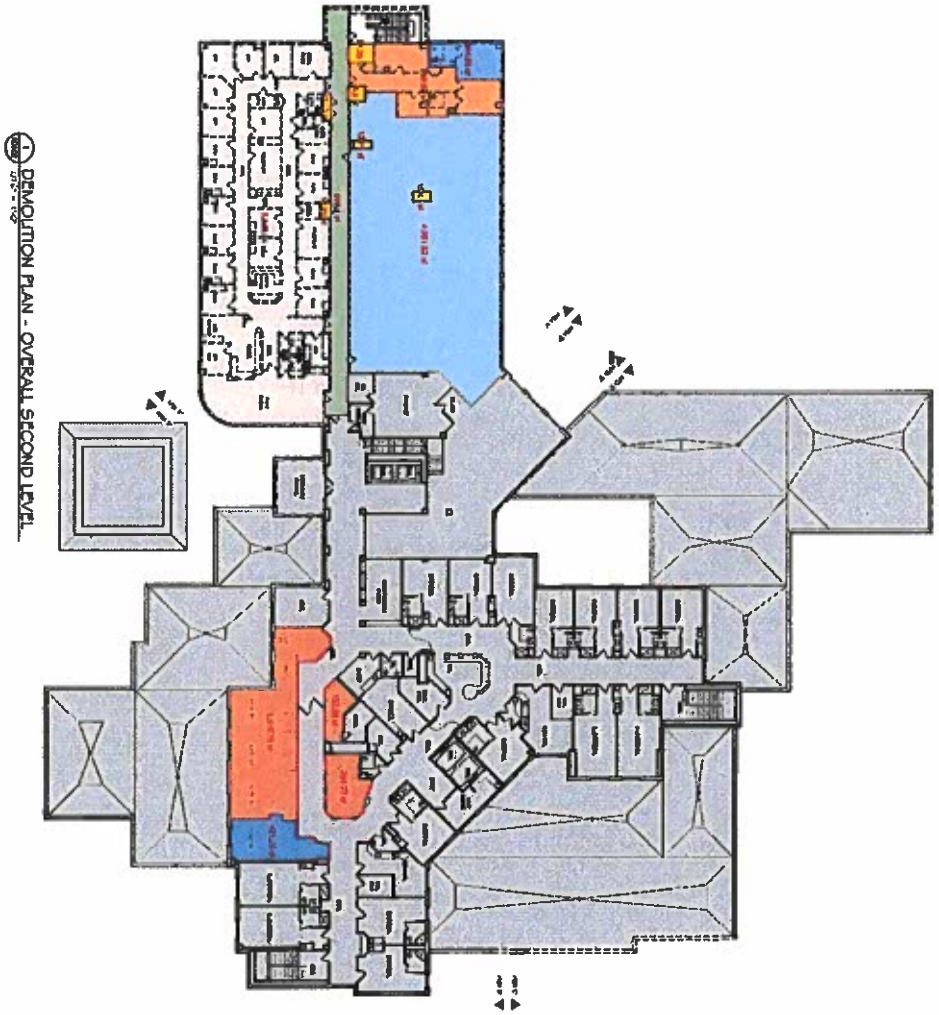


A01.01

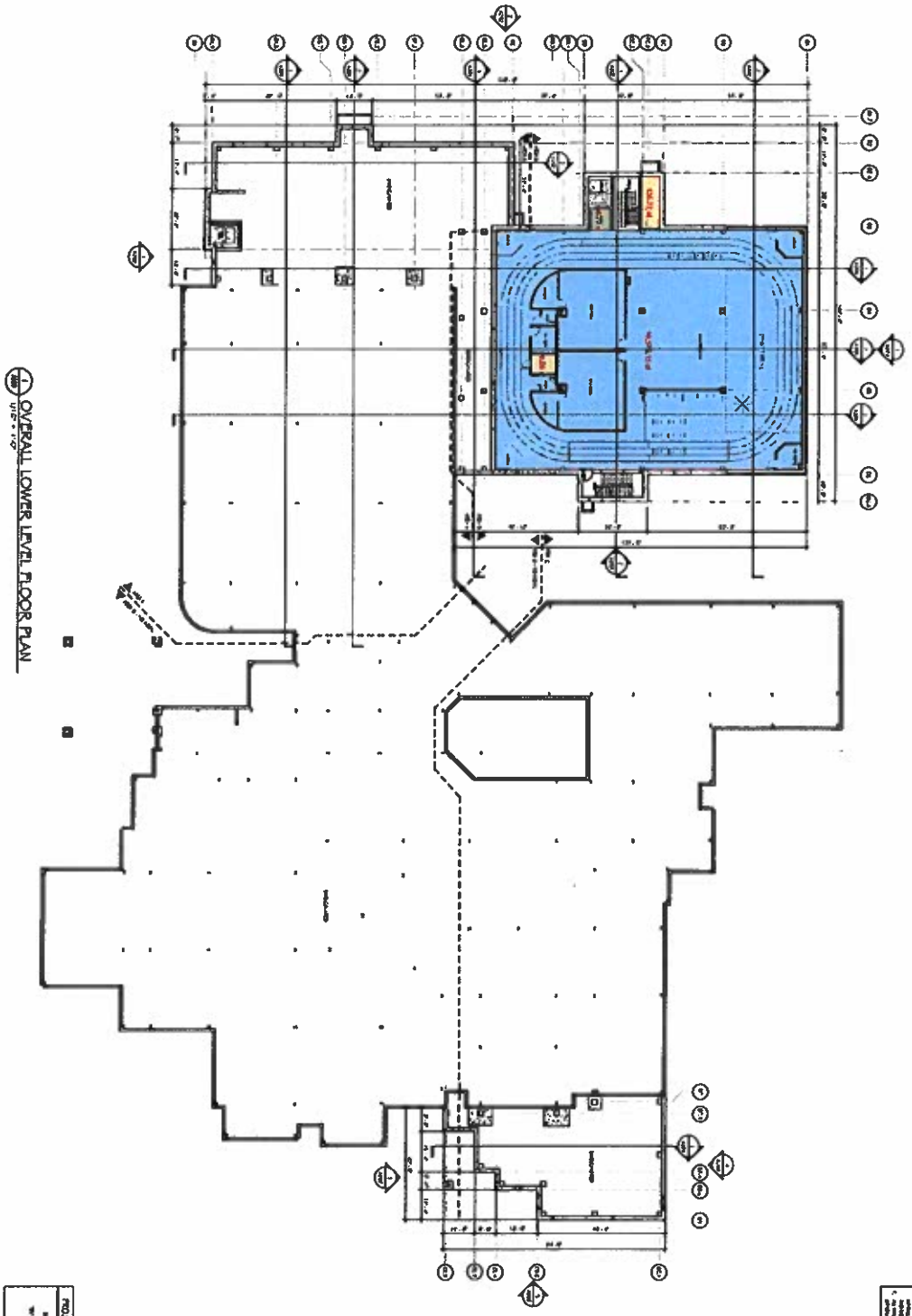
SET TYPE - DD - NOT FOR CONSTRUCTION

MIDWEST MEDICAL CENTER
MIDWEST MEDICAL CENTER EXPANSION

RIVER VALLEY ARCHITECTS



1 DEMOLITION PLAN - OVERALL SECOND LEVEL

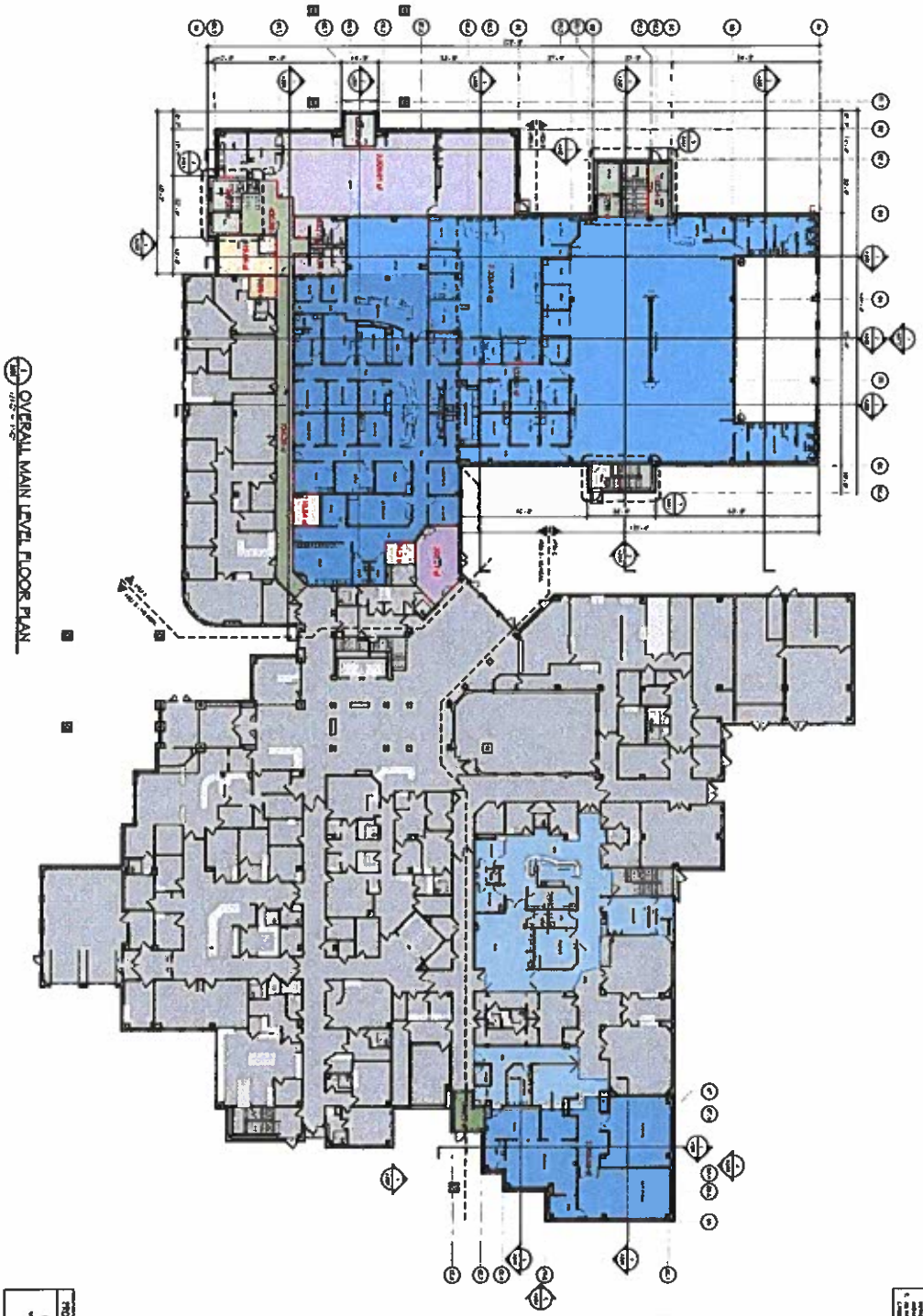


A100

MIDWEST MEDICAL CENTER
MIDWEST MEDICAL CENTER EXPANSION

SET TYPE - DD - NOT FOR CONSTRUCTION

Market & Johnson
RIVER VALLEY ARCHITECTS

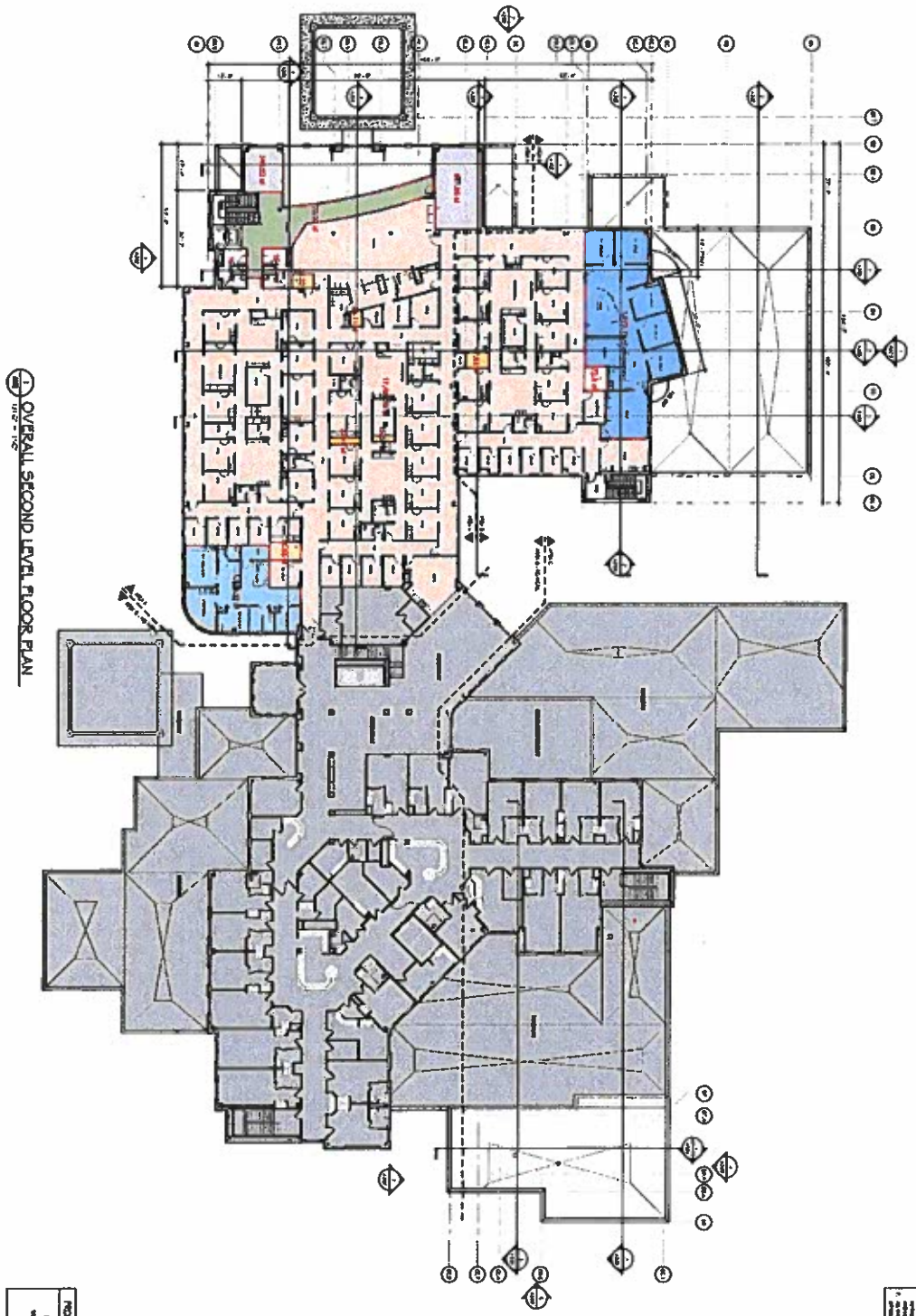


A101

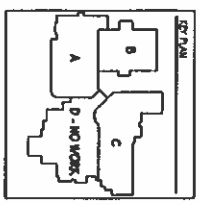
SET TYPE - DD - NOT FOR CONSTRUCTION

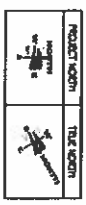
MIDWEST MEDICAL CENTER
MIDWEST MEDICAL CENTER EXPANSION

Market & Johnson
RIVER VALLEY ARCHITECTS



1 OVERALL SECOND LEVEL FLOOR PLAN
1/16" = 1'-0"





A102

SET TYPE - DD - NOT FOR CONSTRUCTION

MIDWEST MEDICAL CENTER
MIDWEST MEDICAL CENTER EXPANSION

Market & Johnson
Adding Value to Everything We Do
RIVER VALLEY ARCHITECTS

ATTACHMENT 11

Background of the Applicant

1. ***A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.***

   Midwest Medical Center, an Illinois not-for-profit corporation, and an applicant hereto, owns the following health care facilities:

   Midwest Medical Center, a licensed critical access hospital
   Midwest Health Clinic, a rural health clinic
   Midwest Health Clinic of Elizabeth, a rural health clinic
   Galena-Stauss Senior Care Community, consisting of:
   Galena-Stauss Assisted Licing, a 24-apartment assisted living center
   Galena-Stauss Nursing Care Center, a 57-bed licensed skilled nursing facility
   An adult day care center

   Licensure and certifications of the above-listed facilities are attached.

   Midwest Medical Foundation does not own or operate any health care facilities.

2. ***A listing of all health care facilities currently owned and/or operated in Illinois, by any corporate officers or directors, LLC members, partners, or owners of at least 5% of the proposed health care facility.***

   None (other than those identified under #1 above).

3. ***For the following questions, please provide information for each applicant, including corporate officers or directors, LLC members, partners, and owners of at least 5% of the proposed facility. A health care facility is considered owned or operated by every person or entity that owns, directly or indirectly, an ownership interest.***
   a. ***A certified listing of any adverse action taken against any facility owned and/or operated by the applicant, directly or indirectly, during the three years prior to the filing of the application.***
   b. ***A certified listing of each applicant, identifying those individuals that have been cited, arrested, taken into custody, charged with, indicted, convicted, or tried for, or pled guilty to the commission of any felony or misdemeanor or violation of the law, except for minor parking violations; or the subject of any juvenile delinquency or youthful offender proceeding. Unless expunged, provide details about the conviction, and submit any police or court records regarding any matters disclosed.***
   c. ***A certified and detailed listing of each applicant or person charged with fraudulent conduct or any act involving moral turpitude.***
   d. ***A certified listing of each applicant with one or more unsatisfied judgements against him or her.***

e. A certified and detailed listing of each applicant who is in default in the performance or discharge of any duty or obligation imposed by a judgment, decree, order or directive of any court or governmental agency.

By their signatures to the Certification pages to this application, each of the applicants certify that no adverse action has been taken against Midwest Medical Center or Midwest Medical Foundation, or any facility owned or operated by Midwest Medical Center or Midwest Medical Foundation, directly or indirectly, within three (3) years prior to the filing of this application. For the purpose of this certification, the term "adverse action" has the meaning given to it in the Illinois Administrative Code, Title 77, Section 1130.

4. ***Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.***

By their signatures to the Certification pages to this application, each of the applicants authorize the HFSRB and DPH to access any documents necessary to verify the information submitted, including, but not limited to: (i) official records of DPH or other State agencies; (ii) the licensing or certification records of other states, when applicable; and (iii) the records of nationally recognized accrediting organizations.

5. ***If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest that the information was previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant can submit amendments to previously submitted information, as needed, to update and/or clarify data.***

N/A – no other applications for permit have been submitted by any of the applicants in this calendar year.

Illinois Department of PUBLIC HEALTH

HF 126350

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

Sameer Vohra, MD,JD,MA
Director

Issued under the authority of the Illinois Department of Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
12/4/2023		0005488

Critical Access Hospital

Effective: 12/05/2022

Midwest Medical Center
1 Medical Center Dr
Galena, IL 61036

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #19-483-001 10M 9/18

← DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Date 12/4/2023

Lic Number 0005488

Date Printed 9/21/2022

Midwest Medical Center
1 Medical Center Dr
Galena, IL 61036

FEE RECEIPT NO.

American Association for Accreditation of Ambulatory Surgery Facilities, Inc.

presents this certificate to

Midwest Health Clinic of Elizabeth

for having met the standards set by the American Association for Accreditation of Ambulatory Surgery Facilities, Inc.
Medicare Program for Rural Health Clinics

Rural Health Clinic Accreditation

President
William Rosenblatt, MD

Secretary/Treasurer
Lawrence S. Reed, MD

Certified: 7/15/2021 to 7/15/2022

Certification Number: 6228

Midwestern Consortium
Division of Survey and Certification

CMS
CENTERS for MEDICARE & MEDICAID SERVICES

CMS Certification Number (CCN): 14-8511

February 18, 2011
(Via Certified Mail)

Keri Connor
Practice Manager
Midwest Health Clinic
One Medical Center Drive
Galena, Illinois 61036

Dear Ms. Conner:

The Centers for Medicare & Medicaid Services (CMS) has accepted your request for participation as a provider-based rural health clinic in the Medicare program (Title XVIII of the Social Security Act). Your effective date of participation is December 9, 2010.

Your National Provider Identifier (NPI) is your primary identifier for all health insurance billing. The NPI should be entered on all forms and correspondence relating to the Medicare program. In addition, you have been assigned the CMS Certification Number (CCN) shown above; please provide it when contacting this office, when contacting the Illinois Department of Public Health (IDPH), or any time it is requested.

National Government Services has been authorized to serve as your fiscal intermediary. Any bills previously submitted for Medicare Part B reimbursement for services after the effective date of participation as a rural health clinic should not be resubmitted to your intermediary.

When you make general inquiries to your fiscal intermediary (FI) and/or Medicare Administrative Contractor (MAC), you will be prompted to give either your provider transaction access number (PTAN) or CCN. These identification numbers are used as authentication elements when inquiring about beneficiary- and claim-specific information. When prompted for your PTAN, give your CCN. Please note that the processing time of your Medicare approval for billing may take several weeks after your receipt of this notice of approval. For questions related to billing, please contact National Government Services directly.

Your participation as a RHC under the Medicare program will also be accepted as certification as a RHC under the Medicaid program. If you need information about payment for RHC services under the State plan for medical assistance, please contact the Illinois Department Healthcare and Family Services.

233 North Michigan Avenue
Suite 600
Chicago, Illinois 60601-5519

Richard Bolling Federal Building
601 East 12th Street, Room 235
Kansas City, Missouri 64106-2808

The IDPH has advised you of certain deficiencies which were noted during the survey of your rural health clinic. We have reviewed your written plan for correcting the deficiencies and have determined that your plan is acceptable. We expect that you will correct the deficiencies within the time frames specified in your plan of correction. The IDPH will verify correction of the deficiencies.

If you are dissatisfied with the effective date of Medicare participation indicated above, you may request that the determination of the effective date be reconsidered. The request must be submitted in writing to this office within 60 days of the date you receive this notice. The request for reconsideration must state the issues or the findings of fact with which you disagree and the reasons for disagreement.

Regulations at 42 CFR 489.18 require that providers notify CMS when there is a change of ownership. Therefore, you must notify this office promptly if there is a change in your legal status as owner of this facility. You should report to the IDPH any changes in staffing, services, or organization which might affect your certification status.

We welcome your participation and look forward to working with you in the administration of the Medicare program. If you have any questions about this letter, please contact Stephanie Ysrael at (312) 353-2908.

Sincerely,

/s/
Mai Le-Yuen
Principal Program Representative
Non-Long Term Care Certification
& Enforcement Branch

cc: Illinois Department of Public Health
Illinois Department of Healthcare and Family Services
National Government Services
Illinois Foundation for Quality Health Care

State of Illinois
Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

Ngozi Ezike M.D.
Director

Issued under the authority of
The State of Illinois
Department of Public Health

EXPIRATION DATE	LICENSE/PERMIT/CERTIFICATION/REGISTRATION NUMBER
10/29/2022	5100612

Issued: 10/29/2021 Category:
ASSISTED LIVING LICENSE
Regular Units 24 Total Units 24

BUSINESS ADDRESS

STATUS: UNRESTRICTED
LICENSEE BUSINESS ADDRESS

GALENA STAUSS ASSISTED LIVING
200 ALTENBURG DRIVE
GALENA IL 61036

The face of this license has a colored background. Printed by Authority of the State of Illinois • 5/16

State of Illinois
Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

Ngozi Ezike, M.D.
Director

Issued under the authority of
The State of Illinois
Department of Public Health

EXPIRATION DATE	LICENSE NUMBER
12/05/2022	0049718

LONG TERM CARE LICENSE CATEGORY BGBE
SKILLED 57

UNRESTRICTED 57 TOTAL BEDS

BUSINESS ADDRESS
LICENSEE

MIDWEST MEDICAL CENTER

GALENA STAUSS NURSING HOME
215 SUMMIT STREET
GALENA IL 61036
EFFECTIVE DATE: 12/06/21

The face of this license has a colored background. Printed by Authority of the State of Illinois • 5/16

midwest
MEDICAL CENTER

September 19, 2022

Ms. Debra Savage
Chairperson
Illinois Health Facilities and Services Review Board
525 West Jefferson St. – 2nd Floor
Springfield, IL 62761

Re: No Adverse Actions/Authorized Access to Information

Dear Ms. Savage:

I hereby certify that no adverse action has been taken against Midwest Medical Center (the "Medical Center") or Midwest Medical Foundation or any facility owned or operated by the Medical Center, within three (3) years prior to the filing of this application. For the purpose of this letter, the term "adverse action" has the meaning given to it in the Illinois Administrative Code, Title 77, Section 1130.

I hereby authorize the Health Facilities and Service Review Board ("Board") and the Illinois Department of Public Health ("IDPT") to access any documentation they find necessary to verify any documentation or information submitted, including but not limited to official records of IDPH or other State agencies and the records of nationally recognized accreditation organizations. I further authorize the Board and IDPH to obtain any additional documentation or information that Board or IDPH deems necessary to process the application.

If you have any questions, please let me know.

Sincerely,

Tracy L. Bauer
CEO and President
Midwest Medical Center

Subscribed and sworn to before me this 19th day of September, 2022.

Signature of Notary Public

Seal
OFFICIAL SEAL
KRISTEN PATTERSON
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES 10/2/2023

Midwest Medical Center
1 Medical Center Drive, Galena, IL 61036
(815) 777-1340

Midwest Health Clinic
1 Medical Center Drive, Galena, IL 61036
117 N. Main Street, Elizabeth, IL 61028
(815) 776-7381 or (815) 858-2238

Midwest Senior Care
219 Summit Street, Galena, IL 61036
(815) 777-7254

ATTACHMENT 12

Purpose of Project

1. ***Document that the project will provide health services that improve the health care or well-being of the market area population to be served.***

Midwest Medical Center's primary purpose is to provide healthcare services to the residents of the Jo Daviess County and the surrounding area. Midwest Medical Center is seeking, through this project, to improve the overall experience for patients and to allow future growth in surgical, rehabilitation, primary care, behavioral health, and specialty providers, which in turn will improve the accessibility of these needed healthcare services for the people of Galena.

The proposed campus expansion and design will feature the following elements to promote a holistic integration of wellness and healthcare:

- Dedicated entrance to the clinic to provide a centralized access point for outpatient services; this entrance will include a drive-under canopy for patients in addition to a new lobby, atrium, conference center and restrooms.
- Three-level clinic addition, which will include a lower and main level to expand the rehabilitation department and wellness center, as well as second floor addition and remodel to expand the primary care, behavioral health, and specialty clinics and add space to accommodate medical infusion services.
- Remodel of the primary care, behavioral health and specialty clinics to allow for collaborative team-based care between patients and providers, which will allow for patient needs to be addressed through a coordinated effort among multiple providers. The implementation of team-based care will improve health outcomes as well as the patient experience.
- Expansion of the specialty clinic, which is currently operating out of converted inpatient rooms. This expansion will allow for future growt in the recruitment of medical and surgical specialties, which will create better access to these services for the people of Galena who currently need to travel over an hour to access this care today.
- Expansion and remodel of the rehabilitation department to expand the waiting area, reception area, and treatment space for physical therapy, occupational therapy, and cardiac/pulmonary rehabilitation, which will alleviate capacity constraints and allow for future growth in providers and patients served. Expansion of the department will also facilitate additional space for the wellness center, which currently shares space with the rehab department and is one of the only public fitness centers in the community that offers personal training, fitness classes, and cycling classes.
- Remodel of the surgery department to add additional pre/post-operation rooms and a new procedure and endoscopy room to accommodate future growth in surgeries and procedures. Further, the remodel will service to improve the support infrastructure and storage within the department to facilitate growth in the number of operating rooms when needed in the future.

2. ***Define the planning area or market area, or other relevant area, per the applicant's definition.***

The Planning Area for the project is B-2.

The primary service area (PSA) is Galena, Illinois, zip code 61036. The secondary service area (SSA) is defined as Elizabeth (61028), Scales Mound (61075), East Dubuque (61025), Stockton (61085), Hanover (61041) and Apple River (61001), Illinois. Both the PSA and SSA fall within the Planning Area. For CY2020 and CY 2021, approximately 62.8% and 69.5% of the Hospital's discharges came from the PSA, respectively, and 30.9% and 29.7% came from the SSA, respectively. In total, 93.7% and 99.2% of the Hospital's discharges came from the total service area (PSA + SSA), respectively.

3. ***Identify the existing problems or issues that need to be addressed as applicable and appropriate for the project.***

Midwest Medical Center has converted as many areas of the hospital and clinic space as possible to treatment and exam rooms; however, there is no more space within the hospital to convert in order to accommodate patients or to allow for opportunities for growth. The modernization and expansion project will allow for future growth in surgical, rehabilitation, primary care, behavioral health, and specialty providers and will enable greater access to care within the Galena community and surrounding area.

4. ***Cite the sources of the documentation.***

Financial Feasibility Study for Years Ending September 30, 2022 Through 2026 (Forecasted) for Midwest Medical Foundation and Affiliate, prepared by Wipfli.

5. ***Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.***

The modernization and expansion project will improve the overall experience for patients of Midwest Medical Center. The multi-level expansion and renovation of existing facilities will alleviate space constraints and design inefficiencies at the hospital that current impede the patient experience and the ability to grow services. The expansion will also support future growth in surgical, rehabilitation, primary care, behavioral health and specialty providers.

Among the improvements will be an expansion and remodel of the rehabilitation department which will include additional space for the wellness center (which currently shares space with the rehab department) and is one of the only public fitness centers in the community that offers personal training, fitness classes and cycling classes.

In addition, the expansion of the specialty clinic will allow for growth in the recruitment of medical and surgical specialties that are not currently available and for which residents of Galena currently need to travel over an hour in order to access.

The construction and remodel will occur over three distinct phases, which are designed to allow the Hospital to continue operating its clinical departments completely with no disruption of services.

6. ***Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals as appropriate.***

The goals of this project are to be able to provide the services needed for our patients without long wait times for these services. In order to obtain this goal, Midwest Medical Center will hire 33.4 additional full-time equivalents in the next five years as we will have the space to expand.

	Forecasted				
	2022	2023	2024	2025	2026
Salaries and Wages	$ 13,756,103	$ 15,427,886	$ 16,247,479	$ 17,419,480	$ 18,551,831
FTEs	180.2	193.4	197.1	206.7	213.6
Average Salary/FTE	$ 76,338	$ 79,772	$ 82,433	$ 84,274	$ 86,853
Salaries as a percent of patient and resident service revenue	42.3%	41.4%	40.7%	40.5%	40.9%

We will also increase the number of physical-therapist by one each year for the next three years which is a part of the numbers above. Currently, we don't have enough treatment rooms to hire any additional staff to treat patients.

We will hire a full-time psychiatrist and another licensed social worker to treat patients in our behavioral health suite within one year of the expansion. We currently use tele-health to provide this service and the wait times are increasing due to limited availability.

ATTACHMENT 13

Alternatives

Alternative #1 – Convert Existing Hospital Space

Midwest Medical Center has converted as many areas of the hospital and clinic space as possible to treatment and exam rooms. This has served us for the past 10 years. However, the hospital has no more area to convert to accommodate patients. Costs were not calculated for this alternative because no feasible space was possible to accomplish the intended purposes of this project.

Alternative #2 – Utilize Existing Senior Care Campus Space

Midwest Medical Center explored using existing space owned by it at the Senior Care Campus. However, that space is currently being used by the Galena Food Pantry and a local church. Midwest Medical Center felt that those services are of significant importance to the well-being of the community so did not explore this alternative any further. Costs were not calculated for this alternative because it was not a desired option.

Alternative #3 – Purchase New Facility in Elizabeth, Illinois

Midwest Medical Center explored the alternative of purchasing a facility in Elizabeth, Illinois, but determined that this would not meet the needs of the organization long-term. The short-term cost of the purchase of a building in Elizabeth was $500,000; however, asbestos concerns arose with respect to the subject property and this option was ultimately removed..

Alternative #4 – Expansion Options

In 2019, Midwest Medical Center hired Wipfli to do a space plan for the organization as we evaluated the need for additional space by each service area.

The initial proposal for the project was 78,487 square feet of expansion and remodel space. This was 40,793 square feet over the facility master plan that was completed by Wipfli. This initial proposal included a remodel of dietary and administration, as well as a much larger clinic area. The cost estimate was between $45,434,102 and $49,956,693.

See below:

Space	Master Plan (sq. ft.)	Proposal (sq. ft.)	Difference
Clinic Atrium and Lobby	3356	5616	2260
Conference Center	1818	2195	377
Kitchen/Servery	3235	4214	979
Surgical Department	0	3520	3520
Rehab/Wellness Center	14,680	33,645	18,965
Administration	0	2630	2630
Specialty Care Clinic	5605	14,700	9,095
Primary Care Clinic	9,000	11,967	2,033
Totals:	**37,694**	**78,487**	**40,793**

Midwest Medical Center determined that the projected cost was significant and not financially feasible, and therefore decreased the overall size of the project. The chosen alternative was determined to meet the needs of the service area while being financially viable in the long term. The projected cost of the project is not $11,000,000 less than the originally proposed alternative.

ATTACHMENT 14

Size of Project

The proposed design for expansion reconfigures existing space to accommodate additional pre/post rooms, new procedure room, new endoscopy room along with shell space for a future operating room. The design also focuses on improving central processing, PACU, expanding clean storage, and equipment storage.

Summary of methodology used in determining proposed sizes of spaces:

- Future Operating Room: The future proposed operating room size was determined by matching existing operating room sizes. The existing rooms are adequately sized for current needs and are large enough to accommodate potential future technologies or other types of surgical procedures that could be potentially performed in these rooms. Based on current data, the proposed operating room size was determined by using this methodology.
- Surgical Procedure Room: With the increase in number of surgical cases, the feasibility of scheduling minor procedures within the operating rooms has become increasingly difficult to accommodate. The proposed surgical procedure room sizing was based on what could be achieved within the parameters of remodeling portions of the existing space of an equipment alcove and soiled utility room.
- Endoscopy Procedure Room: The procedure room is needing to be relocated since the current location doesn't meet minimum facility design guideline requirements. In addition to the room being undersized, the procedure room also needs to be relocated to provide additional space for Phase II recovery. An existing storage room and redundant janitor closet are intending to be modified to accommodate the proposed relocated procedure room along with decontamination and clean work areas to have direct adjacency.
- Post – Anesthesia Recovery Phase II: Additional recovery spaces are needed to accommodate the increased and anticipated volume of cases. Existing room sizes were used in determining the size of the proposed new spaces.

1. No discrepancies. See table below:

SIZE OF PROJECT				
DEPARTMENT/SERVICE	PROPOSED BGSF/DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?
Surgical Operating Room (Class C) (Future OR - Shell Space)	644	2750	Under 2,106	Yes
Surgical Procedure Room (Class B)	230	1100	Under 870	Yes
Endoscopy Procedure Room (Class B)	260	1100	Under 840	Yes
Post-Anesthesia Recovery Phase II	480	2 x 400 = 800	Under 320	Yes

ATTACHMENT 16

1. Total gross square footage (GSF) of the proposed shell space is 644.

2. The shell space will be used as potential storage for the surgery department. The initial plan was to increase the storage space that eventually would be converted to a third operating room when the volumes increased. However, it was evident that this was a short-term solution as we would need to add additional space for storage as soon as the third operating room was needed. Hence the reason, the design now contains shell space.

3. The shell space is being constructed due to experienced increases in surgical volume. When Midwest Medical Center opened in 2007 we had no surgeons and 1 family practice physician that was performing colonoscopies. In fiscal year 2022, we have 10 surgeons operating out of two operating rooms and 2 family practice physicians performing colonoscopies.

4. Historical utilization for the surgery department for the latest five-year period is as follows:

2018	2019	2020	2021	2022
416	415	454	554	575

5. Based upon the average annual percentage increase for that period, projections of future utilization of the area through the anticipated date when the shell space will be placed into operation is as follows:

2023	2024	2025	2026	2027	2028
638	839	934	1015	1043	1074

ATTACHMENT 17

1. By their signature on the certification page, the applicants hereby verify that Midwest Medical Center will submit to HFSRB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at the time or the categories of service involved.

2. Based on the expected growth within the surgery department, the estimated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted is within fiscal year 2027; and

3. The anticipated date when the shell space will be completed and placed into operation will be within fiscal year 2028.

ATTACHMENT 31

Clinical Services Other Than Categories of Service

1. Applicants proposing to establish, expand and/or modernize Clinical Service Areas Other than categories of service must submit the following information:

2. Indicate changes by Service: Indicate # of key room changes by action(s):

N/A – There are no changes to numbers of rooms in this project.

3. See below.

Service to the Planning Area Residents

The Planning Area for the project is B-2.

The primary service area (PSA) is Galena, Illinois, zip code 61036. The secondary service area (SSA) is defined as Elizabeth (61028), Scales Mound (61075), East Dubuque (61025), Stockton (61085), Hanover (61041) and Apple River (61001), Illinois. Both the PSA and SSA fall within the Planning Area. For CY2020 and CY 2021, approximately 62.8% and 69.5% of the Hospital's discharges came from the PSA, respectively, and 30.9% and 29.7% came from the SSA, respectively. In total, 93.7% and 99.2% of the Hospital's discharges came from the total service area (PSA + SSA), respectively.

As a result, the primary purpose of the proposed project is to provide care to the residents of the Planning Area.

Service Modernization – Necessary Expansion

All of the component clinical services associated with the project are already provided at Midwest Medical Center. The project is considered as necessary expansion.

Rehabilitation Department and Wellness Center

The clinic addition and remodel will include a lower-level rehabilitation department and a wellness center. The lower level will include a walking / running track, studios, restrooms, and private treatment rooms for both rehabilitation patients and wellness members. The main level addition to the rehabilitation department and wellness center will allow direct access to the clinic for patients and a separate 24-hour entrance to the wellness center for fitness members. The new rehabilitation department and wellness center will include a new rehab & wellness gym, lockers rooms, semi-private treatment rooms and a new cardiac rehab department.

The existing rehabilitation department will be remodeled into a new waiting area, reception area, private treatment rooms, occupational therapy, private & semi-private offices, and support spaces. The addition and remodeling to the rehab and wellness center was designed to allow the current department to stay open for the entire duration of construction.

Historical and Forecasted Utilization Statistics

	Historical			Forecasted				
	2019	2020	2021	2022	2023	2024	2025	2026

Physical Therapy cases	14,003	12,281	15,387	16,165	17,835	19,854	22,095	23,065
Occupational Therapy Cases	1741	1596	1760	1802	3117	3504	3553	3604
Speech Therapy Cases	450	712	980	987	994	1002	1010	1019
Cardiac Rehab Visits	1014	1106	1288	1394	1526	1766	1890	1944
Pulmonary Rehab Visits	-	19	80	188	206	238	255	262

Management plans to recruit additional physical and occupational therapists. The Medical Center currently employs 10.1 physical therapy FTEs, a 1.0 FTE occupational therapist, and 1.0 FTE speech therapist. Space in the current physical and occupational therapy departments is limited and can support limited future provider growth, which results in long appointment wait-times (up to 3 weeks) for new and current patients. The proposed construction project will alleviate space shortages and provide additional space to recruit more therapists and reduce appointment wait times, and thus, improve patient accessibility to care.

Behavioral Health Department and Infusion Department

The second-floor addition and remodel will allow the clinic to expand the behavioral health department and add a new infusion department. The behavioral health department will include four behavioral health offices, telehealth exam room, nurse station, restroom, and a group therapy room. The new infusion department will include 4 semi-private treatment bays, 1 private treatment room, nurse station, restroom, and support spaces. The primary care clinic and specialty care clinic will be designed around a collaborative layout. The new clinic is designed to have a shared waiting area and reception desk. The waiting room will allow direct access to the specialty care clinic or primary care clinic. The collaborative clinic design will allow the clinic to share exam rooms, procedure rooms and support spaces. The new clinic design will have 27 exam rooms, 3 procedure rooms along with 3 collaborative work areas for nurses and providers. The new design will improve patient access and improve staff productivity. The addition and remodeling to the second-floor clinic was designed to allow the current clinic to stay open for the entire duration of construction.

Historical and Forecasted Clinic Utilization Statistics

	Historical			Forecasted				
	2019	2020	2021	2022	2023	2024	2025	2026
Behavioral Health Clinic Visits	-	219	803	892	1199	1868	2232	2296

Management anticipates that behavioral health clinic visits will increase throughout the forecast period due to the recruitment of additional providers. Currently, the Medical Center employs two part-time providers for a total of 0.4 FTE of coverage. Management anticipates recruiting full-time providers to replace these part time providers, anticipating the start dates as 11/1/22 and 11/1/23 respectively.

The Medical Center's Historical and Forecasted Utilization Statistics

	Historical			Forecasted				
	2019	2020	2021	2022	2023	2024	2025	2026
Infusion/injection units	-	-	459	936	1025	1187	1270	1307

Surgery Department

The Surgery department will be remodeled along with a new addition. The design will allow for additional pre/post rooms, new procedure room, and new endoscopy room along with shell space for a future operating room. The design also focused on improving central processing, PACU, expanding clean storage, and equipment storage. The surgery department is designed to be remodeled in multiple phases to allow the current surgery department to stay open for the entire duration of construction.

Historical and Forecasted Utilization Statistics

	Historical			Forecasted				
	2019	2020	2021	2022	2023	2024	2025	2026
Surgery cases	415	454	554	638	839	934	1015	1043
General surgery clinic visits	135	120	142	122	132	138	146	150
Orthopedic surgery clinic visits	386	490	1063	1901	2064	2161	2292	2358

Utilization rates for surgical and other outpatient services experiences significant fluctuations in historical years 2019 and 2021 related to the COVID-19 pandemic and recruitment of additional surgical providers. Management assumes that surgical volume will continue to increase throughout the forecast period due to surgical provider recruitment. In historical year 2020, management hired one part-time 0.6 FTE orthopedic surgeon and increased the FTE coverage of another contracted orthopedic surgeon to 0.5 FTE, which significantly increased surgery visits from historical years 2020 to 2022.

Atrium, Lobby and Drop Off Canopy

The project also contemplates an expansion of the atrium and lobby, as well as a drop off canopy. The new clinic entrance and addition will include a new drive under canopy, lobby, atrium, conference center with public restrooms. The new clinic entrance will give patients and visitors a dedicated entrance that is separated from the hospital entrance. The new entrance will improve patient access to the clinic and improve access to all clinical departments.

ATTACHMENT 34

Availability of Funds

Sources of funds for the project are as follows:

USDA Direct Loan	$ 20,750,000
USDA Guaranteed Loan	5,000,000
Equity Contribution	9,000,000
Total sources of funds	$ 34,750,000

The USDA Guaranteed Loan portion of the financing will be guaranteed by the USDA through the USDA Guaranteed Loan program. Under this program, the USDA will guarantee 80% of the loan amount. Monthly interest payments are forecasted to begin May 1, 2023, with principal and interest payments forecasted to begin July 1, 2025. The USDA Guaranteed Loan is forecasted to carry an interest rate of 6.5% amortized over 35 years with final maturity in 2058.

The USDA Direct Loan proceeds are forecasted to refinance the construction loan after the project is completed, assumed to be at the end of April 2025. Management anticipates it to take 60 days after construction completion for the inception of the USDA Direct Loan. Monthly principal and interest payments are forecasted to begin July 1, 2025. The USDA Direct Loan is forecasted to carry an interest rate of 3.25% amortized over 35 years with final maturity in 2060.

The Intercreditor/Parity Agreement by and between Compeer Financial, FLCA, the United States Department of Agriculture, Midwest Medical Foundation and Midwest Medical Center is attached.

Financial statements of Midwest Medical Foundation and Midwest Medical Center are attached.

/

402872
ANGELA KAISER, RECORDER
JO DAVIESS COUNTY, IL
04/25/2019 12:03 PM

RHSP FEE 9.00
RECORDING FEE 63.00
THIS DOCUMENT WAS ELECTRONICALLY RECORDED

[Space Above is for Recording Information]

INTERCREDITOR / PARITY AGREEMENT

By and Between

MIDWEST MEDICAL FOUNDATION and MIDWEST MEDICAL CENTER
("co-Issuers")

and

COMPEER FINANCIAL FLCA,
As Servicer for the Secured Rural America Bonds
Series 2019A
("Servicer")

And

UNITED STATES DEPARTMENT OF AGRICULTURE,
ACTING THROUGH THE RURAL HOUSING SERVICE
("USDA")

Dated as of April 25, 2019

This Intercreditor/Parity Agreement ("**Agreement**") is made and entered into as of April 25, 2019 by and between Compeer Financial, FLCA, its successor and assigns ("**Servicer**"), the United States Department of Agriculture, acting through the Rural Housing Service ("**USDA**"), and Midwest Medical Foundation and Midwest Medical Center, both non-profit corporations, ("**co-Issuers or Co-Issuers**").

RECITALS

WHEREAS, co-Issuers are issuing its Secured Rural America Bonds, Series 2019A in the aggregate principal amount of Three Million and 00/100 dollars ($3,000,000.00), (collectively the "**Bonds**") pursuant to a certain Indenture, dated as of April 25, 2019 (together with any amendments thereto, the "**Indenture**"), between co-Issuers, Servicer, and U.S. Bank, National Association, as Trustee for the holders and owners from time to time of the Bonds; and

WHEREAS, the proceeds of the Bonds are being used by co-Issuers for the purpose of financing the cost of the Project, as defined in the Indenture, (referred to hereinafter as the "**Project**", located on the real property described in Exhibit A hereto) and serves as a portion of the financing for said Project; and

WHEREAS, the Bonds are payable as to principal and interest from a dedication and pledge of co-Issuers income and revenues derived or to be derived from the Project; and

WHEREAS, in addition to other security described in the Indenture, the Bonds (hereinafter "**Guaranteed Bonds**") will be guaranteed by a Loan Note Guarantee issued by USDA under the authority of the Consolidated Farm and Rural Development Act, as amended, and 7 C.F.R. part 3575 subpart A, which will become effective upon completion of the of the Project and satisfaction of all conditions contained in the USDA Conditional Commitment for Guarantee (hereinafter the "**Loan Note Guarantee**"); and

WHEREAS, in order to obtain the Loan Note Guarantee for the Guaranteed Bonds, Servicer has been appointed as the "lender of record" and has agreed to act in such capacity during the term of Loan Note Guarantee; and

WHEREAS, co-Issuers, Servicer, and Trustee have also entered into that certain Servicing Agreement dated as of April 25, 2019 (together with any amendments, the "**Servicing Agreement**") along with the Indenture of even date to govern the use of the proceeds of the Bonds for the Project, for the purpose of setting forth the conditions for the issuance of the Bonds, to establish certain covenants of co-Issuers to be effective until all payments of principal and interest on the Bonds and all other obligations set forth in the Indenture have been paid in full and all other obligations have been discharged, and to set forth certain administrative functions that will be conducted by Servicer as Trustee's agent on behalf of the registered owners of the Bonds; and

WHEREAS, co-Issuers obligations under the Bonds and the Indenture and Servicing Agreement are secured by a security interest in the revenues of the co-Issuers and Project and other personal property as set forth in that certain Security Agreement between co-Issuers, Servicer, and Trustee dated as of April 25, 2019, and any amendments thereto (the **"Bonds Security Agreement"**) and in addition is secured by all of co-Issuers's equipment and fixtures, and a mortgage lien on co-Issuers real estate as set forth in that certain Mortgage, Security Agreement, Assignment of Leases and Rents, and Fixture Filing Statement, dated as of April 25, 2019, from co-Issuers to Servicer and Trustee to be recorded in the Recorder's Office for Jo Daviess County, Illinois, (hereinafter **"Bonds Mortgage"**) (the Bonds Security Agreement, the Bonds Mortgage, and the Deposit and Control Agreements (defined below), and UCC financing statements permitted under the Bonds Security Agreement and Bonds Mortgage, each as may be amended, are referred to herein collectively as the **"Bonds Security Documents"**); and

WHEREAS, USDA has made or will make a Community Facilities loan to the co-Issuers in the principal amount of Thirty Three Million and 00/100 Dollars ($33,000,000) (hereinafter **"Direct Loan"**) for the purpose of providing a portion of the financing for the Project, which loan is also secured by a pledge of, and security interest in, the revenues of the co-Issuers and Project and co-Issuers equipment and fixtures as set forth in that certain Security Agreement and Assignment of Income to be executed contemporaneous to the issuance of the Direct Loan by co-Issuers as borrower in favor of USDA (hereinafter **"USDA Security Agreements"**), and secured by a mortgage lien on co-Issuers real estate as set forth in that certain Mortgage, which will be granted contemporaneous to the issuance of the Direct Loan from co-Issuers to USDA and to be recorded in the Recorder's Office for Jo Daviess County, Illinois, (hereinafter **"USDA Mortgage"**) (the USDA Security Agreements and the USDA Mortgage, each as may be amended, are referred to as the **"USDA Security Documents"**); and

WHEREAS, Servicer has also received, or will receive, if applicable, various deposit agreements and control agreements from depository banks and securities brokerage firms in which the co-Issuers have accounts (collectively, the **"Deposit and Control Agreements"**), pursuant to which the depository bank(s) and brokerage firm(s), as applicable, have acknowledged Servicer's security interest in the accounts, funds and investments held by such institution;

WHEREAS, USDA and Servicer have agreed to extend such credit to co-Issuers provided they are on parity, one with the other, to which co-Issuers consents; and

WHEREAS, the parties hereto wish to set forth herein their agreement regarding, among other things, the security for the Direct Loan and the Bonds from the Shared Collateral (as defined below); and

NOW THEREFORE, the foregoing recitals are incorporated herein by reference and specifically made a part of this Agreement in order to avoid disputes regarding the priority of their respective security interests and for other good and valuable consideration,

the adequacy and receipt of which are hereby acknowledged, Servicer, USDA and co-Issuers agree as follows:

Section 1. **Shared Collateral.**

1.01 **Intent of the Parties.** It is the intent of the parties that the indebtedness and security evidenced by the Bonds Security Documents and the USDA Security Documents shall be in parity, one with the other as joint secured liens, and that no party shall have security prior or superior to that of the other, but that all said security shall be considered by each of them to be in parity with, that is equal to, that of the other. Servicer and USDA hereby warrant the validity of their respective bond, loan, and/or security documents, as appropriate, to the other. Inasmuch as each party shall have bonds, a promissory note, a loan and/or mortgage of even date and regardless of which is recorded first on the closing date, the parties agree that so long as amounts are owed to USDA or Servicer on their respective obligations they shall share in the collateral security, pro rata, and the liens of each mortgage shall be in parity one with the other as joint record liens. Each shall have all the rights interest and obligations availed by virtue of its respective security documents and all payments made during said permanent loan financing period on said indebtedness shall be applied by the parties, pro rata based on the Outstanding Balances (as such term is defined below).

The Shared Collateral as that term is defined expressly includes the personal property secured by the Bonds Security Agreement. That collateral is described in Exhibit B. Co-Issuers are referred to as "Debtors" in Exhibit B.

1.02 **Priority of Security Interests.** As between Servicer and USDA, the liens and security interests in, to and on the Co-Issuers real estate and personal property as pledged and granted under the Bonds Security Documents and the USDA Security Documents (hereinafter the **"Shared Collateral"**), it is agreed that the lien granted to Servicer pursuant to the Bonds Mortgage and the Bonds Security Agreement shall be pari passu to the respective security interests in, to or on any of the Shared Collateral granted to USDA under the USDA Security Agreement, the USDA Mortgage and the Deposit and Control Agreements, and it is further agreed that the lien on the Shared Collateral granted under the USDA Security Agreement, the USDA Mortgage and the Deposit and Control Agreements shall be pari passu to the lien granted by the Bonds Mortgage and the Bonds Security Agreement. Such equal liens and security interests shall be applicable irrespective of the order of creation, attachment or perfection of any such liens or security interests or any other priority that might otherwise exist under any applicable law or in equity and notwithstanding any representation or warranty of the co-Issuers to the contrary.

1.03 **Enforcement of Security Interests.** Servicer and USDA may, from time to time in their sole discretion, and subject to the terms and provisions of this Agreement and federal regulations at 7 C.F.R. part 3575 subpart A, exercise and enforce any or all of their respective rights, remedies, privileges and powers under the Bonds Security Documents and USDA Security Documents, at law or in equity as they may determine to be necessary or appropriate (including without limitation, any collection, sale,

transfer or other disposition of all or any portion of the Shared Collateral) upon and during the continuance of co-Issuers Default (as such term is defined below). The parties hereto agree that any proceeds received from the sale of the Shared Collateral shall be applied towards payment of the Bonds and the Direct Loan, on a pro rata basis between Servicer and USDA, based on the pro rata amount of the outstanding balances due each of them on the Bonds and the Direct Loan (the **"Outstanding Balances"**), which amount shall exclude any additional interest or premium due because of default. For purposes of the foregoing, the amount loaned by Servicer is the principal amount of all outstanding Bonds held by all Bondholders. Servicer and USDA each agree that it shall not seek to restrain or enjoin the exercise by the other party of any such rights, remedies, powers or privileges granted under the Bond Security Documents and the USDA Security Documents, as long as each party complies with the provisions of this Agreement. Notwithstanding the foregoing, the taking of foreclosure actions under the Bonds Mortgage and/or the USDA Mortgage must be taken together as long as the debt secured by each mortgage remains outstanding. In addition, in the event collection expenses are incurred including attorney's fees, title expenses, court costs, or other out-of-pocket costs that cannot be recovered as a part of the collection procedure from co-Issuers, USDA, and Servicer shall each assume responsibility for payment of their own such costs and expenses.

1.04 **Regular Payments**. In the event adequate funds are not available from co-Issuers to meet regular installments on the Bonds and the Direct Loan, the funds available will be apportioned to payment on the Bonds and the Direct Loan based on the respective current installments of principal and interest due.

1.05 **Receipt of Proceeds**. If Servicer or USDA receives any proceeds (whether in cash, securities or other property) from any disposition of all or any of the Shared Collateral at any time prior to the payment in full in cash of the Direct Loan and the Bonds, such proceeds shall be received in trust for the benefit of Servicer and USDA, and the applicable pro rata share of such proceeds, based on the Outstanding Balances, shall be promptly paid over or delivered and transferred to the other party for application towards the payment of the outstanding amounts due under the Bonds or the Direct Loan as the case may be.

1.06 **Insurance and Condemnation.** All insurance required by Servicer and USDA shall be written with both Servicer and USDA as co-additional insureds and loss-payee's, that in the event of damage to or destruction of all or any portion of the premises by fire, wind or other casualty, the proceeds of any insurance fund or settlement sum shall be paid to and applied by the Servicer and USDA, pro rata, based on the Outstanding Balances. However, by mutual agreement, Servicer and USDA may permit co-Issuers to repair or rebuild the damaged or destroyed portion of the premises. In addition, the parties acknowledge and agree that any condemnation award is hereby assigned to USDA and to Servicer, pro rata, based on, and to the extent of, the Outstanding Balances and that USDA and Servicer are further authorized by co-Issuers to execute and deliver all documents to carry out the award and the right to appeal therefrom.

Section 2. **Default**

2.01 **Co-Issuers Default.** In the event of a default by co-Issuers under the provision of either of the Bonds Security Documents or the USDA Security Documents (a "**Co-Issuers Default**"), such default shall be treated as a default of all indebtedness due both USDA and Servicer and either or both shall have the right to enforce their obligations as if default occurred on all such obligations and covenants.

2.02 **Notice of Default and Exercise of Remedies.** Servicer and USDA, or its representatives, shall give to each other prompt written notice of any Co-Issuers Default of which it has knowledge and which will likely result in the taking of remedial actions under the Bond Security Documents or the USDA Security Documents, and which default has not been cured within any applicable notice and/or cure period. "Remedial actions" include, but are not limited to, the payment of Protective Advances (defined below.)

2.03 **Protective Advances**. Protective Advances to be made by the Servicer and/or USDA for the mutual protection of said parties shall be shared, pro rata, based on the Outstanding Balances, and shall be reimbursed form the sale or disposition of collateral. For purposes of this Agreement, "**Protective Advances**" are payments made by Servicer or USDA for such items as insurance or taxes to protect the lien and security interests of either party under the Bonds and the Direct Loan as applicable.

2.04 **No Waiver of Provisions**. No right of any party to enforce the provisions of this Agreement shall at any time, and in any way, be prejudiced or impaired by any act or failure to act on the part of the co-Issuers, or by any act or failure to act, in good faith, by such party, hereunder.

2.05 **Disposition of Shared Collateral on Default**. In the event of any sale or disposition of Shared Collateral by reason of default, the proceeds received shall be shared pro rata between the Servicer and USDA according to the Outstanding Balances due each upon their respective obligations at the time of said collection. In the event collection expenses are incurred including attorney's fees, title expenses, court costs, or other out-of-pocket costs that cannot be recovered as part of the collection procedure from the debtor, that Servicer and USDA shall each assume responsibility for payment of their own such costs and expenses.

2.06 **Reliance on Judicial Order or Certificate of Liquidation Agent**. Upon any payment or distribution of the proceeds of the Shared Collateral or any other assets of the co-Issuers to satisfy payment of the Direct Loan or the Bonds, Servicer and USDA, each shall be entitled to rely upon any order or decree entered by any court of competent jurisdiction in which such proceeding is pending, or a certificate of the trustee in bankruptcy, receiver, liquidating trustee, or assignee for the benefit of creditors making such payment or distribution, delivered to either party for the purpose of ascertaining the persons entitled to participate in such payment or distribution.

2.07 **Deposit and Control Agreements**. USDA and Servicer agree that the Deposit and Control Agreements, if applicable, are included as part of the Shared Collateral and that any funds or other assets received through the exercise of rights or remedies under such agreements will be shared between USDA and Servicer pursuant to the terms of this Agreement for payments on the Direct Loan and on the Bonds.

Section 3. **General Coordination**.

3.01 **No Prejudice or Impairment of Rights; Remedies Cumulative**.

(a) The rights under this Agreement shall, to the fullest extent permitted by applicable law, remain in full force and effect without regard to, and, except as otherwise expressly set forth herein, shall not be impaired or affected by:

(i) any act or failure to act on the part of the co-Issuers;

(ii) any extension or indulgence in respect of, or any other change in the time, manner or place of, any payment or prepayment of any of the Bonds, the Direct Loan or any part of either financing;

(iii) any amendment, restatement, modification or waiver of, or addition or supplement to, or deletion from, or compromise, release, consent or other action in respect of, any of the terms of the Bonds, the Direct Loan, or of any of the documents relating to such financings;

(iv) any exercise or non-exercise by Servicer or USDA of any right, power, privilege or remedy under or in respect of the Bonds, the Direct Loan, or as applicable, or under this Agreement, or any waiver of any such right, power, privilege or remedy or of any event of default or default in respect of the Bonds, the Direct Loan, as applicable, or this Agreement, or any receipt by any holder of the Bonds, the Direct Loan, or any other person acting on behalf of such holder or holders, of any security for, or guaranty of, or any failure by any such person to perfect or enforce a security interest in or guaranty of, or any release by any such person of any security for, or guaranty of, the payment of the Bonds or the Direct Loan;

(v) any merger or consolidation of the co-Issuers into or with any other entity, or any sale, lease or transfer of any or all of the assets of the co-Issuers to any other entity or person;

(vi) the absence of any notice to, or knowledge by, any party of the existence or occurrence of any of the matters or events set forth in the foregoing subdivisions (i) through (v);

(vii) any legal proceedings affecting the co-Issuers; or

(viii) any other circumstance whether similar or dissimilar to the foregoing.

(b) No failure on the part of Servicer or USDA to exercise, and no delay in exercising, any right, remedy, power or privilege hereunder or under the Bonds Security Documents or the USDA Security Documents, shall operate as a waiver of any right, remedy, power or privilege; nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of any other right, remedy, power or privilege thereunder or at law or equity. The rights, remedies, powers and privileges provided to the parties under this Agreement shall be cumulative and not exclusive of any rights, remedies, powers and privileges provided by law or in equity or otherwise.

Section 4. **Limitations on Actions by Parties.**

4.01 **Initiation of Proceedings**. In accordance with federal regulations at 7 C.F.R. part 3575 subpart A, either USDA or Servicer, provided Service has first obtained USDA's concurrence, shall be permitted to directly or indirectly initiate any action or proceeding to enforce, foreclose or otherwise realize upon any Shared Collateral or exercise any of its rights or remedies with respect thereto. Notwithstanding the foregoing or anything to the contrary set forth in this Agreement, the owners of the Guaranteed Bonds may enforce their rights under the Loan Note Guarantee in accordance with the provisions thereof without reference to any action taken or to be taken by any party under this Agreement, and without notice to, or approval by, any party under this Agreement.

4.02 **Preservation of Rights**. Subject to the limitations thereon set forth in Section 4.01, nothing herein shall be deemed to prohibit Servicer or USDA from (i) making demands upon the co-Issuers for the payment of amounts from time to time then due and payable pursuant to the Bond or the Direct Loan respectively or (ii) taking such actions as Servicer or USDA reasonably deems necessary or desirable to perfect, maintain and preserve the security interests created in favor of USDA and Servicer, as applicable, in and to the Shared Collateral.

Section 5. **Assignments of Claims**. Neither Servicer nor USDA shall assign, pledge, mortgage, grant a security interest in, sell or otherwise transfer their rights under this Agreement to any person; ***provided, however***, that this Section 5 shall not prohibit (a) Servicer or USDA from being removed or replaced by a successor in their respective capacities, and (b) a sale or transfer of all or any portion of the Bonds or the Direct Loan, as applicable, to any other person in accordance with the terms thereof.

Section 6. **Miscellaneous.**

6.01 **Notices and Other Communications**.

(a) Except as provided by 7 C.F.R. part 3575 subpart A, or as expressly otherwise provided herein, all notices, requests, demands, consents, instructions or other

communications to or upon the parties to this Agreement shall be deemed to have been duly given or made only when delivered in writing, electronic mail, or by telecopy to the party to which such notice, request, demand, consent, instruction or other communication is required or permitted to be given or made hereunder, at the addresses (whether physical or electronic) or telecopy numbers of the parties, and to the attention of the person, specified below, or to such other address (whether physical or electronic), telecopy number or attention as any party may hereafter specify to the others in writing in accordance with this Section 6.01:

(i) If to Servicer: Compeer Financial
1921 Premier Drive
Mankato, MN 56001
Attn: Mission Financing
507-344-5088 (telecopy)

(ii) If to USDA: USDA Rural Development
312 E. Backbone Road, Suite E
Princeton, IL 61356
Attn: Community Programs
855-833-9903 (telecopy)

(iii) If to co-Issuers: Midwest Medical Foundation & Midwest Medical Center
One Medical Center Drive
Galena, IL 61036
Attn: Chief Executive Officer
815-777-2560 (telecopy)

(b) All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication.

6.02 **Reinstatement**. Notwithstanding anything herein to the contrary, the obligations, covenants and agreements of Servicer and USDA, as applicable, shall continue to be effective, or be reinstated, as the case may be, if at any time any payment of any of the Direct Loan or Bonds is rescinded or must otherwise be restored or returned by the owner thereof as a result of bankruptcy or insolvency proceedings of the co-Issuers, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the co-Issuers or any substantial part of its property, or otherwise, all as though such payment had not been made.

6.03 **Representations and Warranties**. Each party to this Agreement represents and warrants for the benefit of the other parties to this Agreement that this Agreement has been duly authorized, executed and delivered by it and constitutes its legal, valid, binding and enforceable obligation, enforceable against it in accordance with the terms of this Agreement, except as provided in Section 6.12 below, and except to the extent such enforceability may be limited by the effect of any applicable bankruptcy, insolvency,

reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity.

6.04 **Additional Financing.** Any additional loans or other financing made to co-Issuers by Servicer, USDA or any entity not party to this Agreement shall not share in the benefits of this Agreement and any liens securing said loans or other financing on property described in this Agreement shall be subsequent and inferior to the joint and parity lien granted herein.

6.05 **Further Assurances**. Each party to this Agreement covenants and agrees that it shall promptly execute and deliver from time to time all further instruments and documents, and take such further actions, that may be necessary or desirable, or that any other party to this Agreement may reasonably request, in order to protect, exercise or enforce any right, remedy or interest granted or purported to be granted hereunder.

6.06 **Controlling Agreement.** In the event any provision of this Agreement conflicts with any provision of the Bond Documents or the Direct Loan, the provisions of this Agreement shall control. This Agreement, however, does not supersede any provision contained in RD Instruction 3575-A, USDA Form RD 449-34 Loan Note Guarantee or USDA–RD Form 449-35 Lender's Agreement. In the event any provision of this Agreement conflicts with any Rural Development instructions (including 7 C.F.R. part 3575 subpart A), USDA Form RD 449-34 Loan Note Guarantee or USDA-RD Form 449-35 Lender's Agreement, the Rural Development instructions and form documents shall control.

6.07 **Binding Effect**. This Agreement and all of the terms of this Agreement shall be binding upon, and shall inure to the benefit of and be enforceable by, the parties to this Agreement and their respective successors and permitted assigns.

6.08 **Termination.** This Agreement and the rights and obligations created hereby shall continue to be effective until the Direct Loan or the Bonds have been paid in full provided that the provisions of Section 6.02 shall remain operative. Neither Servicer nor USDA shall accept tender of the final payment from co-Issuers, or the Trustee with regard to payments on the Bonds, without first notifying the other to verify that all requirements of this Agreement have first been met before accepting said final payment.

6.09 **Third-Party Beneficiaries**. There shall be no third-party beneficiaries of the obligations of the parties hereunder.

6.10 **Headings Descriptive**. The headings of the several Sections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

6.11 **Counterparts.** This Agreement may be executed in any number of counterparts and by the different parties to this Agreement on separate counterparts, each

of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument.

6.12 **Governing Law; Submission to Jurisdiction.** **THIS AGREEMENT AND ALL ISSUES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS AND THE LAWS OF THE UNITED STATES, AS APPLICABLE. TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO UNDER APPLICABLE LAW, EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF ANY FEDERAL COURT SITTING IN ILLINOIS IN RESPECT TO ANY SUIT, ACTION OR PROCEEDING, WHETHER IN TORT, CONTRACT OR OTHERWISE, ARISING OUT OF OR RELATING TO THIS AGREEMENT. EACH OF THE PARTIES TO THIS AGREEMENT IRREVOCABLY WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO UNDER APPLICABLE LAW, TRIAL BY JURY AND ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT AND ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. NOTHING HEREIN SHALL AFFECT THE RIGHT OF ANY PARTY OR ITS AGENTS TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST ANY PARTY IN ANY COLLATERAL ACTION IN ANY OTHER JURISDICTION. NOTWITHSTANDING THE ABOVE, THE PARTIES ACKNOWLEDGE THAT THE REPRESENTATIVES OF USDA WHO ARE AUTHORIZED TO SIGN THIS AGREEMENT CANNOT BIND THE UNITED STATES TO ANY CHOICE OF LAW PROVISION, FORUM SELECTION CLAUSE, OR WAIVE ANY OF THE OTHER RIGHTS STATED IN THIS PART AND NO SUCH AUTHORITY IS IMPLIED, INFERRED, OR UNDERSTOOD.**

6.13 **Amendments and Waivers.** This Agreement may only be amended or waived in whole or in part by a written document signed by Servicer and USDA.

6.14 **Recording.** This Agreement may be recorded in the land records of Jo Daviess County, Illinois, although such recording shall not be a condition to the effectiveness of this Agreement.

This Intercreditor/Parity Agreement has been duly executed by the parties set forth below as of the date first written above.

COMPEER FINANCIAL, FLCA

By: Bob Madsen
Name: Bob Madsen
Title: Vice President

ACKNOWLEDGMENT

STATE OF MINNESOTA)
)
COUNTY OF BLUE EARTH)

The undersigned, a Notary Public, does hereby certify that Compeer Financial, FLCA, by Bob Madsen, its duly authorized Vice President personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and seal, this 23rd day of April, 2019.

(Affix Seal)

J M EMERY
Notary Public-Minnesota
My Commission Expires Jan 31, 2020

Notary Public for [illegible]
My Commission Expires: [illegible]

This instrument drafted by:
Timothy K. Anderson
Senior Attorney
Compeer Financial, ACA
14800 Galaxie Avenue
Apple Valley, MN 55124

RECORD AND RETURN TO:

Compeer Financial
Attn: Bob Madsen
P.O. Box 4249
Mankato, MN 56002-9696

This Intercreditor/Parity Agreement has been duly executed by the parties set forth below as of the date first written above.

UNITED STATES DEPARTMENT OF AGRICULTURE, ACTING THROUGH THE RURAL HOUSING SERVICE

By: Loral Heintzelman
Name: Loral Heintzelman
Title: Area Specialist

ACKNOWLEDGMENT

STATE OF ILLINOIS)
)
COUNTY OF Jo Daviess)

The undersigned, a Notary Public, does hereby certify that the United States Department of Agriculture, acting through the Rural Housing Service, by Loral Heintzelman, its duly authorized Area Specialist, personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and seal, this 25th day of April, 2019.

OFFICIAL SEAL
KRISTEN PATTERSON
NOTARY PUBLIC, STATE OF ILLINOIS
My Commission Expires Oct 20, 2019

Kristen Patterson

Notary Public for State of Illinois
My Commission Expires: 10/20/2019

This instrument drafted by:
Timothy K. Anderson
Senior Attorney
Compeer Financial, ACA
14800 Galaxie Avenue
Apple Valley, MN 55124

This Intercreditor/Parity Agreement has been duly executed by the parties set forth below as of the date first written above.

MIDWEST MEDICAL FOUNDATION

By: _____
Name: Tracy Bauer
Title: President/CEO

MIDWEST MEDICAL CENTER

By: _____
Name: Tracy Bauer
Title: President/CEO

ACKNOWLEDGMENT

STATE OF ILLINOIS)
)
COUNTY OF JO DAVIESS)

The undersigned, a Notary Public, does hereby certify that Midwest Medical Foundation and Midwest Medical Center, by Tracy Bauer, its duly authorized President/CEO, personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and seal, this 26th day of April, 2019.

OFFICIAL SEAL
KRISTEN PATTERSON
NOTARY PUBLIC, STATE OF ILLINOIS
My Commission Expires Oct 20, 2019

(Affix Seal)

_____

Notary Public for State of Illinois
My Commission Expires: 10/20/2019

This instrument drafted by:
Timothy K. Anderson
Senior Attorney
Compeer Financial, ACA
14800 Galaxie Avenue
Apple Valley, MN 55124

EXHIBIT A

REAL ESTATE LEGAL DESCRIPTION

Lot 1 on the Final Plat of Midwest Medical Center Subdivision vacating Lots 1 and 2 of Midwest Regional Medical Center Subdivision and Re-Platting the same as Lot 1, Midwest Medical Center Subdivision being a part of the South Half of the Southeast Quarter and Southwest Quarter of Section 2, Township 28 North, Range 1 West, Rawlins Township, Jo Daviess County, Illinois, as shown on the Plat of Subdivision thereof recorded July 20, 2011 as Document No. 363780 in Plan Hold F of Plats, No. 3.

Lots 1 and 2 on the Final Plat-Arts and Senior Care Center, City of Galena, Jo Daviess County, Illinois, as shown on the Plat of Subdivision thereof recorded on October 1, 2014 as Document No. 381668 in Plan Hold F of Plats, No. 120, in Jo Daviess County, Illinois.

EXCEPTING THEREFROM A parcel of land located in a part of the Southwest Quarter of Section 13, Township 28 North Range 1 West of the Fourth Principal Meridian, City of Galena, Jo Daviess County and State of Illinois, more particularly described as follows:

Commencing at the Northeast corner of Lot 8 of Galena Square Subdivision as recorded in Plan Hold C at Number 246 in the Jo Daviess County Recorder's Office; thence South 88 degrees 51 minutes 04 seconds East a distance of 202.53 feet; thence North 3 degrees 29 minutes 19 seconds West a distance of 18.65 feet to the point of beginning; thence North 18 degrees 41 minutes 38 seconds East a distance of 76.76 feet; thence South 71 degrees 32 minutes 26 seconds East a distance of 101.15 feet; thence South 18 degrees 41 minutes 38 seconds West, a distance of 76.76 feet; thence North 71 degrees 32 minutes 26 seconds West a distance of 101.15 feet to the point of beginning, and is part of the 15.87 acre parcel occupied by the Midwest Regional Medical Center Facility described above, and as shown on Plat of Survey prepared by MSA Professional Services, Dated September 26, 2006 as Project No. 702615.

Parcel Id Nos. 13-000-056-00; 22-200-074-10; 22-200-075-00;

EXHIBIT B

SHARED COLLATERAL – PERSONAL PROPERTY

All of each Debtor's right, title and interest in and to all assets of each Debtor (collectively the "**Collateral**"), including but not limited to the following property:

(a) All accounts, accounts receivable, contract rights, chattel paper and instruments, and all other rights of each Debtor to the payment of money of every nature, type and description, whether now owing to each Debtor or hereafter arising, and all monies and other proceeds (cash and non-cash), including, without limitation, the following: all accounts, accounts receivable, book debts, instruments and chattel paper, books of account, computer storage media, ledger books and records of each Debtor, deposit account balances, notes, drafts, acceptances, rents, payments under leases or sales of equipment or inventory and other forms of obligations now or hereafter received by or belonging or owing to each Debtor for goods sold or leases and/or services rendered by it, and all of each Debtor's rights in, to and under all purchase orders, instruments and other documents now or hereafter received by it evidencing obligations for and representing payment for goods sold or leases and/or services rendered, and all monies due or to become due to each Debtor under all contracts for the sale or lease of goods and/or the performance of services by it, now in existence or hereafter arising, including, without limitation, the right to receive the proceeds of said purchase orders and contracts; all contracts, leases, instruments, undertakings, documents or other agreements in or under which each Debtor may now or hereafter have any right, title or interest; all customer lists, tax refunds due each Debtor from any governmental agency and any and all proceeds of any of the above and any and all replacements of or accessions to and property similar to the foregoing;

(b) All inventory now owned or hereafter acquired by each Debtor, of every nature, type and description, wherever located, including, without limitation, all of each Debtor's goods or personal property held for lease or sale or being processed for lease or sale, all raw materials, work in progress, finished goods, packaging materials, and all other materials or supplies used or consumed or to be used or consumed in each Debtor's business or in the processing, packaging or shipping of the same; and any and all instruments, documents, property, books and records, computer storage media and ledger books arising out of or related in any way to any of the foregoing;

(c) All rights of the each Debtor as an unpaid vendor or lienor (including, without limitation, stoppage in transit, replevin and reclamation) with respect to any inventory or other related properties of each Debtor;

(d) All books, records, files, computer programs, computer software and hardware, data processing records and correspondence in any way related to any of the Collateral;

(e) All materials, reserves, deferred payments, deposits or advance payment for materials, undisbursed loan proceeds, or refunds for overpayment relating to any of each Debtor's accounts or inventory;

(f) Any and all accounts and funds under that certain Indenture and Servicing Agreement dated as of April 25, 2019 among Debtors, Trustee, and Servicer, and any and all of each Debtor's rights and interests in said accounts and funds, and all cash, money, assets, investments, instruments and funds therein from time to time;

(g) Any and all of each Debtor's goods held as equipment, including, without limitation, all machinery, tools, dies, furnishings, or fixtures, wherever located, whether now owned or hereafter acquired, and any computer programs embedded in such equipment and any supporting information provided in connection with a transaction relating to the computer program if the program is associated with the equipment in a manner that it customarily is considered part of the equipment, or by becoming the owner of the equipment, a person acquires a right to use the program in connection with the equipment, together with all increases, parts, fittings, accessories, equipment, and special tools now or hereafter affixed to any part thereof or used in connection therewith;

(h) Any and all of each Debtor's rights and interests in instruments and/or documents (as such terms are defined in the UCC), whether now owned or hereafter acquired, including, without limitation, negotiable instruments, promissory notes (as defined in the UCC), documents of title owned or to be owned by each Debtor, and all liens, security agreements, leases, and other contracts securing or otherwise relating to any of said instruments or documents;

(i) Any and all of each Debtor's rights and interests in chattel paper, electronic chattel paper, and tangible chattel paper (as such terms are defined in the UCC), including security interests in software and license of software used in specific goods and leases of specific goods and license of software used in the goods;

(j) Any and all of each Debtor's rights and interests in and to a letter-of-credit right or secondary obligation that supports the payment or performance of an account, chattel paper, a document, a general intangible, or an instrument (as such terms are defined in the UCC);

(k) Any and all of each Debtor's general intangible property, including payment intangibles (as defined in the UCC), whether now owned or hereafter acquired by each Debtor or used in each Debtor's business currently or hereafter, including, without limitation, all patents, trademarks, service marks, trade secrets, copyrights and exclusive licenses (whether issued or pending), literary rights, contract rights and all documents, applications, materials and other matters related thereto, all inventions, all manufacturing, engineering and production plans, drawings, specifications, processes and systems, all trade names, goodwill and all chattel paper, documents, and instruments relating to such general intangibles;

(l) All "Pledged Revenues" of each Debtor from whatever source and the rights and claims thereto, including but not limited to, all revenues, income, receipts and money (other than the proceeds of any permitted borrowing, and other than interest earned on such proceeds if and to the extent such interest is required to be excluded by the terms of the borrowing) received in any period by or on behalf of the Debtors, including, but without limiting the generality of the foregoing: (a) revenues derived from the Debtors operations, (b) all gifts, grants, bequests, donations and contributions: exclusive of any gifts, grants, bequests, donations and contributions to the extent specifically restricted in writing by the donor to a particular purpose inconsistent with their use for payment under the Indenture, (c) proceeds derived from: (i) all insurance, except to the extent the use thereof is otherwise required by the Indenture, (ii) all accounts, securities and other investments (excluding unrealized gains and losses on investments), (iii) the sale, leasing or transfer of all inventory and other tangible and intangible property, (iv) all revenues for the provision of services to patients, residents, and other customers, and (v) all contract rights and other rights and assets now or hereafter owned, held or possessed by or on behalf of the Debtors, (d) rentals received from the leasing of real or tangible personal property, (e) all payments, receipts, claims for medical expense reimbursements and payments or insurance payments and claims or other payments relating to the provision of medical services, together with and all rights and funds received or to be received under agreements and policies with insurance companies and prepaid health organizations, including but not limited to health-care-insurance receivables, as well as all amounts received and otherwise receivable from any Governmental Authority, including but not limited to, all amounts paid or due under any applicable Medicare or Medicaid program or plan (including rights to Medicare and Medicaid loss recapture) to the extent permitted under and in accordance with applicable law or regulations, (f) any and all revenues and income of any kind or from any source not otherwise listed above, and (g) all funds, assets and investments in the accounts and funds established under the Indenture and all income earned from the investment of all moneys held from time to time in each fund and account established under the Indenture (but only to secure the Bonds issued pursuant to the Indenture).

(m) All rights in and to all crops, livestock, timber and agricultural products of any nature or kind; and

(n) Any and all products and proceeds of any of the foregoing (including, but not limited to, any claims to any items referred to above, and any claims of each Debtor against third parties for loss of, damage to or destruction of any or all of the Collateral or for proceeds payable under, or unearned premiums with respect to, policies of insurance) in whatever form, including, but not limited to, cash, negotiable instruments and other instruments for the payment of money, chattel paper, security agreements and other documents and the proceeds of such proceeds.

Notwithstanding anything contained herein, in accordance with the Health Insurance Portability and Accountability Act of 1996, as codified at 42 U.S.C. § 1320d through d-8 ("HIPAA"), Protected Health Information ("Protected Information"), as defined in HIPAA is specifically excluded from the definition of Collateral.

All capitalized terms used, but not otherwise defined herein shall have the meaning set forth in the Bond Documents. All terms used herein which are defined in the Uniform Commercial Code of the State of Illinois, as amended from time to time (the "UCC"), shall have the meaning assigned to them in the UCC.

Midwest Health Foundation and Affiliate

Galena, Illinois

Consolidated Financial Statements and Supplementary Consolidating Information

Years Ended September 30, 2019 and 2018

Midwest Health Foundation and Affiliate

Years Ended September 30, 2019 and 2018

Table of Contents

WIPFLI LLP

Independent Auditor's Report

Board of Directors
Midwest Health Foundation and Affiliate
Galena, Illinois

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Midwest Health Foundation and Affiliate, which comprise the consolidated balance sheets as of September 30, 2019 and 2018, and the related consolidated statements of operations, changes in net deficit, and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Midwest Health Foundation and Affiliate as of September 30, 2019 and 2018, and the results of their operations, changes in their net deficit, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information appearing on pages 31 through 34 is presented for the purpose 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. 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 accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Code of 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. Such 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. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2020, on our consideration of Midwest Health Foundation and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 Midwest Health Foundation and Affiliate's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

February 4, 2020
Eau Claire, Wisconsin

Midwest Health Foundation and Affiliate

Consolidated Balance Sheets

September 30,	2019	2018
ASSETS		
Current assets:		
Cash	$ 2,401,326	$ 2,167,660
Assets limited as to use	-	1,965,489
Patient and resident receivables - Net	4,885,312	5,373,913
Other receivables	14,347	38,453
Inventories	378,343	382,740
Prepaid expenses	141,854	125,901
Total current assets	7,821,182	10,054,156
Assets limited as to use:		
Board designated for capital improvements	2,563,978	2,919,826
Restricted for medical scholarships	1,544,944	1,528,037
Under bond indenture agreement - Held by trustee:		
Reserve funds	-	3,111,051
Principal funds	-	517,265
Interest funds	-	1,457,366
Total assets limited as to use	4,108,922	9,533,545
Less - Current portion of assets limited as to use	-	1,965,489
Assets limited as to use - Less current portion	4,108,922	7,568,056
Property and equipment - Net	23,056,785	24,946,451
Other assets	6,561	6,561
Total assets	$ 34,993,450	$ 42,575,224

Midwest Health Foundation and Affiliate

Consolidated Balance Sheets (Continued)

September 30,	2019	2018
LIABILITIES AND NET DEFICIT		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	$ 599,987	$ 806,295
Accounts payable	874,108	802,402
Accrued expenses:		
Salaries and wages	454,269	377,701
Vacation	297,359	282,442
Interest	481,250	1,450,489
Amounts payable to third-party reimbursement programs	270,000	400,000
Security deposits	87,904	99,793
Deferred revenue	309,159	290,044
Total current liabilities	3,374,036	4,509,166
Long-term liabilities:		
Long-term debt and capital lease obligations - Less current portion	35,869,845	42,615,726
Deferred revenue - Less current potion	-	306,601
Total long-term liabilities	35,869,845	42,922,327
Total liabilities	39,243,881	47,431,493
Net deficit:		
Without donor restrictions	(5,795,375)	(6,384,202)
With donor restrictions	1,544,944	1,527,933
Total net deficit	(4,250,431)	(4,856,269)
Total liabilities and net deficit	$ 34,993,450	$ 42,575,224

See accompanying notes to consolidated financial statements.

Midwest Health Foundation and Affiliate

Consolidated Statements of Operations

Years Ended September 30,	2019	2018
Revenue:		
Patient and resident service revenue - Net of contractual allowances and discounts	$ 23,565,549	$ 24,005,851
Provision for bad debts	(740,171)	(670,240)
Net patient services revenue, less provision for bad debts	22,825,378	23,335,611
Other operating revenue	1,866,708	1,825,986
Total revenue	24,692,086	25,161,597
Expenses:		
Salaries and wages	9,690,978	9,168,650
Employee benefits	2,585,441	2,463,402
Supplies and other expenses	8,152,690	8,101,284
Depreciation	2,310,053	2,232,933
Interest	2,227,543	2,940,001
Total expenses	24,966,705	24,906,270
Income (loss) from operations	(274,619)	255,327
Other income (expense):		
Contributions	99,831	96,774
Interest income	114,709	72,903
Rental income	22,885	4,930
Rental expense, including depreciation expense	(43,278)	(45,957)
Loss on disposal and sale of assets	(3,587)	-
Gain on forgiveness of long-term debt	672,886	-
Total other income - Net	863,446	128,650
Revenue in excess of expenses	$ 588,827	$ 383,977

See accompanying notes to consolidated financial statements.

Midwest Health Foundation and Affiliate

Consolidated Statements of Changes in Net Deficit

Years Ended September 30,	2019	2018
Net deficit without donor restrictions:		
Revenue in excess of expenses	$ 588,827	$ 383,977
Net assets with donor restrictions:		
Interest income	22,575	12,286
Loans forgiven	(5,564)	(3,688)
Increase in net assets with donor restrictions	17,011	8,598
Change in net deficit	605,838	392,575
Net deficit, beginning	(4,856,269)	(5,248,844)
Net deficit, end	$ (4,250,431)	$ (4,856,269)

See accompanying notes to consolidated financial statements.

Midwest Health Foundation and Affiliate

Consolidated Statements of Cash Flows

Years Ended September 30,	2019	2018
Increase (decrease) in cash:		
Cash flows from operating activities:		
Change in net deficit	$ 605,838	$ 392,575
Adjustments to reconcile change in net deficit to net cash provided by operating activities:		
Depreciation	2,353,331	2,277,659
Amortization	18,337	24,070
Provision for bad debts	740,171	670,240
Loss on disposal and sale of assets	3,587	-
Gain on forgiveness of long-term debt	(672,886)	-
Restricted contributions and investment income	(22,575)	(12,286)
Changes in operating assets and liabilities:		
Patient and resident receivables	(251,570)	(1,364,796)
Other receivables	24,106	54,403
Inventories	4,397	16,162
Prepaid expenses	(15,953)	18,388
Accounts payable	71,706	18,390
Accrued expenses	(877,754)	96,541
Amounts payable to third-party reimbursement programs	(130,000)	300,000
Security deposits	(11,889)	2,661
Deferred revenue	(287,486)	(298,537)
Total adjustments	945,522	1,802,895
Net cash provided by operating activities	1,551,360	2,195,470
Cash flows from investing activities:		
Purchases of property and equipment	(467,402)	(352,597)
Proceeds from sale of property and equipment	150	-
(Increase) decrease in assets limited as to use	5,424,623	(506,325)
Increase in other assets	-	(77)
Net cash provided by (used in) investing activities	4,957,371	(858,999)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	36,000,000	-
Payments of principal on long-term debt and capital lease obligations	(41,988,318)	(704,421)
Cash paid for bond issuance costs	(309,322)	-
Restricted contributions and interest income	22,575	12,286
Net cash used in financing activities	(6,275,065)	(692,135)
Increase in cash	233,666	644,336
Cash at beginning of year	2,167,660	1,523,324
Cash at end of year	$ 2,401,326	$ 2,167,660

Midwest Health Foundation and Affiliate

Consolidated Statements of Cash Flows (Continued)

Years Ended September 30,	2019	2018
Supplemental cash flow information:		
Cash paid during the year for interest	$ 3,178,445	$ 2,933,398
Cost of assets acquired under capital lease obligations	-	951,713

See accompanying notes to consolidated financial statements.

Midwest Health Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

The Entity

Midwest Health Foundation (the "Foundation") is a non-stock, not-for-profit Illinois corporation that was established as a supporting organization to MMC Health System and Midwest Medical Center (the "Medical Center") to accumulate, manage, and expend funds for the benefit and advancement of the Medical Center and other community health activities. Prior to March 2019, MMC Health System, a non-stock, not-for-profit Illinois corporation was the sole corporate member of the Foundation and the Medical Center. In March 2019, the Foundation entered into an acquisition agreement with MMC Health System and the Medical Center. The agreement reorganized the entities and the Foundation became the sole member of the Medical Center, and MMC Health System was dissolved. MMC Health System had no assets, liabilities, revenue, or expenses through the date of reorganization in 2019.

The Foundation operates the Medical Center, whose primary purpose is to provide healthcare services to the residents of the City of Galena, Illinois, and the surrounding area. The Medical Center operates a 25-bed acute care hospital, 57-bed nursing home, two outpatient clinics, and an assisted living apartment complex, which provides comprehensive medical, emergency, outpatient, clinical healthcare, and long-term care services.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of MMC Health System, the Foundation, and the Medical Center (collectively the "Organization"). All material intercompany accounts and transactions have been eliminated in consolidation.

Financial Statement Presentation

The Organization follows accounting standards set by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The ASC is the single source of authoritative accounting principles generally accepted in the United States (GAAP) to be applied to nongovernmental entities in the preparation of financial statements in conformity with GAAP.

Use of Estimates in Preparation of Consolidated Financial Statements

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that directly 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 revenue and expenses during the reporting period. Actual results may differ from these estimates.

Midwest Health Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Patient and Resident Receivables and Credit Policy

Patient and resident receivables are primarily uncollateralized patient and resident obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from local residents, most of whom are insured under third-party payor agreements. The Organization bills third-party payors on the patients' and residents' behalf, or if a patient or resident is uninsured, the patient or resident is billed directly. Once claims are settled with the primary payor, any secondary payor is billed, and patients and residents are billed for copay and deductible amounts that are the patients' and residents' responsibility. Payments on patient and resident receivables are applied to the specific claim identified on the remittance advice or statement. The Organization does not have a policy to charge interest on past due accounts.

Patient and resident receivables are recorded in the accompanying consolidated balance sheets net of contractual adjustments and an allowance for uncollectible accounts, which reflect management's estimate of the amounts that will not be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross patient and resident service revenue and a credit to patient and resident receivables. In addition, management provides for probable uncollectible amounts, primarily uninsured patients and amounts for which patients and residents are personally responsible, through a charge to operations and a credit to the allowance for uncollectible accounts based on its assessment of historical collection likelihood and the current status of individual accounts.

In evaluating the collectibility of patient and resident receivables, the Organization analyzes past results and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. Specifically, for receivables associated with services provided to patients or residents who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors and patients or residents who are known to be having financial difficulties that make the realization of amounts due unlikely.

For receivables associated with self-pay patients and residents (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

Midwest Health Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Inventories

Inventories consist primarily of medical supplies, general supplies, and pharmaceuticals used in the delivery of healthcare services. Inventories are stated at the lower of cost or net realizable value.

Assets Limited as to Use and Investment Income

Assets limited as to use include assets the Board of Directors have designated for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes, amounts held for restricted purposes including notes receivable from employees for medical tuition assistance, and assets set aside under terms of a bond indenture agreement. Amounts required to meet current liabilities have been classified as current assets.

Interest income is reported as other income and is included in revenue in excess of expenses unless the income is restricted by donor or law.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The Organization measures the fair value of its financial instruments using a three-tier hierarchy that prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Property, Equipment, and Depreciation

Property and equipment acquisitions are recorded at cost or, if donated, at fair value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Estimated useful lives range from three to twenty years for major movable equipment and from five to forty years for land improvements and buildings.

Equipment under capital lease obligations is amortized on the straight-line basis over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included with depreciation expense in the accompanying consolidated financial statements.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from revenue in excess of expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Midwest Health Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

The Organization evaluates the recoverability of its long-lived assets, which consist primarily of property and equipment with estimated useful lives, whenever events or changes in circumstance indicate that the carrying value may not be recoverable. If the recoverability of these assets is unlikely because of the existence of factors indicating impairment, an impairment analysis is performed using a projected undiscounted cash flow method. Management must make assumptions regarding estimated future cash flows and other factors to determine the fair value of these respective assets. If the carrying amounts of the assets exceed their respective fair values, the carrying value of the underlying assets would be adjusted to fair value and an impairment loss would be recognized. During 2019 and 2018, the Organization determined that no evaluations of recoverability were necessary.

Asset Retirement Obligation

The Organization accounts for the fair value of legal obligations associated with long-lived asset retirement in accordance with the asset retirement and environmental obligations accounting guidance. Management has considered this accounting guidance, specifically as it relates to its legal obligation to perform asset retirement activities, such as asbestos removal, on its existing properties. Management of the Organization believes that any potential liability related to asset retirement obligations would not be significant. As a result, no liability related to these retirement activities has been recognized as of September 30, 2019 and 2018.

Security Deposits

The Organization holds, in trust, security deposits from the residents of the assisted living facility. Security deposits are refundable upon vacancy.

Deferred Revenue

Grants and fees are recognized as revenue in the year the related expenditures are incurred. Funds received prior to providing the service or fulfilling a grantor's requirements are recorded as deferred revenue in the accompanying consolidated balance sheets.

Net Assets

Net assets without donor restrictions consist of investments and otherwise unrestricted amounts that are available for use in carrying out the mission of the Organization. Net assets with donor restrictions are those whose use by the Organization has been limited by donors to a specific time period or purpose, or those assets restricted by donors to be maintained by the Organization in perpetuity.

Midwest Health Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue in Excess of Expenses

The consolidated statements of operations and consolidated statements of changes in net deficit include the classification revenue in excess of expenses, which is considered the operating indicator. Changes in unrestricted net assets (deficit) which are excluded from the operating indicator would include contributions for property and equipment. The Organization did not have any activity in 2019 and 2018 requiring exclusion from the operating indicator.

Patient and Resident Service Revenue - Net of Contractual Allowances and Discounts

The Organization recognizes patient and resident service revenue associated with services provided to patients and residents who have third-party payor coverage on the basis of contractual rates for the services rendered. Certain third-party payor reimbursement agreements are subject to audit and retroactive adjustments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

For uninsured patients and residents who do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Organization's uninsured patients and residents will be unable or unwilling to pay for the services provided. Thus, the Organization records a significant provision for bad debts related to uninsured patients and residents in the period the services are provided.

Charity Care

The Organization provides care to patients who meet certain criteria under its financial assistance policy without charge or at amounts less than its established rates. Eligible patients and residents are identified based on analysis of financial information obtained from the patients and residents. The Organization maintains records to identify the amount of charges forgone for services and supplies furnished under the financial assistance policy. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient and resident service revenue – net of contractual allowances and discounts in the accompanying consolidated statements of operations.

Electronic Health Record Payments

The American Recovery and Reinvestment Act of 2009 (ARRA) provides for incentive payments under the Medicare and Medicaid programs for certain hospitals and physician practices that demonstrate meaningful use of certified electronic health record (EHR) technology. These provisions of ARRA, collectively referred to as the Health Information Technology for Economic and Clinical Health Act (the "HITECH Act"), are intended to promote the adoption and meaningful use of health information technology and qualified EHR technology.

Midwest Health Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Electronic Health Record Payments (Continued)

The Organization recognizes revenue for EHR incentive payments when there is reasonable assurance that the conditions of the program will be met, primarily demonstrating meaningful use of certified EHR technology for the applicable period. The demonstration of meaningful use is based on meeting a series of objectives. Meeting the series of objectives in order to demonstrate meaningful use becomes progressively more stringent as its implementation is phased in through stages as outlined by the CMS.

Amounts recognized under the EHR incentive programs are based on management's estimates, which are based in part on cost report and other utilization data that is subject to audit by fiscal intermediaries; accordingly, amounts recognized are subject to change. In addition, the Organization's attestation of its compliance with the meaningful use criteria is subject to audit by the federal government or its designee.

Contributions and Donor-Restricted Gifts

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give cash and other assets to the Organization 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 either temporarily or permanently 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, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated financial statements as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

Income Taxes

The Organization and its affiliates are nonprofit entities as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Organization and its affiliates are also exempt from state income taxes on related income. The Organization is also engaged, to a limited extent, in certain activities subject to taxation as unrelated business income (UBI). The UBI is not significant.

Advertising Costs

Advertising costs are expensed as incurred.

Midwest Health Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Real Estate Taxes

The State of Illinois previously enacted legislation that clarifies when hospitals are eligible to receive exemption from property tax requirements. As part of the legislation, hospitals, including the Organization, must submit to the State of Illinois annual property tax exemption applications, which include information on the amount of benefits provided to low-income, charity care, and Illinois Public Aid (Medicaid) beneficiaries. As of September 30, 2019, the majority of the real estate of the Organization has been granted property tax exemption by the State of Illinois.

Change in Accounting Policy

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). This ASU provides for certain improvements in financial reporting for not-for-profit organizations and requires changes to net assets classification, enhancements to liquidity presentation and disclosures, presentation of an analysis of expenses by function and by nature, netting of investment expenses with return, among other changes. The guidance in this ASU is effective for the Organization's year ended September 30, 2019, and was applied retrospectively to these comparative consolidated financial statements. The Organization elected to apply the practical expedient and not disclose prior year liquidity and availability of resources.

New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue From Contracts with Customers* (Topic 606). The objective of the ASU is to standardize the revenue recognition practices across entities, industries, jurisdictions, and capital markets by providing a framework for entities to apply to recognize revenue. This new framework provides a five-step approach for recognizing revenue. In addition to consideration on recognizing revenue based on existing customer contract terms and features, entities will be required to enhance qualitative and quantitative disclosures in financial statements to describe how revenue is recognized under the ASU. The guidance in this ASU is effective for the Organization's year ending September 30, 2020.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall* (Subtopic 825-10): *Recognition and Measurement of Financial Assets and Financial Liabilities*. This amends ASC Topic 825 and redefines public business entities along with disclosure and reporting requirements for certain types of investments and debt obligations. This amendment requires that equity securities be treated as trading securities and changes in the fair value of equity securities will be reported as part of investment income within the operating indicator "revenue in excess of expenses." This ASU is effective for the Hospital's year ending September 30, 2021.

Midwest Health Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The objective of this ASU is to assist organizations in recognizing the right to the use of an asset and its related liability or obligation when there is a contract in place which includes the right to control or direct the use of an identifiable asset. This ASU also includes provisions where the majority of leases that have lease terms greater than one year are to be recorded as capital leases on the balance sheet, whereas in the past, these leases may have been recorded as either capital leases or operating leases. This ASU is effective for the Organization's year ending September 30, 2021.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments* (Topic 230). The updates in this ASU are expected to change the classification of certain cash receipts and payments within statements of cash flows. This ASU is effective for the Organization's year ending September 30, 2020.

Subsequent Events

Subsequent events have been evaluated through February 4, 2020, which is the date the consolidated financial statements were available to be issued.

Note 2: Reimbursement Arrangements With Third-Party Payors

The Organization has agreements with third-party payors that provide for reimbursement to the Organization at amounts that vary from its established rates. A summary of the basis of reimbursement with major third-party payors follows:

Hospital Services

Medicare - The Organization's acute care hospital is designated a Critical Access Hospital (CAH). As such, the majority of inpatient, swing-bed, and outpatient hospital services are paid based on a cost reimbursement methodology, with the exception of certain types of laboratory and mammography services provided to Medicare patients, which are reimbursed on prospectively determined fee schedules. Professional services provided by physicians and other clinicians in the hospital setting continue to be reimbursed on prospectively determined fee schedules.

Medicaid - Hospital services rendered to Illinois Public Aid beneficiaries are paid at prospectively determined rates based on a patient classification system. These rates are not subject to retroactive adjustment; however, in order to receive additional reimbursement, the Organization must file a cost report annually with the State of Illinois.

Other payors - The Organization has entered into payment agreements with commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per discharge, discounts from established charges, fee schedules, and prospectively determines daily rates.

Midwest Health Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 2: Reimbursement Arrangements With Third-Party Payors (Continued)

Rural Health Clinics

Medicare - Certain physician and professional services rendered to Medicare beneficiaries at the Organization's two outpatient clinics qualify for reimbursement as rural health clinic (RHC) services. Qualifying services are reimbursed based on a cost reimbursement methodology.

Medicaid - Clinic services rendered to Illinois Public Aid beneficiaries at the Organization's two outpatient clinics are paid at prospectively determined rates that are updated annually.

Nursing Home Services

Medicare - Medicare pays for Part A services based on a predetermined rate per resident day, which varies depending upon the resident's level of care and the types of services provided. Medicare pays for Part B services based on predetermined fee schedules.

Medicaid - A significant portion of the Organization's nursing home services were provided to aged and disabled nursing home residents who were beneficiaries of the Illinois Public Aid program. Illinois Public Aid reimburses the Medical Center on a prospectively determined rate per diem. The rate is determined on a cost-related basis subject to certain limitations as prescribed by the State of Illinois and adjusted based on the average acuity of the residents in the facility. The State of Illinois updates and makes adjustments to the nursing home Medicaid rates based on average resident acuity as reported by each facility in the previous 90-day period.

Hospital Medical Assessment Programs

On November 21, 2006, the Centers for Medicare & Medicaid Services (CMS) approved the State's legislation for a Medicaid Hospital Assessment Program (the "Program"). The Program was effective through July 1, 2018. Effective July 1, 2018, the State approved a redesign of the Program. The redesigned Program will include contributions by hospitals to assist with operating the Program by those hospitals electing to fully participate in the Program in the future. The Organization has elected to participate in the redesigned program effective July 1, 2018.

The Organization records additional Medicaid revenue from the Program when received. Under the Program, each hospital is assessed based on their adjusted gross hospital revenue in order to provide for additional Medicaid revenues to be redistributed to hospitals in the State of Illinois.

The assessment and supplemental payment programs were extended under a redesigned program which was approved and extended through June 30, 2024.

Note 2: Reimbursement Arrangements With Third-Party Payors (Continued)

Accounting for Medicare Contractual Arrangements

The Organization is reimbursed for cost-reimbursable items at tentative rates with final settlements determined after audit of the related annual cost reports by the respective Medicare fiscal intermediary. Estimated provisions to approximate the final expected settlements after review by the intermediary are included in the accompanying consolidated financial statements. The Organization's cost reports have been audited by the Medicare fiscal intermediary through September 30, 2016.

Electronic Health Record Incentive Funding

The Organization successfully met the criteria for meaningful use in a previous year for recognition on its Medicare cost report. The Organization recognized $307,289 and $309,044 of the Medicare EHR incentive program revenue as other operating revenue in the accompanying consolidated statements of operations in 2019 and 2018, respectively, and deferred recognition of the remaining amounts. The deferred revenue will be amortized and recognized as revenue over the approximately same future periods as depreciation expense is recognized on the related capital assets that were purchased to meet the required qualifications of the Medicare EHR incentive program.

Note 3: Patient and Resident Receivables

Patient and resident receivables consisted of the following at September 30:

	2019	2018
Patient and resident receivables	$ 7,558,200	$ 8,180,224
Less:		
Contractual allowances	1,912,888	2,042,860
Allowance for uncollectible accounts	760,000	763,451
Patient and resident receivables - Net	$ 4,885,312	$ 5,373,913

The Organization's allowance for uncollectible accounts increased from approximately 9% of gross patient and resident receivables at September 30, 2018, to approximately 10% of gross patient and resident receivables at September 30, 2019. The Organization continues to experience a trend of patients and residents with high deductible or high copay health insurance plans, as well as, many patients and residents experiencing difficult economic times and having difficulties paying their outstanding balances in full. In 2019, the Organization reviewed its outstanding patient and resident receivables and noted these continued trends and incresed its allowance for uncollectible accounts by a marginal percentage at September 30, 2019. The Organization did not significantly change its collection or financial assistance policies during the years ended September 30, 2019 and 2018, other than required updates to conform with required financial assistance and collection guidelines as published in the Code.

Midwest Health Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 4: Patient and Resident Service Revenue - Net of Contractual Allowances and Discounts

The following table sets forth the detail of patient service revenue – net of contractual allowances and discounts prior to the provision for bad debts for the years ended September 30:

	2019	2018
Gross patient service revenue:		
Hospital	$ 26,262,587	$ 25,199,802
Nursing home	4,145,002	4,458,138
Clinics	2,512,052	2,615,597
Total gross patient service revenue	32,919,641	32,273,537
Deductions - Primarily contractual adjustments and discounts under third-party reimbursement agreements	(9,354,092)	(8,267,686)
Patients service revenue - Net of contractual adjustments and discounts	$ 23,565,549	$ 24,005,851

The Organization's percent of gross patient and resident service revenue by payor is as follows for the years ended September 30:

	2019	2018
Medicare	45 %	42 %
Medicaid	18 %	19 %
Commercial Insurance	16 %	17 %
Blue Cross Blue Shield of Illinois	12 %	12 %
Patients	9 %	10 %
Total	100 %	100 %

Patient and resident service revenue - net of contractual allowances and discounts, prior to the provision for bad debts recognized in the years ended September 30, from these major payor sources is as follows:

	2019	2018
Medicare, Medicaid, and other third-party payors	$ 20,559,580	$ 20,871,572
Uninsured patients	3,005,969	3,134,279
Patients and resident service revenue - net of contractual adjustments and discounts	$ 23,565,549	$ 24,005,851

Midwest Health Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 5: Charity Care

The Organization provides healthcare services and other financial support through various programs that are designed, among other matters, to enhance the health of the community, including the health of low-income patients. Consistent with the mission of the Organization, care is provided to patients regardless of their ability to pay, including providing services to those persons who cannot afford health insurance because of inadequate resources or who are underinsured.

Patients who meet certain criteria for charity care, generally based on federal poverty guidelines, are provided care without charge or at a reduced rate, determined based on qualifying criteria as defined in the Organization's financial assistance policy and from applications completed by patients and their families. The Organization is also required to provide additional discounts to uninsured hospital patients under the Hospital Uninsured Patient Discount Act as required by Illinois state law.

The estimated cost of providing care to patients under the Organization's financial assistance policy was approximately $110,000 and $75,000 in 2019 and 2018, respectively. The cost was calculated by multiplying the ratio of cost to gross charges for the Organization times the gross uncompensated charges associated with providing the charity care.

Other benefits for the community for which the Organization is not compensated or for which compensation is below cost also include unpaid costs of treating the elderly, health screenings, community education through seminars and classes, and other health-related services.

Midwest Health Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 6: Investments and Assets Limited as to Use

The composition of assets limited as to use at September 30 is set forth in the following table:

	2019	2018
Board designated for capital improvements:		
Money market funds	$ 2,561,818	$ 2,919,476
Notes receivable	2,160	350
Total Board designated for capital improvements	2,563,978	2,919,826
Restricted for medical scholarships:		
Cash	100	100
Repurchase agreement	1,320,664	1,269,554
Notes receivable	224,180	258,383
Total restricted for medical scholarships	1,544,944	1,528,037
Under bond indenture agreement - Reserve funds:		
Money market funds	-	3,111,051
Under bond indenture agreement - Principal funds:		
Money market funds	-	517,265
Under bond indenture agreement - Interest funds:		
Money market funds	-	1,457,366
Total assets limited as to use	4,108,922	9,533,545
Less - Assets limited as to use that are required for current liabilities	-	1,965,489
Assets limited as to use - Less current portion	$ 4,108,922	$ 7,568,056

Midwest Health Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 7: Fair Value Measurements

Following is a description of the valuation methodologies the Organization used for assets measured at fair value:

Money market funds are valued using a net asset value of $1.00. Quoted prices by a financial institution for principal plus accrued interest approximate the fair value of the repurchase agreement.

The method described for fair value calculations may produce a calculation that may be different from the net realizable value or not reflective of future values expected to be received. The Organization believes that its valuation method is appropriate and consistent with other market participants; however, the use of these various methodologies and assumptions may produce results that differ in the estimates of fair value at the financial reporting date.

Information regarding assets, principally included in assets limited as to use and other assets, measured at fair value on a recurring basis as of September 30 is as follows:

2019	Level 1	Level 2	Level 3	Total Assets at Fair Value
Assets:				
Money market funds	$ -	$ 2,561,818	$ -	$ 2,561,818
Repurchase agreement	-	1,320,664	-	1,320,664
Total	$ -	$ 3,882,482	$ -	$ 3,882,482

2018	Level 1	Level 2	Level 3	Total Assets at Fair Value
Assets:				
Money market funds	$ -	$ 8,005,158	$ -	$ 8,005,158
Repurchase agreement	-	1,269,554	-	1,269,554
Total	$ -	$ 9,274,712	$ -	$ 9,274,712

Midwest Health Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 8: Liquidity and Availability of Financial Assets

The Organization does not have a formal liquidity policy but generally strives to maintain financial assets in liquid form such as cash and cash equivalents for at least approximately three to six months of operating expenses. Other funds, included in assets limited as to use in the accompanying consolidated balance sheets, are considered available for operational or capital needs, except for investments with restrictive redemption requirements. Occasionally, the Board of Directors designates a portion of operating surplus to be appropriated at its discretion for future operational initiatives and capital expenditures. These funds, at the discretion of the Board of Directors, could be released immediately or sold and redeemed prior to their maturity and are not considered available under the Organization's general liquidity management. At September 30, 2019, the balance of these funds was $2,563,978.

Financial assets available for general expenditures, such as operating expenses, purchases of property and equipment, and scheduled debt service payments, within one year of the consolidated balance sheet date, comprise the following at June 30, 2019:

Cash	$ 2,401,326
Patient and resident receivables - Net	4,885,312
Other receivables	14,347
Total	$ 7,300,985

Note 9: Property and Equipment - Net

Property and equipment consisted of the following at September 30:

	2019	2018
Land	$ 448,597	$ 448,597
Land improvements	3,933,618	3,786,228
Buildings	38,703,856	38,591,344
Major movable equipment	11,633,382	11,311,998
Total property and equipment	54,719,453	54,138,167
Less - Accumulated depreciation	31,805,121	29,513,358
Net depreciated value	22,914,332	$ 24,624,809
Construction in progress	142,453	321,642
Property and equipment - Net	$ 23,056,785	$ 24,946,451

The cost of equipment under capital lease obligations, which is included in major movable equipment, was $1,312,495 at both September 30, 2019 and 2018, respectively, and the related accumulated amortization was $462,938 and $200,439 at September 30, 2019 and 2018, respectively.

Midwest Health Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 10: Long-Term Debt and Capital Lease Obligations

Long-term debt consisted of the following at September 30:

	2019	2018
United States Department of Agriculture (USDA), Rural Development, Direct Loans dated April 25, 2019, bearing interest at 3.5%. The loans are payable in monthly installments of principal and interest of $151,140 with a final payment due April 25, 2049. Interest only payments of $96,250 per month is due on the loans through April 25, 2020.	$ 33,000,000	$ -
Secured Rural America Bonds, Series 2019A, dated April 25, 2019, bearing interest at 5.5%. The bonds are payable in monthly installments of principal and interest of $17,049 starting June 1, 2019, through May 1, 2049.	2,986,165	-
Illinois Finance Authority Revenue Bonds, Series 2006, bearing interest at 6.75%. The bonds were payable in annual principal installments plus interest in semiannual payments. Repaid in full in 2019 through the issuance of the USDA direct loans and Series 2019 Bonds noted above.	-	43,014,346
Capital lease obligations with imputed interest rates ranging from 2.99% to 5.77%, collateralized by leased equipment, payable in monthly installment payments as required in various agreements.	788,693	1,081,650
Totals	36,774,858	44,095,996
Less - Current portion	599,987	806,295
Less - Unamortized bond issuance costs	305,026	673,975
Long-term portion	$ 35,869,845	$ 42,615,726

In April 2019, in conjunction with the corporate reorganization described in Note 1, the Organization refinanced the Series 2006 Bonds through the issuance of the USDA direct loans and Series 2019A Bonds. At the time of the refinancing, the remaining outstanding balance on the Series 2006 Bonds was paid down with the remaining funds held by the bond trustee for the Series 2006 Bonds, as well as, a forgiveness of $1,332,820 by the bondholders.

The USDA direct loans and Series 2019A Bonds are collateralized under a pledge and security agreement which includes the Organization's revenue and income, accounts receivable, deposit accounts, inventories, property and equipment, and intangibles, if any. USDA has also guaranteed the balances of the direct loans and Series 2019 Bonds in the event of default by the Organization.

Midwest Health Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 10: Long-Term Debt and Capital Lease Obligations (Continued)

The loan and bond agreements contain various covenants, including those relating to limitations on incurring additional debt, disposing of property, debt service coverage ratio, days cash on hand ratio, and timely submission of specified financial reports and other information. USDA also requires the Organization to maintain reserve accounts with specific balances for debt services, reserve, and replacement reserve purposes. USDA has authorized the funds in the Organization's Board designated capital improvement fund, which is included in assets limited as to use in the accompanying consolidated balance sheets, to meet these funding requirements.

Scheduled principal payments on long-term debt and capital lease obligations at September 30, 2019, including current maturities, are summarized as follows:

	Long-Term Debt	Capital Lease Obligations
2020	$ 317,441	$ 299,337
2021	722,888	211,669
2022	749,510	200,221
2023	777,130	111,979
2024	805,787	-
Thereafter	32,613,409	-
	$ 35,986,165	823,206
Less - Amounts representing interest on capital lease obligations		34,513
		$ 788,693

Note 11: Operating Leases

The Organization has entered into operating lease agreements for equipment and a clinic building with unrelated parties. Rental and lease expense under all operating leases totaled approximately $29,000 and $91,000 in 2019 and 2018, respectively.

Midwest Health Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 12: Net Assets With Donor Restrictions and Endowments

Net assets with donor restrictions include assets set aside in accordance with donor restrictions as to time or use. Net assets with donor restrictions are available for the following purposes at September 30:

	2019	2018
Donor restricted, including interest income, for medical education and scholarships	$ 1,213,611	$ 1,202,291
Donor restricted to be maintained in perpetuity, with interest income expendable, for medical education scholarships and loans	331,333	325,642
Total donor restricted funds	$ 1,544,944	$ 1,527,933

The Organization's net assets with donor restrictions include two endowment funds that are invested in various investments including cash accounts and repurchase agreements. The endowment funds were established by donors to be maintained in perpetuity, the income of which is expendable for medical education scholarships and loans upon approval of the Board of Directors.

The Board of Directors of the Organization have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift to the endowment fund absent any explicit donor stipulations that would otherwise dictate the contributed funds. The Organization has adopted investment and spending policies for endowment assets that attempt to provide a dependable method of funding programs supported by the endowment funds while seeking to preserve the purchasing power of the endowment assets. Under this policy, the Organization monitors the investments of the endowment so that these assets are invested in funds that are not expected to decline significantly in value in the future. This method of investing will maintain the purchasing power of the endowment assets that are required to be held in perpetuity, as well as to provide additional purchasing ability through investment returns.

Changes in endowment net assets for the years ended September 30 consisted of the following:

	2019		
	Donor Restricted Subject to Appropriations	Donor Restricted to be Held in Perpetuity	Total
Endowment net assets at beginning of year	$ 126,993	$ 198,649	$ 325,642
Interest income	5,691	-	5,691
Total	$ 132,684	$ 198,649	$ 331,333

Midwest Health Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 12: Net Assets With Donor Restrictions and Endowments (Continued)

	2018		
	Donor Restricted Subject to Appropriations	Donor Restricted to be Held in Perpetuity	Total
Endowment net assets at beginning of year	$ 124,310	$ 198,649	$ 322,959
Interest income	2,683	-	2,683
Total	$ 126,993	$ 198,649	$ 325,642

Note 13: Retirement Plan

The Organization sponsors a defined contribution retirement plan for substantially all its employees. The Organization contributed up to 4% of the participating employees' eligible compensation based on a matching formula. The total retirement plan expense for the years ended September 30, 2019 and 2018, was $266,593 and $246,629, respectively.

Note 14: Malpractice Insurance

For the years 2019 and 2018, the Organization participated in a risk pooling insurance program known as the Illinois Provider Trust to provide professional and general medical liability coverage. The risk pool is a self-funded insurance pool made up of over 40 member hospitals in Illinois and coverage is maintained through the pool and reinsurance agreements for comprehensive general and hospital professional liability coverage of up to $2,000,000 per claim and in the aggregate to January 1, 2020. As of September 30, 2019 and 2018, management was unaware of any known claims of material amounts that would require reason to report a contingent loss on the consolidated balance sheets; thus no amount is recorded in the September 30, 2019 and 2018, consolidated balance sheets for unasserted claims.

Note 15: Concentration of Credit Risk

Financial instruments that potentially subject the Organization to credit risk consist principally of accounts receivable and cash deposits in excess of insured limits in financial institutions.

Accounts receivable consist of amounts due from patients and residents, their insurers, or governmental agencies (primarily Medicare and Medicaid) for healthcare provided to the patients and residents. The majority of the Organization's patients and residents are from Galena, Illinois, and the surrounding area.

Midwest Health Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 15: Concentration of Credit Risk (Continued)

The mix of receivables from patients and third-party payors is as follows at September 30:

	2019	2018
Medicare	27 %	23 %
Medicaid	33 %	34 %
Commercial insurance	24 %	25 %
Patients and residents	16 %	18 %
Total	100 %	100 %

The Organization maintains depository relationships with area financial institutions that are Federal Deposit Insurance Corporation (FDIC) insured institutions. The Organization maintains cash in accounts at these institutions which are insured by the FDIC up to $250,000. Operating cash needs often require that amounts on hand exceed FDIC limits. At September 30, 2019, the Organization had deposits at area financial institutions in excess of FDIC limits, and in order to limit its credit risk with respect to these deposits, the Organization has executed pledging and repurchase agreements with the financial institutions to provide for additional collateral on the majority of the amounts above the standard FDIC-insured limits. At September 30, 2019, there were no deposits in excess of the additional collateral pledged by the financial institutions on the Organization's deposits.

Note 16: Functional Expenses

The Organization provides general healthcare services to residents within its geographic location. The accompanying consolidated statements of operations present certain expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis. Employee benefits are allocated based on factors of either salary expense or actual employee expense. Overhead costs that include things such as professional services, office expenses, information technology, insurance, and other similar expenses are allocated on a variety of factors including revenues and departmental expense. Costs related to building and equipment usage include depreciation and interest and are allocated on a square footage or direct assignment basis. Expenses related to providing these services for the years ended September 30, 2019 and 2018, are as follows:

	2019			2018		
	Healthcare Services	General Administrative	Total	Healthcare Services	General Administrative	Total
Salaries and wages	$ 8,337,100	$ 1,353,878	$ 9,690,978	$ 7,954,583	$ 1,214,067	$ 9,168,650
Employee benefits	2,154,751	430,690	2,585,441	2,056,195	407,207	2,463,402
Supplies and other expenses	6,566,375	1,586,315	8,152,690	6,649,924	1,451,360	8,101,284
Depreciation	1,985,541	324,512	2,310,053	1,919,254	313,679	2,232,933
Interest	1,914,622	312,921	2,227,543	2,526,995	413,006	2,940,001
	$ 20,958,389	$ 4,008,316	$ 24,966,705	$ 21,106,951	$ 3,799,319	$ 24,906,270

Midwest Health Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 17: Laws and Regulations

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and billing regulations. Government activity with respect to investigations and allegations concerning possible violations of such regulations by healthcare providers has increased. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayment for patient services previously billed. While no significant regulatory inquiries have been made of the Organization, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

CMS uses recovery audit contractors (RACs) to search for potentially inaccurate Medicare payments that might have been made to healthcare providers and were not detected through existing CMS program-integrity efforts. Once an RAC identifies a claim it believes is inaccurate, it makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. As of September 30, 2019, the Organization has not been notified by the RAC of any potential reimbursement adjustments.

Note 18: Reclassifications

Certain reclassifications have been made to the 2018 consolidated financial statements to conform with the classifications used in 2019.

Supplementary Consolidating Information

Midwest Health Foundation and Affiliate

Consolidating Balance Sheets

September 30,	Midwest Medical Center	Midwest Health Foundation	Consolidated Totals 2019	Comparitive Totals 2018
ASSETS				
Current assets:				
Cash	$ 2,389,580	$ 11,746	$ 2,401,326	$ 2,167,660
Assets limited as to use	-	-	-	1,965,489
Patient and resident receivables - Net	4,885,312	-	4,885,312	5,373,913
Other receivables	14,347	-	14,347	38,453
Inventories	359,581	18,762	378,343	382,740
Prepaid expenses	141,854	-	141,854	125,901
Total current assets	7,790,674	30,508	7,821,182	10,054,156
Assets limited as to use:				
Board designated for capital improvements	2,563,978	-	2,563,978	2,919,826
Restricted for medical scholarships	1,544,944	-	1,544,944	1,528,037
Under bond indenture agreement - Held by trustee:				
Reserve funds	-	-	-	3,111,051
Principal funds	-	-	-	517,265
Interest funds	-	-	-	1,457,366
Total assets limited as to use	4,108,922	-	4,108,922	9,533,545
Less - Current portion of assets limited as to use	-	-	-	1,965,489
Assets limited as to use - Less current portion	4,108,922	-	4,108,922	7,568,056
Property and equipment - Net	23,056,785	-	23,056,785	24,946,451
Other assets	6,561	-	6,561	6,561
Total assets	$ 34,962,942	$ 30,508	$ 34,993,450	$ 42,575,224

Midwest Health Foundation and Affiliate

Consolidating Balance Sheets (Continued)

September 30,	Midwest Medical Center	Midwest Health Foundation	Consolidated Totals 2019	Comparitive Totals 2018
LIABILITIES AND NET ASSETS (DEFICIT)				
Current liabilities:				
Current portion of long-term debt and capital lease obligations	$ 599,987	$ -	$ 599,987	$ 806,295
Accounts payable	874,108	-	874,108	802,402
Accrued expenses:				
Salaries and wages	454,269	-	454,269	377,701
Vacation	297,359	-	297,359	282,442
Interest	481,250	-	481,250	1,450,489
Amounts payable to third-party reimbursement programs	270,000	-	270,000	400,000
Security deposits	87,904	-	87,904	99,793
Deferred revenue	309,159	-	309,159	290,044
Total current liabilities	3,374,036	-	3,374,036	4,509,166
Long-term liabilities:				
Long-term debt and capital lease obligations - Less current portion	35,869,845	-	35,869,845	42,615,726
Deferred revenue - Less current portion	-	-	-	306,601
Total long-term liabilities	35,869,845	-	35,869,845	42,922,327
Total liabilities	39,243,881	-	39,243,881	47,431,493
Net assets (deficit):				
Without donor restrictions	(5,825,883)	30,508	(5,795,375)	(6,384,202)
With donor restrictions	1,544,944	-	1,544,944	1,527,933
Total net assets (deficit)	(4,280,939)	30,508	(4,250,431)	(4,856,269)
Total liabilities and net assets (deficit)	$ 34,962,942	$ 30,508	$ 34,993,450	$ 42,575,224

See Independent Auditor's Report.

Midwest Health Foundation and Affiliate

Consolidating Statements of Operations

Years Ended September 30,	Midwest Medical Center	Midwest Health Foundation	Consolidated Totals 2019	Comparitive Totals 2018
Revenue:				
Patient and resident service revenue - Net of contractual allowances and discounts	$ 23,565,549	$ -	$ 23,565,549	$ 24,005,851
Provision for bad debts	(740,171)	-	(740,171)	(670,240)
Net patient services revenue, less provision for bad debts	22,825,378	-	22,825,378	23,335,611
Other operating revenue	1,866,708	-	1,866,708	1,825,986
Total revenue	24,692,086	-	24,692,086	25,161,597
Expenses:				
Salaries and wages	9,690,978	-	9,690,978	9,168,650
Employee benefits	2,585,441	-	2,585,441	2,463,402
Supplies and other expenses	8,152,690	-	8,152,690	8,101,284
Depreciation	2,310,053	-	2,310,053	2,232,933
Interest	2,227,543	-	2,227,543	2,940,001
Total expenses	24,966,705	-	24,966,705	24,906,270
Income (loss) from operations	(274,619)	-	(274,619)	255,327
Other income (expense):				
Contributions - Net	105,301	(5,470)	99,831	96,774
Interest income	114,709	-	114,709	72,903
Rental income	22,885	-	22,885	4,930
Rental expense, including depreciation expense	(43,278)	-	(43,278)	(45,957)
Loss on disposal and sale of assets	(3,587)	-	(3,587)	-
Gain on forgiveness of long-term debt	672,886	-	672,886	-
Total other income - Net	868,916	(5,470)	863,446	128,650
Revenue in excess (deficiency) of expenses	$ 594,297	$ (5,470)	$ 588,827	$ 383,977

See Independent Auditor's Report.

Midwest Health Foundation and Affiliate

Consolidating Statements of Changes in Net Deficit

Years Ended September 30,	Midwest Medical Center	Midwest Health Foundation	Consolidated Totals 2019	Comparitive Totals 2018
Net assets (deficit) without donor restrictions:				
Revenue in excess (deficiency) of expenses	$ 594,297	$ (5,470)	$ 588,827	$ 383,977
Net assets with donor restrictions:				
Interest income	22,575	-	22,575	12,286
Loans forgiven	(5,564)	-	(5,564)	(3,688)
Increase in net assets with donor restrictions	17,011	-	17,011	8,598
Change in net assets (deficit)	611,308	(5,470)	605,838	392,575
Net assets (deficit), beginning	(4,892,247)	35,978	(4,856,269)	(5,248,844)
Net assets (deficit), end	$ (4,280,939)	$ 30,508	$ (4,250,431)	$ (4,856,269)

See Independent Auditor's Report.

Supplementary Information

Midwest Health Foundation and Affiliate

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
Federal Financial Program - United States Department of Agriculture: Rural Development - Community Facilities Loans and Grants	10.766	$ 33,000,000

See Independent Auditor's Report.
See accompanying notes to Schedule of Expenditures of Federal Awards.

Midwest Health Foundation and Affiliate

Notes to Schedule of Expenditures of Federal Awards

Year Ended September 30, 2019

Note 1: General

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Organization under programs of the federal government for the year ended September 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Balance of Outstanding Loans

The loan program listed subsequently is administered directly by the Organization and balances and transactions relating to this program are included in the Organization's consolidated financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at September 30, 2019, consists of:

Program Name	CFDA Number	Outstanding Balance At September 30, 2019
Community Facilities Loans and Grants	10.766	$ 33,000,000

Other Reports

WIPFLi LLP

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Board of Directors
Midwest Health Foundation and Affiliate
Galena, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the consolidated financial statements of Midwest Health Foundation and Affiliate, which comprise the consolidated balance sheet as of September 30, 2019, and the related consolidated statement of operations and changes in net assets and cash flows for the year ended September 30, 2019, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 4, 2020.

Auditor's Responsibility

In planning and performing our audit of the consolidated financial statements, we considered Midwest Health Foundation and Affiliate's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Midwest Health Foundation and Affiliate's internal control. Accordingly, we do not express an opinion on the effectiveness of Midwest Health Foundation and Affiliate'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 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 may exist that have not been identified. We did identify certain deficiencies in internal control that we consider to be significant deficiencies, which are described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Midwest Health Foundation and Affiliate'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 determination of financial statement amounts. 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.

Responses to Findings

Midwest Health Foundation and Affiliate's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Midwest Health Foundation and Affiliate's responses were not subjected to the audit procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

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 Midwest Health Foundation and Affiliate'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 Midwest Health Foundation and Affiliate's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

February 4, 2020
Eau Claire, Wisconsin

WIPFLI LLP

Independent Auditor's Report on Compliance for Each Major Federal and State Program and on Internal Control Over Compliance

Board of Directors
Midwest Health Foundation and Affiliate
Galena, Illinois

Report on Compliance for Each Major Federal Program

We have audited Midwest Health Foundation and Affiliate's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended September 30, 2019. Midwest Health Foundation and Affiliate's major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility for Compliance

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Midwest Health Foundation and Affiliate's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Midwest Health Foundation and Affiliate's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on Midwest Health Foundation and Affiliate's compliance.

Opinion

In our opinion, Midwest Health Foundation and Affiliate complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2019.

Other Matters

Report on Internal Control Over Compliance

The management of Midwest Health Foundation and Affiliate is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Midwest Health Foundation and Affiliate's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Midwest Health Foundation and Affiliate's 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 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 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 the attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Wipfli LLP

Wipfli LLP

February 4, 2020
Eau Claire, Wisconsin

Midwest Health Foundation and Affiliate

Schedule of Findings and Questioned Costs

Year Ended September 30, 2019

Section I - Summary of Audit Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness identified?	____ yes	X no
Significant deficiency(s) identified not considered to be material weaknesses?	X yes	____ none reported
Noncompliance material to the financial statements?	____ yes	X no

Federal Awards

Internal control over major program:		
Material weakness identified?	____ yes	X no
Significant deficiency(s) identified not considered to be material weaknesses?	____ 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 Uniform Guidance [2CFR 200.516(a)]?	____ yes	X no

Identification of major federal program

CFDA Number	Name of Federal Program or Cluster
10.766	United States Department of Agriculture - Rural Development - Community Facilities Loans and Grants

Dollar threshold used to distinguish between Type A and Type B Programs	$750,000	
Auditee qualified as a low-risk auditee?	____ yes	X no

Midwest Health Foundation and Affiliate

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2019

Section II - Financial Statement Findings

2019-001 Financial Accounting and Reporting

Condition – The Organization's internal control over financial reporting does not end at the general ledger, but extends to the consolidated financial statements and notes. As part of our professional services for the year ended September 30, 2019, we were requested to draft the consolidated financial statements and accompanying notes to the consolidated financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Because the Organization relies on Wipfli LLP to provide the necessary understanding of current accounting and disclosure principles in the preparation of the consolidated financial statements and notes, completeness of financial reporting could be negatively impacted as external auditors do not have the same comprehensive understanding of the Organization as internal staff.

Criteria – *Government Auditing Standards* considers the inability to report financial data reliably in accordance with accounting principles generally accepted in the United States (GAAP) to be an internal control weakness.

Effect – As a result of not having an individual trained in the preparation of GAAP basis financial statements, the Organization has a significant deficiency in internal controls.

Recommendation – We recommend that management and those charged with governance continue to evaluate whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management's Response – The Organization does not have the resources and staff to prepare the consolidated financial statements and notes, but will continue to oversee the auditor's services and review and approve the consolidated financial statements and notes.

Midwest Health Foundation and Affiliate

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2019

Section II - Financial Statement Findings (Continued)

2019-002 Segregation of Duties

Condition – Segregation of duties provides stronger internal controls by not allowing one person to have control and responsibility over a complete accounting system (cash receipts, cash disbursements, payroll and purchasing, receiving, and accounts payable). It was noted that certain individuals in the Organization have significant responsibilities or access within the information systems to many of the financial accounting cycles such as accounts payable, payroll, financial accounting, and reporting, which creates a concern over segregation of duties. Due to the small staff size in the accounting departments, a lack of segregation of duties exists.

Criteria – The lack of proper segregation of duties is considered an internal control weakness.

Effect – As a result of not having a sufficient number of individuals in the accounting department to segregate duties, risk of misappropriation and fraudulent transactions in financial reporting increases.

Recommendation – We encourage the Board of Directors and management to strengthen internal controls or implement mitigating controls where possible.

Management's Response – The Organization has added an additional accounting position who will assist in many of the areas and create additional segregation of duties to some areas in the future, and access within the information systems will also be reviewed in the upcoming fiscal year. The Board of Directors and management are aware of incompatible duties and will continue to provide oversight and monitor the Organization's operations.

Section III - Federal Award Findings and Questioned Costs

None reported.

Midwest Health Foundation and Affiliate

Schedule of Prior Year Findings

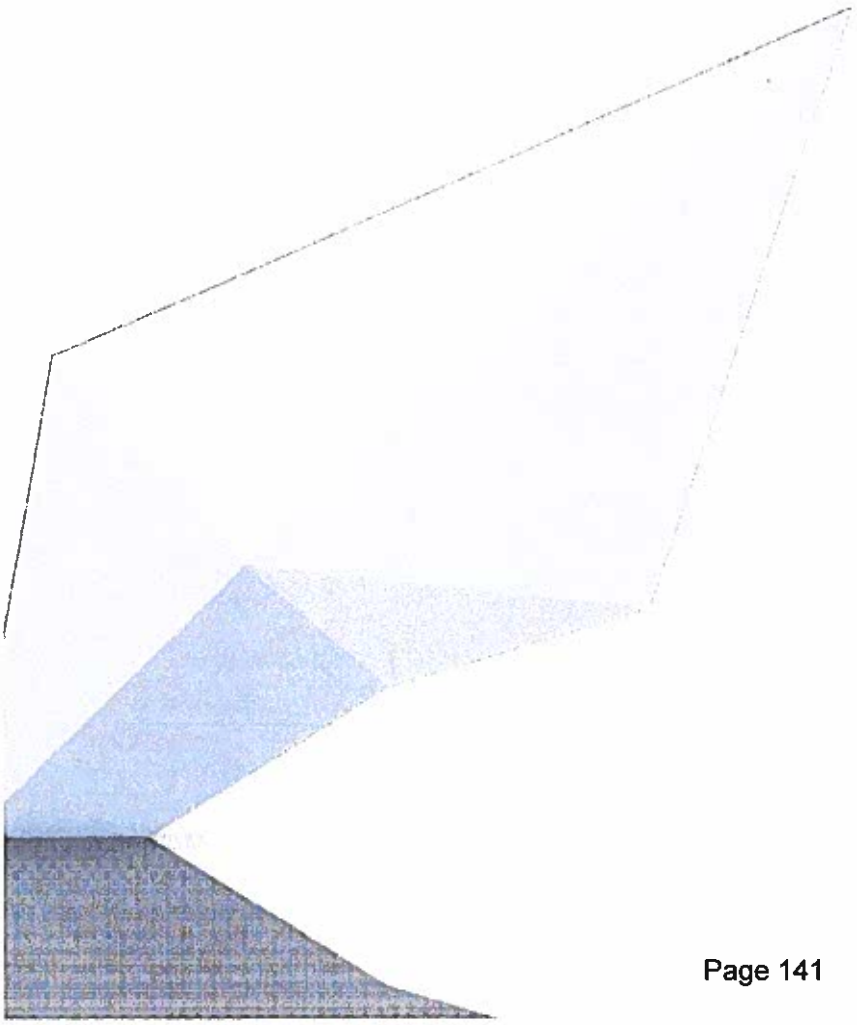
Year Ended September 30, 2019

No items reported.

Midwest Medical Foundation and Affiliate

Consolidated Financial Statements and Supplementary Consolidating Information

Years Ended September 30, 2021 and 2020



WIPFLI

Midwest Medical Foundation and Affiliate

Years Ended September 30, 2021 and 2020

Table of Contents

WIPFLI

Independent Auditor's Report

Board of Directors
Midwest Medical Foundation and Affiliate
Galena, Illinois

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Midwest Medical Foundation and Affiliate, which comprise the consolidated balance sheets as of September 30, 2021 and 2020, and the related consolidated statements of operations, changes in net assets (deficit), and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Midwest Medical Foundation and Affiliate as of September 30, 2021 and 2020, and the results of their operations, changes in their net assets (deficit), and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information appearing on pages 30 through 33 is presented for the purpose 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. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2022, on our consideration of Midwest Medical Foundation and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 Midwest Medical Foundation and Affiliate's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

February 1, 2022
Eau Claire, Wisconsin

Midwest Medical Foundation and Affiliate

Consolidated Balance Sheets

September 30,	2021	2020
ASSETS		
Current assets:		
Cash	$ 5,130,329	$ 10,243,015
Patient and resident receivables - Net	4,440,760	3,765,356
Other receivables	350,119	228,415
Inventories	476,463	393,868
Prepaid expenses	208,734	150,902
Total current assets	10,606,405	14,781,556
Assets limited as to use:		
Board designated for capital improvements	9,472,486	2,610,279
Restricted for medical scholarships	1,577,132	1,559,089
Total assets limited as to use	11,049,618	4,169,368
Property and equipment - Net	20,729,844	22,310,805
Other assets	2,500	6,562
Total assets	$ 42,388,367	$ 41,268,291

Midwest Medical Foundation and Affiliate

Consolidated Balance Sheets (Continued)

September 30,	2021	2020
LIABILITIES AND NET DEFICIT		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	$ 1,119,416	$ 2,565,681
Accounts payable	930,294	966,343
Accrued expenses:		
Salaries and wages	661,011	775,022
Vacation	411,761	324,703
Amounts payable to third-party reimbursement programs	550,000	300,000
Security deposits	95,786	84,703
Deferred revenue	19,162	1,158,973
Total current liabilities	3,787,430	6,175,425
Long-term liabilities:		
Long-term debt and capital lease obligations - Less current portion	34,743,372	36,745,253
Total liabilities	38,530,802	42,920,678
Net assets (deficit):		
Without donor restrictions	2,280,433	(3,211,476)
With donor restrictions	1,577,132	1,559,089
Total net assets (deficit)	3,857,565	(1,652,387)
Total liabilities and net assets (deficit)	$ 42,388,367	$ 41,268,291

See accompanying notes to consolidated financial statements.

Midwest Medical Foundation and Affiliate

Consolidated Statements of Operations

Years Ended September 30,	2021	2020
Revenue:		
Net patient and resident service revenue	$ 28,047,792	$ 22,730,702
Other operating revenue	3,706,912	5,566,245
Total revenue	31,754,704	28,296,947
Expenses:		
Salaries and wages	11,533,488	10,323,156
Employee benefits	2,788,153	2,572,458
Supplies and other expenses	10,841,225	9,190,299
Depreciation	2,394,839	2,434,579
Interest	1,347,377	1,350,963
Total expenses	28,905,082	25,871,455
Income from operations	2,849,622	2,425,492
Other income (expense):		
Contributions	74,685	49,860
Interest income	224,732	158,939
Rental income	18,795	5,828
Rental expense, including depreciation expense	(36,061)	(43,278)
Loss on disposal and sale of property and equipment	(37,964)	(12,942)
Gain on forgiveness of long-term debt	2,398,100	-
Total other income - Net	2,642,287	158,407
Revenue in excess of expenses	$ 5,491,909	$ 2,583,899

See accompanying notes to consolidated financial statements.

Midwest Medical Foundation and Affiliate

Consolidated Statements of Changes in Net Assets (Deficit)

Years Ended September 30,	2021	2020
Net deficit without donor restrictions:		
Revenue in excess of expenses	$ 5,491,909	$ 2,583,899
Net assets with donor restrictions:		
Interest income	25,284	22,301
Loans forgiven	(7,241)	(8,156)
Increase in net assets with donor restrictions	18,043	14,145
Change in net deficit	5,509,952	2,598,044
Net deficit, beginning	(1,652,387)	(4,250,431)
Net assets (deficit), end	$ 3,857,565	$ (1,652,387)

See accompanying notes to consolidated financial statements.

Midwest Medical Foundation and Affiliate

Consolidated Statements of Cash Flows

Years Ended September 30,	2021	2020
Increase (decrease) in cash:		
Cash flows from operating activities:		
Change in net deficit	$ 5,509,952	$ 2,598,044
Adjustments to reconcile change in net deficit to net cash from operating activities:		
Depreciation	2,430,900	2,477,857
Amortization	10,311	10,310
Loss on disposal and sale of assets	37,964	12,942
Gain on forgiveness of long-term debt	(2,398,100)	-
Restricted contributions and investment income	(25,284)	(22,301)
Changes in operating assets and liabilities:		
Patient and resident receivables	(675,404)	1,119,956
Other receivables	(121,704)	(214,068)
Inventories	(82,595)	(15,525)
Prepaid expenses	(57,832)	(9,048)
Accounts payable	(36,049)	92,235
Accrued expenses	(26,953)	(133,153)
Amounts payable to third-party reimbursement programs	250,000	30,000
Security deposits	11,083	(3,201)
Deferred revenue	(1,139,811)	849,814
Total adjustments	(1,823,474)	4,195,818
Net cash from operating activities	3,686,478	6,793,862
Cash flows from investing activities:		
Purchases of property and equipment	(953,620)	(724,410)
Proceeds from sale of property and equipment	65,717	-
Increase in assets limited as to use	(6,880,250)	(60,446)
Decrease in other assets	4,062	-
Net cash from investing activities	(7,764,091)	(784,856)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	-	2,398,100
Payments of principal on long-term debt and capital lease obligations	(1,060,357)	(587,718)
Restricted contributions and interest income	25,284	22,301
Net cash from financing activities	(1,035,073)	1,832,683
Change in in cash	(5,112,686)	7,841,689
Cash at beginning of year	10,243,015	2,401,326
Cash at end of year	$ 5,130,329	$ 10,243,015

Midwest Health Foundation and Affiliate

Consolidated Statements of Cash Flows (Continued)

Years Ended September 30,	2021	2020
Supplemental cash flow information:		
Cash paid during the year for interest	$ 1,337,066	$ 1,821,903
Cost of assets acquired under capital lease obligations	-	1,020,409

See accompanying notes to consolidated financial statements.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

The Entity

Midwest Medical Foundation (the "Foundation") is a non-stock, not-for-profit Illinois corporation that was established as a supporting organization to Midwest Medical Center (the "Medical Center") to accumulate, manage, and expend funds for the benefit and advancement of the Medical Center and other community health activities. The Foundation is the sole member of the Medical Center.

The Medical Center's primary purpose is to provide healthcare services to the residents of the City of Galena, Illinois, and the surrounding area. The Medical Center operates a 25-bed acute care hospital, 57-bed nursing home, two outpatient clinics, and an assisted living apartment complex, which provides comprehensive medical, emergency, outpatient, clinical healthcare, and long-term care services.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Foundation and Medical Center (collectively the "Organization"). All material intercompany accounts and transactions have been eliminated in consolidation.

Financial Statement Presentation

The Organization follows accounting standards set by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The ASC is the single source of authoritative accounting principles generally accepted in the United States (GAAP) to be applied to nongovernmental entities in the preparation of financial statements in conformity with GAAP.

Use of Estimates in Preparation of Consolidated Financial Statements

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that directly 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 revenue and expenses during the reporting period. Actual results may differ from these estimates.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Patient and Resident Receivables and Credit Policy

Patient and resident receivables are reported at the amount that reflects the consideration to which the Organization expects to be entitled, in exchange for providing patient and resident care services. Patient and resident receivables are recorded in the accompanying consolidated balance sheets net of contractual adjustments and implicit price concessions which reflects management's estimate of the transaction price. The Organization estimates the transaction price based on negotiated contractual agreements, historical experience, and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions and is recorded through a reduction of gross revenue and a credit to patient and resident receivables. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient and resident service revenue in the period of the change.

The Organization does not have a policy to charge interest on past due accounts.

Inventories

Inventories consist primarily of medical supplies, general supplies, and pharmaceuticals used in the delivery of healthcare services. Inventories are stated at the lower of cost or net realizable value.

Assets Limited as to Use and Investment Income

Assets limited as to use include assets the Board of Directors have designated for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes, amounts held for restricted purposes including notes receivable from employees for medical tuition assistance, and assets set aside under terms of a bond indenture agreement.

Interest income is reported as other income and is included in revenue in excess of expenses unless the income is restricted by donor or law.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The Organization measures the fair value of its financial instruments using a three-tier hierarchy that prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property, Equipment, and Depreciation

Property and equipment acquisitions are recorded at cost or, if donated, at fair value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Estimated useful lives range from three to twenty years for major movable equipment and from five to forty years for land improvements and buildings.

Equipment under capital lease obligations is amortized on the straight-line basis over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included with depreciation expense in the accompanying consolidated financial statements.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from revenue in excess of expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment of Long-Lived Assets

The Organization evaluates the recoverability of its long-lived assets, which consist primarily of property and equipment with estimated useful lives, whenever events or changes in circumstance indicate that the carrying value may not be recoverable. If the recoverability of these assets is unlikely because of the existence of factors indicating impairment, an impairment analysis is performed using a projected undiscounted cash flow method. Management must make assumptions regarding estimated future cash flows and other factors to determine the fair value of these respective assets. If the carrying amounts of the assets exceed their respective fair values, the carrying value of the underlying assets would be adjusted to fair value and an impairment loss would be recognized. During 2021 and 2020, the Organization determined that no evaluations of recoverability were necessary.

Asset Retirement Obligation

The Organization accounts for the fair value of legal obligations associated with long-lived asset retirement in accordance with the asset retirement and environmental obligations accounting guidance. Management has considered this accounting guidance, specifically as it relates to its legal obligation to perform asset retirement activities, such as asbestos removal, on its existing properties. Management of the Organization believes that any potential liability related to asset retirement obligations would not be significant. As a result, no liability related to these retirement activities has been recognized as of September 30, 2021 and 2020.

Security Deposits

The Organization holds, in trust, security deposits from the residents of the assisted living facility. Security deposits are refundable upon vacancy.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Revenue

Grants and fees are recognized as revenue in the year the related expenditures are incurred. Funds received prior to providing the service or fulfilling a grantor's requirements are recorded as deferred revenue in the accompanying consolidated balance sheets.

Net Assets

Net assets without donor restrictions consist of investments and otherwise unrestricted amounts that are available for use in carrying out the mission of the Organization. Net assets with donor restrictions are those whose use by the Organization has been limited by donors to a specific time period or purpose, or those assets restricted by donors to be maintained by the Organization in perpetuity.

Revenue in Excess of Expenses

The consolidated statements of operations and consolidated statements of changes in net deficit include the classification revenue in excess of expenses, which is considered the operating indicator. Changes in unrestricted net assets (deficit) which are excluded from the operating indicator would include contributions for property and equipment. The Organization did not have any activity in 2021 and 2020 requiring exclusion from the operating indicator.

Net Patient and Resident Service Revenue

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

Performance obligations are determined based on the nature of the services provided. Revenue from performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Generally, the Organization has few patients or residents which have performance obligations which are satisfied over time. The majority of the patient and resident care services provided in or by the hospital, clinics, nursing home, or assisted living have a performance obligation which is satisfied as the patient or resident simultaneously receives and consumes the benefits provided as the services are performed. In the case of these services described, the recognition of the performance obligation over time yields the same result as recognition of the obligation at a point in time. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient and Resident Service Revenue (Continued)

Because the Organization's performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption and therefore is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to a portion of the inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Organization uses a portfolio approach to account for categories of patient and resident contracts as a collective group rather than recognizing revenue on an individual contract basis. The Organization used the following factors to develop portfolios: major payor classes and type of service (e.g., inpatient, outpatient, emergency, clinic, nursing home, etc.) and geographical location. Using historical collection trends and other analysis, the Organization evaluated the accuracy of its estimates and determined that recognizing revenue by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach was used.

The nature, amount, timing, and uncertainty of revenue and cash flows are affected by several factors that the Organization considers in its recognition of revenue. Following are some of the factors considered:

- Payors (for example, Medicare, Medicaid, managed care, other insurances, patients, etc.) have different reimbursement/payment methodologies
- Length of the patient's or resident's service/episode of care
- Geography of the service location
- Lines of business that provided the service (for example, hospital, clinic, nursing home, etc.)

The Organization determines the transaction price, which involves significant estimates and judgment, based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policy, and implicit price concessions provided to patients and residents. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience for each patient and resident portfolio based on payor class and service type.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient and Resident Service Revenue (Continued)

The Organization has agreements with third-party payors that provide for reimbursement at amounts that vary from its established rates. A summary of the basis of reimbursement with major third-party payors follows:

Hospital Services:

- Medicare: The Organization is designated as a critical access hospital (CAH). As such, all inpatient, swing bed, and outpatient hospital services are paid based on a cost-reimbursement methodology, except for certain types of laboratory, radiology, and professional services provided to Medicare beneficiaries, which are reimbursed on prospectively determined fee schedules.

- Medicaid: Hospital services rendered to Illinois Public Aid beneficiaries are paid at prospectively determined rates based on a patient classification system. These rates are not subject to retroactive adjustment; however, in order to receive proper reimbursement, the Organization must file a cost report annually with the State of Illinois.

  On November 21, 2006, the Centers for Medicare & Medicaid Services (CMS) approved state of Illinois (the "State") legislation for a Medicaid Hospital Assessment Program (the "Program"). The Program was extended through June 30, 2019, and a redesigned program has been approved and extended through June 30, 2024. Under the Program, the Hospital receives additional Medicaid reimbursement from the State. Additional funding and reimbursement, through sharing in cost savings in the Medicaid program, was also available and distributed to participating hospitals through the development by the State of an Accountable Care Entity ("ACE") which started in 2017. Total additional enhanced reimbursement above the standard amounts paid by the Medicaid program for patient care services recognized by the Organization relating to the Program amounted to $673,127 and $536,181 during 2021 and 2020, respectively, and is included in net patient and resident service revenue in the accompanying consolidated statements of operations. During 2021 and 2020, the Hospital incurred expense of $319,316 and $287,940, respectively, related to amounts paid to the state of Illinois for participation in the Program, and these amounts are included in supplies and other expenses in the accompanying consolidated statements of operations.

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

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient and Resident Service Revenue (Continued)

Clinics

Professional services to clinic patients, including behavioral health, are paid primarily under arrangements which include prospectively determined rates per visit or procedure or discounts from established charges.

Certain physician and professional services rendered to Medicare and Medicaid beneficiaries in the Organization's Galena and Elizabeth clinics qualify for reimbursement as Medicare- and Medicaid-approved rural health clinic services. Qualifying services are reimbursed based on a cost-reimbursement methodology. All other physician and professional services rendered to Medicare and Medicaid beneficiaries are paid based on prospectively determined fee schedules.

Nursing Home

- Medicare: The Organization's reimbursement under the Medicare program for Part A services is based on a prospective payment system (PPS). Payments for services rendered vary according to a resident classification system (RUGs IV or PDPM) that is based on an MDS of diagnostic and other information. Medicare pays the Organization for Part B services based on predetermined fee schedules.

- Medicaid: Nursing home resident care services rendered to Medicaid beneficiaries are reimbursed based on a schedule of prospectively determined daily rates determined by Illinois' Medicaid and Family Care programs. A rate is assigned to each nursing home resident based on the resident's ability to perform certain activities of daily living and on certain other clinical factors.

  The state of Illinois uses a Minimum Data Set (MDS) resident assessment system. As a result, Medicaid residents are classified into one of 48 RUGs (Resource Utilization Groups) for purposes of establishing payment rates. Every three months, a case mix average is developed for the Organization's Medicaid residents based on their respective RUGs score, and the Organization is reimbursed based on the resulting composite case mix index. Rate adjustments under this program are reflected in income when determinable.

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

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient and Resident Service Revenue (Continued)

The Centers for Medicare and Medicaid Services (CMS) uses recovery audit contractors (RACs) to search for potentially inaccurate Medicare payments that may have been made to healthcare providers and were not detected through existing CMS program integrity efforts. Once the RAC identifies a claim it believes is inaccurate, the RAC makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. The Organization has not been notified by the RAC of any potential significant reimbursement adjustments. In addition, contracts the Organization has with third-party payors also provide for retroactive audit and review of claims.

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

Generally, patients and residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured patients in its hospital and clinics, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net 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 bad debt expense. Bad debt expense for the years ended September 30, 2021 and 2020, was not significant.

Consistent with the Organization's mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (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 Organization expects to collect based on its collection history with those patients. The Organization's policy provides for approximately 10% discounts from established charges to uninsured patients for making prompt pay for services rendered, and after this initial discount, further discounts are available for patients that qualify through the hospital's charity care or financial assistance policy. The uninsured prompt pay discount percentage remained consistent in 2021 or 2020.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient and Resident Service Revenue (Continued)

For uninsured patients who do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Organization's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Organization includes price concessions related to uninsured patients in the period the services are provided.

The promised amount of consideration from patients and third-party payors has not been adjusted for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Organization does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

All incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Organization otherwise would have recognized is one year or less in duration.

Charity Care

The Organization provides care to patients who meet certain criteria under its financial assistance policy without charge or at amounts less than its established rates. Eligible patients and residents are identified based on analysis of financial information obtained from the patients and residents. The Organization maintains records to identify the amount of charges forgone for services and supplies furnished under the financial assistance policy. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient and resident service revenue in the accompanying consolidated statements of operations.

Contributions and Donor-Restricted Gifts

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give cash and other assets to the Organization 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 either temporarily or permanently 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, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated financial statements as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization consists soley of nonprofit entities as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Organization's entities are also exempt from state income taxes on related income. The Organization is also engaged, to a limited extent, in certain activities subject to taxation as unrelated business income (UBI). The UBI is not significant.

Advertising Costs

Advertising costs are expensed as incurred.

Real Estate Taxes

The State of Illinois previously enacted legislation that clarifies when hospitals are eligible to receive exemption from property tax requirements. As part of the legislation, hospitals, including the Organization, must submit to the State of Illinois annual property tax exemption applications, which include information on the amount of benefits provided to low-income, charity care, and Illinois Public Aid (Medicaid) beneficiaries. As of September 30, 2021, the majority of the real estate of the Organization has been granted property tax exemption by the State of Illinois.

Adoption of Accounting Pronouncement

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue From Contracts with Customers* (Topic 606). The objective of the ASU is to standardize the revenue recognition practices across entities, industries, jurisdictions, and capital markets by providing a framework for entities to apply to recognize revenue. This new framework provides a five-step approach for recognizing revenue. In addition to consideration on recognizing revenue based on existing customer contract terms and features, entities will be required to enhance qualitative and quantitative disclosures in financial statements to describe how revenue is recognized under the ASU. This ASU was adopted for the Organization's year ending September 30, 2021, and did not materially impact the consolidated financial statements.

New Accounting Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The objective of this ASU is to assist organizations in recognizing the right to the use of an asset and its related liability or obligation when there is a contract in place which includes the right to control or direct the use of an identifiable asset. This ASU also includes provisions where the majority of leases that have lease terms greater than one year are to be recorded as capital leases on the balance sheet, whereas in the past, these leases may have been recorded as either capital leases or operating leases. This ASU is effective for the Organization's year ending September 30, 2022.

Management is evaluating the impact the new accounting pronouncement will have on the Organization.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

Subsequent events have been evaluated through February 1, 2022, which is the date the consolidated financial statements were available to be issued.

Note 2: COVID-19

Starting in March 2020, the nation in general, and healthcare-related entities specifically, have been faced with a global pandemic. As healthcare entities prepared for the crisis, operational changes were made to delay routine visits and elective procedures and reevaluate the entire care delivery model to care for patient needs, specifically those affected by COVID-19. The complete financial impact on the economy in general and healthcare-related entities specifically is undeterminable at this time; however, it was noted and experienced by the Organization that both operational performance and cash flows for healthcare-related entities have been and will be impacted in fiscal years 2020 and 2021, as well as future periods until the pandemic ends.

Through September 30, 2021, the Organization received approximately $5,124,000 in funding from these programs between 2021 and 2020, and has recognized approximately $1,544,000 and $3,580,000 as other operating revenue based on the current terms and conditions of the programs in the accompanying consolidated statements of operations during the years ended September 30, 2021 and 2020, respectively. Funding was received from multiple sources, including but not limited to approximately $4,862,000 of provider relief funds from the U.S. Department of Health and Human Services ("HHS") Coronavirus Aid, Relief, and Economic Security ("CARES") and American Rescue Plan ("ARP") Acts and $262,000 in other funding from the State of Illinois and other sources received related to COVID-19 assistance.

These funds are subject to various financial and compliance guidelines for intended uses as published by the federal and state governments. Management is continuing to monitor compliance with the terms and conditions of the Provider Relief Funds as new guidance and clarification is released from HHS and other agencies. If the Organization is unable to attest to or comply with current or future terms and conditions as more information becomes available, the Organization's ability to retain some or all of the distributions received may be impacted.

In addition, the Organization received approximately $2,398,000 of funding from the U.S. Small Business Administration (SBA) Paycheck Protection Program ("PPP") in the form of a loan as part of the CARES Act in 2020. During 2021, the Organization received notice that the PPP funds were fully forgiven, and as such a gain on forgiveness of long-term debt was recorded in the accompanying statements of operations.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 3: Net Patient and Resident Service Revenue

The composition of net patient and resident service revenue by line of business, based on the geographic region the Organization operates in, as outlined in Note 1, for the years ended September 30 are as follows:

	2021	2020
Service lines:		
Hospital services	$ 23,795,400	$ 18,751,247
Clinic services	1,969,800	1,715,963
Nursing home services	2,282,592	2,263,492
Totals	$ 28,047,792	$ 22,730,702

Patient and resident service revenue (net of contractual allowances, discounts, and implicit price concessions) by payor consisted of the following for the year ended September 30:

	2021	2020
Medicare and Medicare Advantage plans	$ 14,379,352	$ 12,349,430
Medicaid and Medicaid HMO plans	4,175,311	2,928,242
Other third-party payors	7,431,804	5,525,165
Uninsured patients	2,061,325	1,927,865
Totals	$ 28,047,792	$ 22,730,702

Note 4: Charity Care

The Organization provides healthcare services and other financial support through various programs that are designed, among other matters, to enhance the health of the community, including the health of low-income patients. Consistent with the mission of the Organization, care is provided to patients regardless of their ability to pay, including providing services to those persons who cannot afford health insurance because of inadequate resources or who are underinsured.

Patients who meet certain criteria for charity care, generally based on federal poverty guidelines, are provided care without charge or at a reduced rate, determined based on qualifying criteria as defined in the Organization's financial assistance policy and from applications completed by patients and their families. The Organization is also required to provide additional discounts to uninsured hospital patients under the Hospital Uninsured Patient Discount Act as required by Illinois state law.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 4: Charity Care (Continued)

The estimated cost of providing care to patients under the Organization's financial assistance policy was approximately $224,000 and $189,000 in 2021 and 2020, respectively. The cost was calculated by multiplying the ratio of cost to gross charges for the Organization times the gross uncompensated charges associated with providing the charity care.

Other benefits for the community for which the Organization is not compensated or for which compensation is below cost also include unpaid costs of treating the elderly, health screenings, community education through seminars and classes, and other health-related services.

Note 5: Investments and Assets Limited as to Use

The composition of assets limited as to use at September 30 is set forth in the following table:

	2021	2020
Board designated for capital improvements:		
Money market funds	$ 100,152	$ 2,607,694
Repurchase agreements	9,371,674	-
Notes receivable	660	2,585
Total Board designated for capital improvements	9,472,486	2,610,279
Restricted for medical scholarships:		
Cash	100	100
Repurchase agreement	1,378,484	1,354,573
Notes receivable	198,548	204,416
Total restricted for medical scholarships	1,577,132	1,559,089
Total assets limited as to use	$ 11,049,618	$ 4,169,368

Note 6: Fair Value Measurements

Following is a description of the valuation methodologies the Organization used for assets measured at fair value:

Money market funds are valued using a net asset value of $1.00. Quoted prices by a financial institution for principal plus accrued interest approximate the fair value of the repurchase agreement.

The method described for fair value calculations may produce a calculation that may be different from the net realizable value or not reflective of future values expected to be received. The Organization believes that its valuation method is appropriate and consistent with other market participants; however, the use of these various methodologies and assumptions may produce results that differ in the estimates of fair value at the financial reporting date.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 6: Fair Value Measurements (Continued)

Information regarding assets, principally included in assets limited as to use and other assets, measured at fair value on a recurring basis as of September 30 is as follows:

2021	Level 1	Level 2	Level 3	Total Assets at Fair Value
Assets:				
Money market funds	$ -	$ 100,152	$ -	$ 100,152
Repurchase agreement	-	10,750,158	-	10,750,158
Total	$ -	$ 10,850,310	$ -	$ 10,850,310

2020	Level 1	Level 2	Level 3	Total Assets at Fair Value
Assets:				
Money market funds	$ -	$ 2,607,694	$ -	$ 2,607,694
Repurchase agreement	-	1,354,573	-	1,354,573
Total	$ -	$ 3,962,267	$ -	$ 3,962,267

Note 7: Liquidity and Availability of Financial Assets

The Organization does not have a formal liquidity policy but generally strives to maintain financial assets in liquid form such as cash and cash equivalents for at least approximately three to six months of operating expenses. Other funds, included in assets limited as to use in the accompanying consolidated balance sheets, are considered available for operational or capital needs, except for investments with restrictive redemption requirements. Occasionally, the Board of Directors designates a portion of operating surplus to be appropriated at its discretion for future operational initiatives and capital expenditures. These funds, at the discretion of the Board of Directors, could be released immediately or sold and redeemed prior to their maturity and are not considered available under the Organization's general liquidity management. At September 30, 2021 and 2020, the balance of these funds was $9,472,486 and $2,610,279.

Financial assets available for general expenditures, such as operating expenses, purchases of property and equipment, and scheduled debt service payments, within one year of the consolidated balance sheet date, comprise the following at September 30, 2021 and 2020:

	2021	2020
Cash	$ 5,130,329	$ 10,243,015
Patient and resident receivables - Net	4,440,760	4,161,255
Other receivables	350,119	228,415
Total	$ 9,921,208	$ 14,632,685

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 8: Property and Equipment - Net

Property and equipment consisted of the following at September 30:

	2021	2020
Land	$ 448,597	$ 448,597
Land improvements	3,994,943	3,983,868
Buildings	38,871,457	38,840,752
Major movable equipment	11,682,490	11,785,088
Total property and equipment	54,997,487	55,058,305
Less - Accumulated depreciation	34,495,342	32,955,670
Net depreciated value	20,502,145	$ 22,102,635
Construction in progress	227,699	208,170
Property and equipment - Net	$ 20,729,844	$ 22,310,805

The cost of equipment under capital lease obligations, which is included in major movable equipment, was $2,174,485 and $2,251,386 at September 30, 2021 and 2020, respectively, and the related accumulated amortization was $1,088,701 and $757,143 at September 30, 2021 and 2020, respectively.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 9: Long-Term Debt and Capital Lease Obligations

Long-term debt consisted of the following at September 30:

	2021	2020
United States Department of Agriculture (USDA), Rural Development, Direct Loans dated April 25, 2019, bearing interest at 3.5%. The loans are payable in monthly installments of principal and interest of $151,140 with a final payment due April 25, 2049. Interest only payments of $96,250 per month is due on the loans through April 25, 2020.	$ 32,047,581	$ 32,726,732
Secured Rural America Bonds, Series 2019A, dated April 25, 2019, bearing interest at 5.5%. The bonds are payable in monthly installments of principal and interest of $17,049 starting June 1, 2019, through May 1, 2049.	2,901,060	2,944,780
U.S. Small Business Administration Paycheck Protection Program Loan ("PPP Loan"), dated April 13, 2020, bearing interest at 1.00%. Principal and interest is due over an eighteen month period of time, beginning following a minimum of a six month deferral period after issuance of the loan, if not forgiven.	-	2,398,100
Capital lease obligations with imputed interest rates ranging from 2.99% to 5.50%, collateralized by leased equipment, payable in monthly installment payments as required in various agreements.	1,198,552	1,536,038
Totals	36,147,193	39,605,650
Less - Current portion	1,119,416	2,565,681
Less - Unamortized debt issuance costs	284,405	294,716
Long-term portion	$ 34,743,372	$ 36,745,253

The loan and bond agreements contain various covenants, including those relating to limitations on incurring additional debt, disposing of property, debt service coverage ratio, days cash on hand ratio, and timely submission of specified financial reports and other information. USDA also requires the Organization to maintain reserve accounts with specific balances for debt services, reserve, and replacement reserve purposes. USDA has authorized the funds in the Organization's Board designated capital improvement fund, which is included in assets limited as to use in the accompanying consolidated balance sheets, to meet these funding requirements.

The PPP loan program allows for forgiveness of a portion or all of the loan balance based on the level of employee retention during either an eight or twenty-four week period following the issuance of the loan, plus certain other qualifying expenses in addition to payroll costs. The Organization received a formal notice of forgiveness in 2021, and as such, recognized a gain on forgiveness of long-term debt in the accompanying consolidated statements of operations.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 9: Long-Term Debt and Capital Lease Obligations (Continued)

Scheduled principal payments on long-term debt and capital lease obligations at September 30, 2021, including current maturities, are summarized as follows:

	Long-Term Debt	Capital Lease Obligations
2022	$ 749,510	$ 407,517
2023	777,130	315,057
2024	805,787	156,670
2025	835,521	153,259
2026	866,373	115,740
Thereafter	30,914,320	151,998
	$ 34,948,641	1,300,241
Less - Amounts representing interest on capital lease obligations		101,689
		$ 1,198,552

Note 10: Operating Leases

The Organization has entered into operating lease agreements for equipment and a clinic building with unrelated parties. Rental and lease expense under all operating leases totaled approximately $30,500 and $23,000 in 2021 and 2020, respectively.

Note 11: Net Assets With Donor Restrictions and Endowments

Net assets with donor restrictions include assets set aside in accordance with donor restrictions as to time or use. Net assets with donor restrictions are available for the following purposes at September 30:

	2021	2020
Donor restricted, including interest income, for medical education and scholarships	$ 1,235,703	$ 1,223,638
Donor restricted to be maintained in perpetuity, with interest income expendable, for medical education scholarships and loans	341,429	335,451
Total donor restricted funds	$ 1,577,132	$ 1,559,089

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 11: Net Assets With Donor Restrictions and Endowments (Continued)

The Organization's net assets with donor restrictions include two endowment funds that are invested in various investments including cash accounts and repurchase agreements. The endowment funds were established by donors to be maintained in perpetuity, the income of which is expendable for medical education scholarships and loans upon approval of the Board of Directors.

The Board of Directors of the Organization have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift to the endowment fund absent any explicit donor stipulations that would otherwise dictate the contributed funds. The Organization has adopted investment and spending policies for endowment assets that attempt to provide a dependable method of funding programs supported by the endowment funds while seeking to preserve the purchasing power of the endowment assets. Under this policy, the Organization monitors the investments of the endowment so that these assets are invested in funds that are not expected to decline significantly in value in the future. This method of investing will maintain the purchasing power of the endowment assets that are required to be held in perpetuity, as well as to provide additional purchasing ability through investment returns.

Changes in endowment net assets for the years ended September 30 consisted of the following:

	2021		
	Donor Restricted Subject to Appropriations	Donor Restricted to be Held in Perpetuity	Total
Endowment net assets at beginning of year	$ 136,802	$ 198,649	$ 335,451
Interest income	5,978	-	5,978
Total	$ 142,780	$ 198,649	$ 341,429

	2020		
	Donor Restricted Subject to Appropriations	Donor Restricted to be Held in Perpetuity	Total
Endowment net assets at beginning of year	$ 126,993	$ 198,649	$ 325,642
Interest income	9,809	-	9,809
Total	$ 136,802	$ 198,649	$ 335,451

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 12: Retirement Plan

The Organization sponsors a defined contribution retirement plan for substantially all its employees. The Organization contributed up to 4% of the participating employees' eligible compensation based on a matching formula. The total retirement plan expense for the years ended September 30, 2021 and 2020, was $313,855 and $278,721, respectively.

Note 13: Malpractice Insurance

For the years 2021 and 2020, the Organization participated in a risk pooling insurance program known as the Illinois Provider Trust to provide professional and general medical liability coverage. The risk pool is a self-funded insurance pool made up of over 40 member hospitals in Illinois and coverage is maintained through the pool and reinsurance agreements for comprehensive general and hospital professional liability coverage of up to $2,000,000 per claim and in the aggregate to January 1, 2022. As of September 30, 2021 and 2020, management was unaware of any known claims of material amounts that would require reason to report a contingent loss on the consolidated balance sheets; thus no amount is recorded in the September 30, 2021 and 2020, consolidated balance sheets for unasserted claims.

Note 14: Concentration of Credit Risk

Financial instruments that potentially subject the Organization to credit risk consist principally of accounts receivable and cash deposits in excess of insured limits in financial institutions.

Accounts receivable consist of amounts due from patients and residents, their insurers, or governmental agencies (primarily Medicare and Medicaid) for healthcare provided to the patients and residents. The majority of the Organization's patients and residents are from Galena, Illinois, and the surrounding area.

The mix of receivables from patients and third-party payors is as follows at September 30:

	2021	2020
Medicare	36 %	33 %
Medicaid	19 %	17 %
Commercial insurance	31 %	33 %
Patients and residents	14 %	17 %
Total	100 %	100 %

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 14: Concentration of Credit Risk (Continued)

The Organization maintains depository relationships with area financial institutions that are Federal Deposit Insurance Corporation (FDIC) insured institutions. The Organization maintains cash in accounts at these institutions which are insured by the FDIC up to $250,000. Operating cash needs often require that amounts on hand exceed FDIC limits. At September 30, 2021, the Organization had deposits at area financial institutions in excess of FDIC limits, and in order to limit its credit risk with respect to these deposits, the Organization has executed repurchase agreements with the financial institutions to provide for additional collateral on the majority of the amounts above the standard FDIC-insured limits. At September 30, 2021, there were no deposits in excess of the additional collateral pledged by the financial institutions through the repurchase agreemeents on the Organization's deposits.

Note 15: Functional Expenses

The Organization provides general healthcare services to residents within its geographic location. The accompanying consolidated statements of operations present certain expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis. Employee benefits are allocated based on factors of either salary expense or actual employee expense. Overhead costs that include things such as professional services, office expenses, information technology, insurance, and other similar expenses are allocated on a variety of factors including revenues and departmental expense. Costs related to building and equipment usage include depreciation and interest and are allocated on a square footage or direct assignment basis. Expenses related to providing these services for the years ended September 30, 2021 and 2020, are as follows:

	2021			2020		
	Healthcare Services	General Administrative	Total	Healthcare Services	General Administrative	Total
Salaries and wages	$ 9,914,151	$ 1,619,337	$ 11,533,488	$ 8,880,831	$ 1,442,325	$ 10,323,156
Employee benefits	2,351,203	436,950	2,788,153	2,147,912	424,546	2,572,458
Supplies and other expenses	8,613,263	2,227,962	10,841,225	7,373,932	1,816,367	9,190,299
Depreciation	2,038,477	356,362	2,394,839	2,092,574	342,005	2,434,579
Interest	1,146,881	200,496	1,347,377	1,161,182	189,781	1,350,963
	$ 24,063,975	$ 4,841,107	$ 28,905,082	$ 4,215,024	$ 4,215,024	$ 25,871,455

Supplementary Consolidating Information

Midwest Medical Foundation and Affiliate

Consolidating Balance Sheets

September 30,	Midwest Medical Center	Midwest Medical Foundation	Consolidated Totals 2021	Comparitive Totals 2020
ASSETS				
Current assets:				
Cash	$ 5,103,871	$ 26,458	$ 5,130,329	$ 10,243,015
Patient and resident receivables - Net	4,440,760	-	4,440,760	3,765,356
Other receivables	350,119	-	350,119	228,415
Inventories	462,726	13,737	476,463	393,868
Prepaid expenses	208,734		208,734	150,902
Total current assets	10,566,210	40,195	10,606,405	14,781,556
Assets limited as to use:				
Board designated for capital improvements	9,472,486	-	9,472,486	2,610,279
Restricted for medical scholarships	1,577,132	-	1,577,132	1,559,089
Total assets limited as to use	11,049,618	-	11,049,618	4,169,368
Property and equipment - Net	20,729,844	-	20,729,844	22,310,805
Other assets	2,500	-	2,500	6,562
Total assets	$ 42,348,172	$ 40,195	$ 42,388,367	$ 41,268,291

Midwest Medical Foundation and Affiliate

Consolidating Balance Sheets (Continued)

September 30,	Midwest Medical Center	Midwest Medical Foundation	Consolidated Totals 2021	Comparitive Totals 2020
LIABILITIES AND NET ASSETS (DEFICIT)				
Current liabilities:				
Current portion of long-term debt and capital lease obligations	$ 1,119,416	$ -	$ 1,119,416	$ 2,565,681
Accounts payable	930,294	-	930,294	966,343
Accrued expenses:				
Salaries and wages	661,011	-	661,011	775,022
Vacation	411,761	-	411,761	324,703
Amounts payable to third-party reimbursement programs	550,000	-	550,000	300,000
Security deposits	95,786	-	95,786	84,703
Deferred revenue	19,162	-	19,162	1,158,973
Total current liabilities	3,787,430	-	3,787,430	6,175,425
Long-term liabilities:				
Long-term debt and capital lease obligations - Less current portion	34,743,372	-	34,743,372	36,745,253
Total liabilities	38,530,802	-	38,530,802	42,920,678
Net assets (deficit):				
Without donor restrictions	2,240,238	40,195	2,280,433	(3,211,476)
With donor restrictions	1,577,132	-	1,577,132	1,559,089
Total net assets (deficit)	3,817,370	40,195	3,857,565	(1,652,387)
Total liabilities and net assets (deficit)	$ 42,348,172	$ 40,195	$ 42,388,367	$ 41,268,291

See Independent Auditor's Report.

Midwest Medical Foundation and Affiliate

Consolidating Statements of Operations

Years Ended September 30,	Midwest Medical Center	Midwest Medical Foundation	Consolidated Totals 2021	Comparitive Totals 2020
Revenue:				
Net patient and resident service revenue	28,047,792	-	28,047,792	22,730,702
Other operating revenue	3,706,912	-	3,706,912	5,566,245
Total revenue	31,754,704	-	31,754,704	28,296,947
Expenses:				
Salaries and wages	11,533,488	-	11,533,488	10,323,156
Employee benefits	2,788,153	-	2,788,153	2,572,458
Supplies and other expenses	10,841,225	-	10,841,225	9,190,299
Depreciation	2,394,839	-	2,394,839	2,434,579
Interest	1,347,377	-	1,347,377	1,350,963
Total expenses	28,905,082	-	28,905,082	25,871,455
Income from operations	2,849,622	-	2,849,622	2,425,492
Other income (expense):				
Contributions - Net	76,452	(1,767)	74,685	49,860
Interest income	224,732	-	224,732	158,939
Rental income	18,795	-	18,795	5,828
Rental expense, including depreciation expense	(36,061)	-	(36,061)	(43,278)
Loss on disposal and sale of property and equipment	(37,964)	-	(37,964)	(12,942)
Gain on forgiveness of long-term debt	2,398,100	-	2,398,100	-
Total other income - Net	2,644,054	(1,767)	2,642,287	158,407
Revenue in excess (deficiency) of expenses	$ 5,493,676	$ (1,767)	$ 5,491,909	$ 2,583,899

See Independent Auditor's Report.

Midwest Medical Foundation and Affiliate

Consolidating Statements of Changes in Net Assets (Deficit)

Years Ended September 30,	Midwest Medical Center	Midwest Medical Foundation	Consolidated Totals 2021	Comparitive Totals 2020
Net assets (deficit) without donor restrictions:				
Revenue in excess (deficiency) of expenses	$ 5,493,676	$ (1,767)	$ 5,491,909	$ 2,583,899
Net assets with donor restrictions:				
Interest income	25,284		25,284	22,301
Loans forgiven	(7,241)		(7,241)	(8,156)
Increase in net assets with donor restrictions	18,043	-	18,043	14,145
Change in net assets (deficit)	5,511,719	(1,767)	5,509,952	2,598,044
Net assets (deficit), beginning	(1,694,349)	41,962	(1,652,387)	(4,250,431)
Net assets (deficit), end	$ 3,817,370	$ 40,195	$ 3,857,565	$ (1,652,387)

See Independent Auditor's Report.

Other Reports

WIPFLI

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Midwest Medical Foundation and Affiliate
Galena, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Midwest Medical Foundation and Affiliate, which comprise the consolidated balance sheet as of September 30, 2021, and the related consolidated statement of operations and changes in net assets and cash flows for the year ended September 30, 2021, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 1, 2022.

Auditor's Responsibility

In planning and performing our audit of the consolidated financial statements, we considered Midwest Medical Foundation and Affiliate's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Midwest Health Foundation and Affiliate's internal control. Accordingly, we do not express an opinion on the effectiveness of Midwest Medical Foundation and Affiliate'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 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.

Auditor's Responsibility (Continued)

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 may exist that have not been identified. We did identify a certain deficiency in internal control that we consider to be a significant deficiency:

2021-001 Segregation of Duties

Condition – Segregation of duties provides stronger internal controls by not allowing one person to have control and responsibility over a complete accounting system (cash receipts, cash disbursements, payroll and purchasing, receiving, and accounts payable). It was noted that certain individuals in the Organization have significant responsibilities or access within the information systems to many of the financial accounting cycles such as accounts payable, payroll, financial accounting, and reporting, which creates a concern over segregation of duties. Due to the small staff size in the accounting departments, particularly noted within information systems access in registration and in purchasing and receiving functions, a lack of segregation of duties exists.

Criteria – The lack of proper segregation of duties is considered an internal control weakness.

Effect – As a result of not having a sufficient number of individuals in the accounting department to segregate duties, risk of misappropriation and fraudulent transactions in financial reporting increases.

Recommendation – We encourage the Board of Directors and management to strengthen internal controls or implement mitigating controls where possible.

Management's Response – The Organization has added an additional accounting position who will assist in many of the areas and create additional segregation of duties to some areas in the future, and access within the information systems and purchasing functions will also be reviewed in the upcoming fiscal year. The Board of Directors and management are aware of incompatible duties and will continue to provide oversight and monitor the Organization's operations.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Midwest Medical Foundation and Affiliate'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*.

Responses to Findings

Midwest Medical Foundation and Affiliate's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Midwest Medical Foundation and Affiliate's responses were not subjected to the audit procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

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 Midwest Medical Foundation and Affiliate'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 Midwest Medical Foundation and Affiliate's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

February 1, 2022
Eau Claire, Wisconsin

Midwest Medical Foundation and Affiliate

Consolidated Financial Statements and
Supplementary Consolidating Information

Years Ended September 30, 2020 and 2019

WIPFLI

Midwest Medical Foundation and Affiliate

Years Ended September 30, 2020 and 2019

Table of Contents

WIPFLI

Independent Auditor's Report

Board of Directors
Midwest Medical Foundation and Affiliate
Galena, Illinois

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Midwest Medical Foundation and Affiliate, which comprise the consolidated balance sheets as of September 30, 2020 and 2019, and the related consolidated statements of operations, changes in net deficit, and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Midwest Medical Foundation and Affiliate as of September 30, 2020 and 2019, and the results of their operations, changes in their net deficit, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information appearing on pages 31 through 34 is presented for the purpose 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. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2021, on our consideration of Midwest Medical Foundation and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 Midwest Medical Foundation and Affiliate's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

February 2, 2021
Eau Claire, Wisconsin

Midwest Medical Foundation and Affiliate

Consolidated Balance Sheets

September 30,	2020	2019
ASSETS		
Current assets:		
Cash	$ 10,243,015	$ 2,401,326
Patient and resident receivables - Net	3,765,356	4,885,312
Other receivables	228,415	14,347
Inventories	393,868	378,343
Prepaid expenses	150,902	141,854
Total current assets	14,781,556	7,821,182
Assets limited as to use:		
Board designated for capital improvements	2,610,279	2,563,978
Restricted for medical scholarships	1,559,089	1,544,944
Total assets limited as to use	4,169,368	4,108,922
Property and equipment - Net	22,310,805	23,056,785
Other assets	6,562	6,561
Total assets	$ 41,268,291	$ 34,993,450

Midwest Medical Foundation and Affiliate

Consolidated Balance Sheets (Continued)

September 30,	2020	2019
LIABILITIES AND NET DEFICIT		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	$ 2,565,681	$ 599,987
Accounts payable	966,343	874,108
Accrued expenses:		
Salaries and wages	775,022	454,269
Vacation	324,703	297,359
Interest	-	481,250
Amounts payable to third-party reimbursement programs	300,000	270,000
Security deposits	84,703	87,904
Deferred revenue	1,158,973	309,159
Total current liabilities	6,175,425	3,374,036
Long-term liabilities:		
Long-term debt and capital lease obligations - Less current portion	36,745,253	35,869,845
Total liabilities	42,920,678	39,243,881
Net deficit:		
Without donor restrictions	(3,211,476)	(5,795,375)
With donor restrictions	1,559,089	1,544,944
Total net deficit	(1,652,387)	(4,250,431)
Total liabilities and net deficit	$ 41,268,291	$ 34,993,450

See accompanying notes to consolidated financial statements.

Midwest Medical Foundation and Affiliate

Consolidated Statements of Operations

Years Ended September 30,	2020	2019
Revenue:		
Patient and resident service revenue - Net of contractual allowances and discounts	$ 22,957,609	$ 23,565,549
Provision for bad debts	(226,907)	(740,171)
Net patient services revenue, less provision for bad debts	22,730,702	22,825,378
Other operating revenue	5,566,245	1,866,708
Total revenue	28,296,947	24,692,086
Expenses:		
Salaries and wages	10,323,156	9,690,978
Employee benefits	2,572,458	2,585,441
Supplies and other expenses	9,190,299	8,152,690
Depreciation	2,434,579	2,310,053
Interest	1,350,963	2,227,543
Total expenses	25,871,455	24,966,705
Income (loss) from operations	2,425,492	(274,619)
Other income (expense):		
Contributions	49,860	99,831
Interest income	158,939	114,709
Rental income	5,828	22,885
Rental expense, including depreciation expense	(43,278)	(43,278)
Loss on disposal and sale of property and equipment	(12,942)	(3,587)
Gain on forgiveness of long-term debt	-	672,886
Total other income - Net	158,407	863,446
Revenue in excess of expenses	$ 2,583,899	$ 588,827

See accompanying notes to consolidated financial statements.

Midwest Medical Foundation and Affiliate

Consolidated Statements of Changes in Net Deficit

Years Ended September 30,	2020	2019
Net deficit without donor restrictions:		
Revenue in excess of expenses	$ 2,583,899	$ 588,827
Net assets with donor restrictions:		
Interest income	22,301	22,575
Loans forgiven	(8,156)	(5,564)
Increase in net assets with donor restrictions	14,145	17,011
Change in net deficit	2,598,044	605,838
Net deficit, beginning	(4,250,431)	(4,856,269)
Net deficit, end	$ (1,652,387)	$ (4,250,431)

See accompanying notes to consolidated financial statements.

Midwest Medical Foundation and Affiliate

Consolidated Statements of Cash Flows

Years Ended September 30,	2020	2019
Increase (decrease) in cash:		
Cash flows from operating activities:		
Change in net deficit	$ 2,598,044	$ 605,838
Adjustments to reconcile change in net deficit to net cash provided by operating activities:		
Depreciation	2,477,857	2,353,331
Amortization	10,310	18,337
Provision for bad debts	226,907	740,171
Loss on disposal and sale of assets	12,942	3,587
Gain on forgiveness of long-term debt	-	(672,886)
Restricted contributions and investment income	(22,301)	(22,575)
Changes in operating assets and liabilities:		
Patient and resident receivables	893,049	(251,570)
Other receivables	(214,068)	24,106
Inventories	(15,525)	4,397
Prepaid expenses	(9,048)	(15,953)
Accounts payable	92,235	71,706
Accrued expenses	(133,153)	(877,754)
Amounts payable to third-party reimbursement programs	30,000	(130,000)
Security deposits	(3,201)	(11,889)
Deferred revenue	849,814	(287,486)
Total adjustments	4,195,818	945,522
Net cash provided by operating activities	6,793,862	1,551,360
Cash flows from investing activities:		
Purchases of property and equipment	(724,410)	(467,402)
Proceeds from sale of property and equipment	-	150
(Increase) decrease in assets limited as to use	(60,446)	5,424,623
Net cash provided by (used in) investing activities	(784,856)	4,957,371
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	2,398,100	36,000,000
Payments of principal on long-term debt and capital lease obligations	(587,718)	(41,988,318)
Cash paid for debt issuance costs	-	(309,322)
Restricted contributions and interest income	22,301	22,575
Net cash provided by (used in) financing activities	1,832,683	(6,275,065)
Increase in cash	7,841,689	233,666
Cash at beginning of year	2,401,326	2,167,660
Cash at end of year	$ 10,243,015	$ 2,401,326

Midwest Health Foundation and Affiliate

Consolidated Statements of Cash Flows (Continued)

Years Ended September 30,	2020	2019
Supplemental cash flow information:		
Cash paid during the year for interest	$ 1,821,903	$ 3,178,445
Cost of assets acquired under capital lease obligations	1,020,409	-

See accompanying notes to consolidated financial statements.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

The Entity

Midwest Medical Foundation (the "Foundation") is a non-stock, not-for-profit Illinois corporation that was established as a supporting organization to MMC Health System and Midwest Medical Center (the "Medical Center") to accumulate, manage, and expend funds for the benefit and advancement of the Medical Center and other community health activities. Prior to March 2019, MMC Health System, a non-stock, not-for-profit Illinois corporation was the sole corporate member of the Foundation and the Medical Center. In March 2019, the Foundation entered into an acquisition agreement with MMC Health System and the Medical Center. The agreement reorganized the entities and the Foundation became the sole member of the Medical Center, and MMC Health System was dissolved. MMC Health System had no assets, liabilities, revenue, or expenses through the date of reorganization in 2019.

The Foundation operates the Medical Center, whose primary purpose is to provide healthcare services to the residents of the City of Galena, Illinois, and the surrounding area. The Medical Center operates a 25-bed acute care hospital, 57-bed nursing home, two outpatient clinics, and an assisted living apartment complex, which provides comprehensive medical, emergency, outpatient, clinical healthcare, and long-term care services.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of MMC Health System, the Foundation, and the Medical Center (collectively the "Organization"). All material intercompany accounts and transactions have been eliminated in consolidation.

Financial Statement Presentation

The Organization follows accounting standards set by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The ASC is the single source of authoritative accounting principles generally accepted in the United States (GAAP) to be applied to nongovernmental entities in the preparation of financial statements in conformity with GAAP.

Use of Estimates in Preparation of Consolidated Financial Statements

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that directly 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 revenue and expenses during the reporting period. Actual results may differ from these estimates.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Patient and Resident Receivables and Credit Policy

Patient and resident receivables are primarily uncollateralized patient and resident obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from local residents, most of whom are insured under third-party payor agreements. The Organization bills third-party payors on the patients' and residents' behalf, or if a patient or resident is uninsured, the patient or resident is billed directly. Once claims are settled with the primary payor, any secondary payor is billed, and patients and residents are billed for copay and deductible amounts that are the patients' and residents' responsibility. Payments on patient and resident receivables are applied to the specific claim identified on the remittance advice or statement. The Organization does not have a policy to charge interest on past due accounts.

Patient and resident receivables are recorded in the accompanying consolidated balance sheets net of contractual adjustments and an allowance for uncollectible accounts, which reflect management's estimate of the amounts that will not be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross patient and resident service revenue and a credit to patient and resident receivables. In addition, management provides for probable uncollectible amounts, primarily uninsured patients and amounts for which patients and residents are personally responsible, through a charge to operations and a credit to the allowance for uncollectible accounts based on its assessment of historical collection likelihood and the current status of individual accounts.

In evaluating the collectibility of patient and resident receivables, the Organization analyzes past results and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. Specifically, for receivables associated with services provided to patients or residents who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors and patients or residents who are known to be having financial difficulties that make the realization of amounts due unlikely.

For receivables associated with self-pay patients and residents (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

Inventories

Inventories consist primarily of medical supplies, general supplies, and pharmaceuticals used in the delivery of healthcare services. Inventories are stated at the lower of cost or net realizable value.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Assets Limited as to Use and Investment Income

Assets limited as to use include assets the Board of Directors have designated for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes, amounts held for restricted purposes including notes receivable from employees for medical tuition assistance, and assets set aside under terms of a bond indenture agreement.

Interest income is reported as other income and is included in revenue in excess of expenses unless the income is restricted by donor or law.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The Organization measures the fair value of its financial instruments using a three-tier hierarchy that prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Property, Equipment, and Depreciation

Property and equipment acquisitions are recorded at cost or, if donated, at fair value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Estimated useful lives range from three to twenty years for major movable equipment and from five to forty years for land improvements and buildings.

Equipment under capital lease obligations is amortized on the straight-line basis over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included with depreciation expense in the accompanying consolidated financial statements.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from revenue in excess of expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

The Organization evaluates the recoverability of its long-lived assets, which consist primarily of property and equipment with estimated useful lives, whenever events or changes in circumstance indicate that the carrying value may not be recoverable. If the recoverability of these assets is unlikely because of the existence of factors indicating impairment, an impairment analysis is performed using a projected undiscounted cash flow method. Management must make assumptions regarding estimated future cash flows and other factors to determine the fair value of these respective assets. If the carrying amounts of the assets exceed their respective fair values, the carrying value of the underlying assets would be adjusted to fair value and an impairment loss would be recognized. During 2020 and 2019, the Organization determined that no evaluations of recoverability were necessary.

Asset Retirement Obligation

The Organization accounts for the fair value of legal obligations associated with long-lived asset retirement in accordance with the asset retirement and environmental obligations accounting guidance. Management has considered this accounting guidance, specifically as it relates to its legal obligation to perform asset retirement activities, such as asbestos removal, on its existing properties. Management of the Organization believes that any potential liability related to asset retirement obligations would not be significant. As a result, no liability related to these retirement activities has been recognized as of September 30, 2020 and 2019.

Security Deposits

The Organization holds, in trust, security deposits from the residents of the assisted living facility. Security deposits are refundable upon vacancy.

Deferred Revenue

Grants and fees are recognized as revenue in the year the related expenditures are incurred. Funds received prior to providing the service or fulfilling a grantor's requirements are recorded as deferred revenue in the accompanying consolidated balance sheets.

Net Assets

Net assets without donor restrictions consist of investments and otherwise unrestricted amounts that are available for use in carrying out the mission of the Organization. Net assets with donor restrictions are those whose use by the Organization has been limited by donors to a specific time period or purpose, or those assets restricted by donors to be maintained by the Organization in perpetuity.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue in Excess of Expenses

The consolidated statements of operations and consolidated statements of changes in net deficit include the classification revenue in excess of expenses, which is considered the operating indicator. Changes in unrestricted net assets (deficit) which are excluded from the operating indicator would include contributions for property and equipment. The Organization did not have any activity in 2020 and 2019 requiring exclusion from the operating indicator.

Patient and Resident Service Revenue - Net of Contractual Allowances and Discounts

The Organization recognizes patient and resident service revenue associated with services provided to patients and residents who have third-party payor coverage on the basis of contractual rates for the services rendered. Certain third-party payor reimbursement agreements are subject to audit and retroactive adjustments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

For uninsured patients and residents who do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Organization's uninsured patients and residents will be unable or unwilling to pay for the services provided. Thus, the Organization records a significant provision for bad debts related to uninsured patients and residents in the period the services are provided.

Charity Care

The Organization provides care to patients who meet certain criteria under its financial assistance policy without charge or at amounts less than its established rates. Eligible patients and residents are identified based on analysis of financial information obtained from the patients and residents. The Organization maintains records to identify the amount of charges forgone for services and supplies furnished under the financial assistance policy. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient and resident service revenue – net of contractual allowances and discounts in the accompanying consolidated statements of operations.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Electronic Health Record Payments

The American Recovery and Reinvestment Act of 2009 (ARRA) provides for incentive payments under the Medicare and Medicaid programs for certain hospitals and physician practices that demonstrate meaningful use of certified electronic health record (EHR) technology. These provisions of ARRA, collectively referred to as the Health Information Technology for Economic and Clinical Health Act (the "HITECH Act"), are intended to promote the adoption and meaningful use of health information technology and qualified EHR technology.

The Organization recognizes revenue for EHR incentive payments when there is reasonable assurance that the conditions of the program will be met, primarily demonstrating meaningful use of certified EHR technology for the applicable period. The demonstration of meaningful use is based on meeting a series of objectives. Meeting the series of objectives in order to demonstrate meaningful use becomes progressively more stringent as its implementation is phased in through stages as outlined by the CMS.

Amounts recognized under the EHR incentive programs are based on management's estimates, which are based in part on cost report and other utilization data that is subject to audit by fiscal intermediaries; accordingly, amounts recognized are subject to change. In addition, the Organization's attestation of its compliance with the meaningful use criteria is subject to audit by the federal government or its designee.

Contributions and Donor-Restricted Gifts

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give cash and other assets to the Organization 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 either temporarily or permanently 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, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated financial statements as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

Income Taxes

The Organization and its affiliates are nonprofit entities as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Organization and its affiliates are also exempt from state income taxes on related income. The Organization is also engaged, to a limited extent, in certain activities subject to taxation as unrelated business income (UBI). The UBI is not significant.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Advertising Costs

Advertising costs are expensed as incurred.

Real Estate Taxes

The State of Illinois previously enacted legislation that clarifies when hospitals are eligible to receive exemption from property tax requirements. As part of the legislation, hospitals, including the Organization, must submit to the State of Illinois annual property tax exemption applications, which include information on the amount of benefits provided to low-income, charity care, and Illinois Public Aid (Medicaid) beneficiaries. As of September 30, 2020, the majority of the real estate of the Organization has been granted property tax exemption by the State of Illinois.

Adoption of Accounting Pronouncements

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments* (Topic 230). The updates in this ASU are expected to change the classification of certain cash receipts and payments within the statement of cash flows. This ASU was adopted for the Organization's year ending September 30, 2020, and did not materially impact the consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statements of Cash Flows - Restricted Cash* (Topic 230). The updates in this ASU are expected to change the presentation on the statement of cash flows that all cash and cash equivalents, including restricted cash equivalents, will be shown within the total cash and cash equivalents on the statement of cash flows. This will require a reconciliation be shown to reconcile the total cash and cash equivalents on the statement of cash flows to the related captions in the balance sheet. This ASU was adopted for the Organization's year ending September 30, 2020, and did not materially impact the consolidated financial statements.

New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue From Contracts with Customers* (Topic 606). The objective of the ASU is to standardize the revenue recognition practices across entities, industries, jurisdictions, and capital markets by providing a framework for entities to apply to recognize revenue. This new framework provides a five-step approach for recognizing revenue. In addition to consideration on recognizing revenue based on existing customer contract terms and features, entities will be required to enhance qualitative and quantitative disclosures in financial statements to describe how revenue is recognized under the ASU. The guidance in this ASU is effective for the Organization's year ending September 30, 2021.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The objective of this ASU is to assist organizations in recognizing the right to the use of an asset and its related liability or obligation when there is a contract in place which includes the right to control or direct the use of an identifiable asset. This ASU also includes provisions where the majority of leases that have lease terms greater than one year are to be recorded as capital leases on the balance sheet, whereas in the past, these leases may have been recorded as either capital leases or operating leases. This ASU is effective for the Organization's year ending September 30, 2023.

Management is evaluating the impact the new accounting pronouncements will have on the Organization.

Subsequent Events

Subsequent events have been evaluated through February 2, 2021, which is the date the consolidated financial statements were available to be issued.

Note 2: COVID-19

Starting in March 2020, the nation in general, and healthcare-related entities specifically, have been faced with a global pandemic. As healthcare entities prepared for the crisis, operational changes were made to delay routine visits and elective procedures and reevaluate the entire care delivery model to care for patient needs, specifically those affected by COVID-19. The complete financial impact on the economy in general and healthcare-related entities specifically is undeterminable at this time; however, it was noted and experienced by the Organization that both operational performance and cash flows for healthcare-related entities have been and will be impacted in fiscal year 2020 as well as future periods until the pandemic ends.

The federal and state governments, as well as other agencies, have been assisting many healthcare organizations to prevent significant financial constraints by providing supplemental payment programs in the forms of distributions which are intended to help in offsetting lost revenues as well as the cost of staffing, supplies, and equipment from treating patients impacted by or preparing for the pandemic's healthcare needs. Through September 30, 2020, the Organization received approximately $7,107,000 in funding from these programs and has recognized approximately $3,570,000 as other operating revenue in the accompanying consolidated statements of operations. Funding was primarily received from three different sources, including approximately $4,563,000 of provider relief funds from the HHS Coronavirus Aid, Relief, and Economic Security ("CARES") Act, approximately $2,398,000 as a Paycheck Protection Program loan from the Small Business Administration (See Note 11), and other state and local relief funds totaling approximately $146,000. These funds are subject to various financial and compliance guidelines for intended uses as published by the federal and state governments.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 3: Reimbursement Arrangements With Third-Party Payors

The Organization has agreements with third-party payors that provide for reimbursement to the Organization at amounts that vary from its established rates. A summary of the basis of reimbursement with major third-party payors follows:

Hospital Services

Medicare - The Organization's acute care hospital is designated a Critical Access Hospital (CAH). As such, the majority of inpatient, swing-bed, and outpatient hospital services are paid based on a cost reimbursement methodology, with the exception of certain types of laboratory and mammography services provided to Medicare patients, which are reimbursed on prospectively determined fee schedules. Professional services provided by physicians and other clinicians in the hospital setting continue to be reimbursed on prospectively determined fee schedules.

Medicaid - Hospital services rendered to Illinois Public Aid beneficiaries are paid at prospectively determined rates based on a patient classification system. These rates are not subject to retroactive adjustment; however, in order to receive additional reimbursement, the Organization must file a cost report annually with the State of Illinois.

Other payors - The Organization has entered into payment agreements with commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per discharge, discounts from established charges, fee schedules, and prospectively determines daily rates.

Rural Health Clinics

Medicare - Certain physician and professional services rendered to Medicare beneficiaries at the Organization's two outpatient clinics qualify for reimbursement as rural health clinic (RHC) services. Qualifying services are reimbursed based on a cost reimbursement methodology.

Medicaid - Clinic services rendered to Illinois Public Aid beneficiaries at the Organization's two outpatient clinics are paid at prospectively determined rates that are updated annually.

Nursing Home Services

Medicare - Medicare pays for Part A services based on a predetermined rate per resident day, which varies depending upon the resident's level of care and the types of services provided. Medicare pays for Part B services based on predetermined fee schedules.

Medicaid - A significant portion of the Organization's nursing home services were provided to aged and disabled nursing home residents who were beneficiaries of the Illinois Public Aid program. Illinois Public Aid reimburses the Medical Center on a prospectively determined rate per diem. The rate is determined on a cost-related basis subject to certain limitations as prescribed by the State of Illinois and adjusted based on the average acuity of the residents in the facility. The State of Illinois updates and makes adjustments to the nursing home Medicaid rates based on average resident acuity as reported by each facility in the previous 90-day period.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 3: Reimbursement Arrangements With Third-Party Payors (Continued)

Hospital Medical Assessment Programs

On November 21, 2006, the Centers for Medicare & Medicaid Services (CMS) approved the State's legislation for a Medicaid Hospital Assessment Program (the "Program"). The Program was effective through July 1, 2018. Effective July 1, 2018, the State approved a redesign of the Program. The redesigned Program will include contributions by hospitals to assist with operating the Program by those hospitals electing to fully participate in the Program in the future. Additional funding and reimbursement, through sharing in cost savings in the Medicaid program, was also available and distributed to participating hospitals through the development by the State of an Accountable Care Entity ("ACE"). The Organization elected to participate in the redesigned program effective July 1, 2018.

The Organization records additional Medicaid revenue from the Program when received. Under the Program, each hospital is assessed based on their adjusted gross hospital revenue in order to provide for additional Medicaid revenues to be redistributed to hospitals in the State of Illinois. The assessment and supplemental payment programs were extended under a redesigned program which was approved and extended through June 30, 2024.

Accounting for Medicare Contractual Arrangements

The Organization is reimbursed for cost-reimbursable items at tentative rates with final settlements determined after audit of the related annual cost reports by the respective Medicare fiscal intermediary. Estimated provisions to approximate the final expected settlements after review by the intermediary are included in the accompanying consolidated financial statements. The Organization's cost reports have been audited by the Medicare fiscal intermediary through September 30, 2017.

Electronic Health Record Incentive Funding

The Organization successfully met the criteria for meaningful use in a previous year for recognition on its Medicare cost report. The Organization recognized $290,044 and $307,289 of the Medicare EHR incentive program revenue as other operating revenue in the accompanying consolidated statements of operations in 2020 and 2019, respectively, and deferred recognition of the remaining amounts. The deferred revenue will be amortized and recognized as revenue over the approximately same future periods as depreciation expense is recognized on the related capital assets that were purchased to meet the required qualifications of the Medicare EHR incentive program.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 4: Patient and Resident Receivables

Patient and resident receivables consisted of the following at September 30:

	2020	2019
Patient and resident receivables	$ 5,870,998	$ 7,558,200
Less:		
Contractual allowances	1,155,973	1,912,888
Allowance for uncollectible accounts	399,669	760,000
Patient and resident receivables - Net	$ 4,315,356	$ 4,885,312

The Organization's allowance for uncollectible accounts decreased from approximately 10% of gross patient and resident receivables at September 30, 2019, to approximately 7% of gross patient and resident receivables at September 30, 2020. The Organization continues to experience a trend of patients and residents with high deductible or high copay health insurance plans, as well as, many patients and residents experiencing difficult economic times and having difficulties paying their outstanding balances in full. In 2019, the Organization reviewed its outstanding patient and resident receivables and noted these continued trends and increased its allowance for uncollectible accounts by a marginal percentage at September 30, 2019, and then subsequently increased collection efforts as well as cleaned up patient accounting balances in 2020. As a result, of these effects and review of the patient accounts receivable outstanding, the Organization lowered its allowance for uncollectible accounts at September 30, 2020. The Organization did not significantly change its collection or financial assistance policies during the years ended September 30, 2020 and 2019, other than required updates to conform with required financial assistance and collection guidelines as published in the Code.

Note 5: Patient and Resident Service Revenue - Net of Contractual Allowances and Discounts

The following table sets forth the detail of patient service revenue – net of contractual allowances and discounts prior to the provision for bad debts for the years ended September 30:

	2020	2019
Gross patient service revenue:		
Hospital	$ 28,337,865	$ 26,262,587
Nursing home	3,784,798	4,145,002
Clinics	2,212,655	2,512,052
Total gross patient service revenue	34,335,318	32,919,641
Deductions - Primarily contractual adjustments and discounts under third-party reimbursement agreements	(11,377,709)	(9,354,092)
Patients service revenue - Net of contractual adjustments and discounts	$ 22,957,609	$ 23,565,549

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 5: Patient and Resident Service Revenue - Net of Contractual Allowances and Discounts (Continued)

The Organization's percent of gross patient and resident service revenue by payor is as follows for the years ended September 30:

	2020	2019
Medicare	49 %	45 %
Medicaid	18 %	18 %
Commercial insurance	12 %	16 %
Blue Cross Blue Shield of Illinois	13 %	12 %
Patients	8 %	9 %
Total	100 %	100 %

Patient and resident service revenue - net of contractual allowances and discounts, prior to the provision for bad debts recognized in the years ended September 30, from these major payor sources is as follows:

	2020	2019
Medicare, Medicaid, and other third-party payors	$ 20,478,527	$ 20,559,580
Uninsured patients	2,479,082	3,005,969
Patients and resident service revenue - net of contractual adjustments and discounts	$ 22,957,609	$ 23,565,549

Note 6: Charity Care

The Organization provides healthcare services and other financial support through various programs that are designed, among other matters, to enhance the health of the community, including the health of low-income patients. Consistent with the mission of the Organization, care is provided to patients regardless of their ability to pay, including providing services to those persons who cannot afford health insurance because of inadequate resources or who are underinsured.

Patients who meet certain criteria for charity care, generally based on federal poverty guidelines, are provided care without charge or at a reduced rate, determined based on qualifying criteria as defined in the Organization's financial assistance policy and from applications completed by patients and their families. The Organization is also required to provide additional discounts to uninsured hospital patients under the Hospital Uninsured Patient Discount Act as required by Illinois state law.

The estimated cost of providing care to patients under the Organization's financial assistance policy was approximately $189,000 and $110,000 in 2020 and 2019, respectively. The cost was calculated by multiplying the ratio of cost to gross charges for the Organization times the gross uncompensated charges associated with providing the charity care.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 6: Charity Care (Continued)

Other benefits for the community for which the Organization is not compensated or for which compensation is below cost also include unpaid costs of treating the elderly, health screenings, community education through seminars and classes, and other health-related services.

Note 7: Investments and Assets Limited as to Use

The composition of assets limited as to use at September 30 is set forth in the following table:

	2020	2019
Board designated for capital improvements:		
Money market funds	$ 2,607,694	$ 2,561,818
Notes receivable	2,585	2,160
Total Board designated for capital improvements	2,610,279	2,563,978
Restricted for medical scholarships:		
Cash	100	100
Repurchase agreement	1,354,573	1,320,664
Notes receivable	204,416	224,180
Total restricted for medical scholarships	1,559,089	1,544,944
Total assets limited as to use	$ 4,169,368	$ 4,108,922

Note 8: Fair Value Measurements

Following is a description of the valuation methodologies the Organization used for assets measured at fair value:

Money market funds are valued using a net asset value of $1.00. Quoted prices by a financial institution for principal plus accrued interest approximate the fair value of the repurchase agreement.

The method described for fair value calculations may produce a calculation that may be different from the net realizable value or not reflective of future values expected to be received. The Organization believes that its valuation method is appropriate and consistent with other market participants; however, the use of these various methodologies and assumptions may produce results that differ in the estimates of fair value at the financial reporting date.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 8: Fair Value Measurements (Continued)

Information regarding assets, principally included in assets limited as to use and other assets, measured at fair value on a recurring basis as of September 30 is as follows:

2020	Level 1	Level 2	Level 3	Total Assets at Fair Value
Assets:				
Money market funds	$ -	$ 2,607,694	$ -	$ 2,607,694
Repurchase agreement	-	1,354,573	-	1,354,573
Total	$ -	$ 3,962,267	$ -	$ 3,962,267

2019	Level 1	Level 2	Level 3	Total Assets at Fair Value
Assets:				
Money market funds	$ -	$ 2,561,818	$ -	$ 2,561,818
Repurchase agreement	-	1,320,664	-	1,320,664
Total	$ -	$ 3,882,482	$ -	$ 3,882,482

Note 9: Liquidity and Availability of Financial Assets

The Organization does not have a formal liquidity policy but generally strives to maintain financial assets in liquid form such as cash and cash equivalents for at least approximately three to six months of operating expenses. Other funds, included in assets limited as to use in the accompanying consolidated balance sheets, are considered available for operational or capital needs, except for investments with restrictive redemption requirements. Occasionally, the Board of Directors designates a portion of operating surplus to be appropriated at its discretion for future operational initiatives and capital expenditures. These funds, at the discretion of the Board of Directors, could be released immediately or sold and redeemed prior to their maturity and are not considered available under the Organization's general liquidity management. At September 30, 2020 and 2019, the balance of these funds was $2,610,279 and $2,563,978.

Financial assets available for general expenditures, such as operating expenses, purchases of property and equipment, and scheduled debt service payments, within one year of the consolidated balance sheet date, comprise the following at September 30, 2020 and 2019:

	2020	2019
Cash	$ 10,243,015	$ 2,401,326
Patient and resident receivables - Net	4,161,255	4,885,312
Other receivables	228,415	14,347
Total	$ 14,632,685	$ 7,300,985

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 10: Property and Equipment - Net

Property and equipment consisted of the following at September 30:

	2020	2019
Land	$ 448,597	$ 448,597
Land improvements	3,983,868	3,933,618
Buildings	38,840,752	38,703,856
Major movable equipment	11,785,088	11,633,382
Total property and equipment	55,058,305	54,719,453
Less - Accumulated depreciation	32,955,670	31,805,121
Net depreciated value	22,102,635	$ 22,914,332
Construction in progress	208,170	142,453
Property and equipment - Net	$ 22,310,805	$ 23,056,785

The cost of equipment under capital lease obligations, which is included in major movable equipment, was $2,251,386 and $1,312,495 at September 30, 2020 and 2019, respectively, and the related accumulated amortization was $757,143 and $462,938 at September 30, 2020 and 2019, respectively.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 11: Long-Term Debt and Capital Lease Obligations

Long-term debt consisted of the following at September 30:

	2020	2019
United States Department of Agriculture (USDA), Rural Development, Direct Loans dated April 25, 2019, bearing interest at 3.5%. The loans are payable in monthly installments of principal and interest of $151,140 with a final payment due April 25, 2049. Interest only payments of $96,250 per month is due on the loans through April 25, 2020.	$ 32,726,732	$ 33,000,000
Secured Rural America Bonds, Series 2019A, dated April 25, 2019, bearing interest at 5.5%. The bonds are payable in monthly installments of principal and interest of $17,049 starting June 1, 2019, through May 1, 2049.	2,944,780	2,986,165
U.S. Small Business Administration Paycheck Protection Program Loan ("PPP Loan"), dated April 13, 2020, bearing interest at 1.00%. Principal and interest is due over an eighteen month period of time, beginning following a minimum of a six month deferral period after issuance of the loan, if not forgiven.	2,398,100	-
Capital lease obligations with imputed interest rates ranging from 2.99% to 5.50%, collateralized by leased equipment, payable in monthly installment payments as required in various agreements.	1,536,038	788,693
Totals	39,605,650	36,774,858
Less - Current portion	2,565,681	599,987
Less - Unamortized debt issuance costs	294,716	305,026
Long-term portion	$ 36,745,253	$ 35,869,845

In April 2019, in conjunction with the corporate reorganization described in Note 1, the Organization refinanced the Series 2006 Bonds through the issuance of the USDA direct loans and Series 2019A Bonds. At the time of the refinancing, the remaining outstanding balance on the Series 2006 Bonds was paid down with the remaining funds held by the bond trustee for the Series 2006 Bonds, as well as, a forgiveness of $1,332,820 by the bondholders.

The USDA direct loans and Series 2019A Bonds are collateralized under a pledge and security agreement which includes the Organization's revenue and income, accounts receivable, deposit accounts, inventories, property and equipment, and intangibles, if any. USDA has also guaranteed the balances of the direct loans and Series 2019 Bonds in the event of default by the Organization.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 11: Long-Term Debt and Capital Lease Obligations (Continued)

The loan and bond agreements contain various covenants, including those relating to limitations on incurring additional debt, disposing of property, debt service coverage ratio, days cash on hand ratio, and timely submission of specified financial reports and other information. USDA also requires the Organization to maintain reserve accounts with specific balances for debt services, reserve, and replacement reserve purposes. USDA has authorized the funds in the Organization's Board designated capital improvement fund, which is included in assets limited as to use in the accompanying consolidated balance sheets, to meet these funding requirements.

The PPP loan program allows for forgiveness of a portion or all of the loan balance based on the level of employee retention during either an eight or twenty-four week period following the issuance of the loan, plus certain other qualifying expenses in addition to payroll costs. The Organization has not received any formal notice of forgiveness as of the date of the accompanying consolidated financial statements.

Scheduled principal payments on long-term debt and capital lease obligations at September 30, 2020, including current maturities, are summarized as follows:

	Long-Term Debt	Capital Lease Obligations
2021	$ 2,207,424	$ 418,966
2022	1,663,074	407,519
2023	777,130	315,057
2024	805,787	156,670
2025	835,521	153,259
Thereafter	31,780,675	246,966
	$ 38,069,611	1,698,437
Less - Amounts representing interest on capital lease obligations		162,399
		$ 1,536,038

Note 12: Operating Leases

The Organization has entered into operating lease agreements for equipment and a clinic building with unrelated parties. Rental and lease expense under all operating leases totaled approximately $23,000 and $29,000 in 2020 and 2019, respectively.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 13: Net Assets With Donor Restrictions and Endowments

Net assets with donor restrictions include assets set aside in accordance with donor restrictions as to time or use. Net assets with donor restrictions are available for the following purposes at September 30:

	2020	2019
Donor restricted, including interest income, for medical education and scholarships	$ 1,223,638	$ 1,213,611
Donor restricted to be maintained in perpetuity, with interest income expendable, for medical education scholarships and loans	335,451	331,333
Total donor restricted funds	$ 1,559,089	$ 1,544,944

The Organization's net assets with donor restrictions include two endowment funds that are invested in various investments including cash accounts and repurchase agreements. The endowment funds were established by donors to be maintained in perpetuity, the income of which is expendable for medical education scholarships and loans upon approval of the Board of Directors.

The Board of Directors of the Organization have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift to the endowment fund absent any explicit donor stipulations that would otherwise dictate the contributed funds. The Organization has adopted investment and spending policies for endowment assets that attempt to provide a dependable method of funding programs supported by the endowment funds while seeking to preserve the purchasing power of the endowment assets. Under this policy, the Organization monitors the investments of the endowment so that these assets are invested in funds that are not expected to decline significantly in value in the future. This method of investing will maintain the purchasing power of the endowment assets that are required to be held in perpetuity, as well as to provide additional purchasing ability through investment returns.

Changes in endowment net assets for the years ended September 30 consisted of the following:

	2020		
	Donor Restricted Subject to Appropriations	Donor Restricted to be Held in Perpetuity	Total
Endowment net assets at beginning of year	$ 126,993	$ 198,649	$ 325,642
Interest income	9,809	-	9,809
Total	$ 136,802	$ 198,649	$ 335,451

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 13: Net Assets With Donor Restrictions and Endowments (Continued)

	2019		
	Donor Restricted Subject to Appropriations	Donor Restricted to be Held in Perpetuity	Total
Endowment net assets at beginning of year	$ 126,993	$ 198,649	$ 325,642
Interest income	5,691	-	5,691
Total	$ 132,684	$ 198,649	$ 331,333

Note 14: Retirement Plan

The Organization sponsors a defined contribution retirement plan for substantially all its employees. The Organization contributed up to 4% of the participating employees' eligible compensation based on a matching formula. The total retirement plan expense for the years ended September 30, 2020 and 2019, was $278,721 and $266,593, respectively.

Note 15: Malpractice Insurance

For the years 2020 and 2019, the Organization participated in a risk pooling insurance program known as the Illinois Provider Trust to provide professional and general medical liability coverage. The risk pool is a self-funded insurance pool made up of over 40 member hospitals in Illinois and coverage is maintained through the pool and reinsurance agreements for comprehensive general and hospital professional liability coverage of up to $2,000,000 per claim and in the aggregate to January 1, 2020. As of September 30, 2020 and 2019, management was unaware of any known claims of material amounts that would require reason to report a contingent loss on the consolidated balance sheets; thus no amount is recorded in the September 30, 2020 and 2019, consolidated balance sheets for unasserted claims.

Note 16: Concentration of Credit Risk

Financial instruments that potentially subject the Organization to credit risk consist principally of accounts receivable and cash deposits in excess of insured limits in financial institutions.

Accounts receivable consist of amounts due from patients and residents, their insurers, or governmental agencies (primarily Medicare and Medicaid) for healthcare provided to the patients and residents. The majority of the Organization's patients and residents are from Galena, Illinois, and the surrounding area.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 16: Concentration of Credit Risk (Continued)

The mix of receivables from patients and third-party payors is as follows at September 30:

	2020	2019
Medicare	33 %	27 %
Medicaid	17 %	33 %
Commercial insurance	33 %	24 %
Patients and residents	17 %	16 %
Total	100 %	100 %

The Organization maintains depository relationships with area financial institutions that are Federal Deposit Insurance Corporation (FDIC) insured institutions. The Organization maintains cash in accounts at these institutions which are insured by the FDIC up to $250,000. Operating cash needs often require that amounts on hand exceed FDIC limits. At September 30, 2020, the Organization had deposits at area financial institutions in excess of FDIC limits, and in order to limit its credit risk with respect to these deposits, the Organization has executed pledging and repurchase agreements with the financial institutions to provide for additional collateral on the majority of the amounts above the standard FDIC-insured limits. At September 30, 2020, there were no deposits in excess of the additional collateral pledged by the financial institutions on the Organization's deposits.

Note 17: Functional Expenses

The Organization provides general healthcare services to residents within its geographic location. The accompanying consolidated statements of operations present certain expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis. Employee benefits are allocated based on factors of either salary expense or actual employee expense. Overhead costs that include things such as professional services, office expenses, information technology, insurance, and other similar expenses are allocated on a variety of factors including revenues and departmental expense. Costs related to building and equipment usage include depreciation and interest and are allocated on a square footage or direct assignment basis. Expenses related to providing these services for the years ended September 30, 2020 and 2019, are as follows:

	2020			2019		
	Healthcare Services	General Administrative	Total	Healthcare Services	General Administrative	Total
Salaries and wages	$ 8,880,831	$ 1,442,325	$ 10,323,156	$ 8,337,100	$ 1,353,878	$ 9,690,978
Employee benefits	2,147,912	424,546	2,572,458	2,154,751	430,690	2,585,441
Supplies and other expenses	7,373,932	1,816,367	9,190,299	6,566,375	1,586,315	8,152,690
Depreciation	2,092,574	342,005	2,434,579	1,985,541	324,512	2,310,053
Interest	1,161,182	189,781	1,350,963	1,914,622	312,921	2,227,543
	$ 21,656,431	$ 4,215,024	$ 25,871,455	$ 4,008,316	$ 4,008,316	$ 24,966,705

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 18: Laws and Regulations

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and billing regulations. Government activity with respect to investigations and allegations concerning possible violations of such regulations by healthcare providers has increased. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayment for patient services previously billed. While no significant regulatory inquiries have been made of the Organization, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

CMS uses recovery audit contractors (RACs) to search for potentially inaccurate Medicare payments that might have been made to healthcare providers and were not detected through existing CMS program-integrity efforts. Once an RAC identifies a claim it believes is inaccurate, it makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. As of September 30, 2020, the Organization has not been notified by the RAC of any potential reimbursement adjustments.

Note 19: Reclassifications

Certain reclassifications have been made to the 2019 consolidated financial statements to conform with the classifications used in 2020.

Supplementary Consolidating Information

Midwest Medical Foundation and Affiliate

Consolidating Balance Sheets

September 30,	Midwest Medical Center	Midwest Medical Foundation	Consolidated Totals 2020	Comparitive Totals 2019
ASSETS				
Current assets:				
Cash	$ 10,220,756	$ 22,259	$ 10,243,015	$ 2,401,326
Patient and resident receivables - Net	3,765,356	-	3,765,356	4,885,312
Other receivables	228,415	-	228,415	14,347
Inventories	374,165	19,703	393,868	378,343
Prepaid expenses	150,902	-	150,902	141,854
Total current assets	14,739,594	41,962	14,781,556	7,821,182
Assets limited as to use:				
Board designated for capital improvements	2,610,279	-	2,610,279	2,563,978
Restricted for medical scholarships	1,559,089	-	1,559,089	1,544,944
Total assets limited as to use	4,169,368	-	4,169,368	4,108,922
Property and equipment - Net	22,310,805	-	22,310,805	23,056,785
Other assets	6,562	-	6,562	6,561
Total assets	$ 41,226,329	$ 41,962	$ 41,268,291	$ 34,993,450

Midwest Medical Foundation and Affiliate

Consolidating Balance Sheets (Continued)

September 30,	Midwest Medical Center	Midwest Medical Foundation	Consolidated Totals 2020	Comparitive Totals 2019
LIABILITIES AND NET ASSETS (DEFICIT)				
Current liabilities:				
Current portion of long-term debt and capital lease obligations	$ 2,565,681	$ -	$ 2,565,681	$ 599,987
Accounts payable	966,343	-	966,343	874,108
Accrued expenses:				
Salaries and wages	775,022	-	775,022	454,269
Vacation	324,703	-	324,703	297,359
Interest	-	-	-	481,250
Amounts payable to third-party reimbursement programs	300,000	-	300,000	270,000
Security deposits	84,703	-	84,703	87,904
Deferred revenue	1,158,973	-	1,158,973	309,159
Total current liabilities	6,175,425	-	6,175,425	3,374,036
Long-term liabilities:				
Long-term debt and capital lease obligations - Less current portion	36,745,253	-	36,745,253	35,869,845
Total liabilities	42,920,678	-	42,920,678	39,243,881
Net assets (deficit):				
Without donor restrictions	(3,253,438)	41,962	(3,211,476)	(5,795,375)
With donor restrictions	1,559,089	-	1,559,089	1,544,944
Total net assets (deficit)	(1,694,349)	41,962	(1,652,387)	(4,250,431)
Total liabilities and net assets (deficit)	$ 41,226,329	$ 41,962	$ 41,268,291	$ 34,993,450

See Independent Auditor's Report.

Midwest Medical Foundation and Affiliate

Consolidating Statements of Operations

Years Ended September 30,	Midwest Medical Center	Midwest Medical Foundation	Consolidated Totals 2020	Comparitive Totals 2019
Revenue:				
Patient and resident service revenue - Net of contractual allowances and discounts	$ 22,957,609	$ -	$ 22,957,609	$ 23,565,549
Provision for bad debts	(226,907)	-	(226,907)	(740,171)
Net patient services revenue, less provision for bad debts	22,730,702	-	22,730,702	22,825,378
Other operating revenue	5,566,245	-	5,566,245	1,866,708
Total revenue	28,296,947	-	28,296,947	24,692,086
Expenses:				
Salaries and wages	10,323,156	-	10,323,156	9,690,978
Employee benefits	2,572,458	-	2,572,458	2,585,441
Supplies and other expenses	9,190,299	-	9,190,299	8,152,690
Depreciation	2,434,579	-	2,434,579	2,310,053
Interest	1,350,963	-	1,350,963	2,227,543
Total expenses	25,871,455	-	25,871,455	24,966,705
Income (loss) from operations	2,425,492	-	2,425,492	(274,619)
Other income (expense):				
Contributions - Net	38,406	11,454	49,860	99,831
Interest income	158,939	-	158,939	114,709
Rental income	5,828	-	5,828	22,885
Rental expense, including depreciation expense	(43,278)	-	(43,278)	(43,278)
Loss on disposal and sale of property and equipment	(12,942)	-	(12,942)	(3,587)
Gain on forgiveness of long-term debt	-	-	-	672,886
Total other income - Net	146,953	11,454	158,407	863,446
Revenue in excess of expenses	$ 2,572,445	$ 11,454	$ 2,583,899	$ 588,827

See Independent Auditor's Report.

Midwest Medical Foundation and Affiliate

Consolidating Statements of Changes in Net Deficit

Years Ended September 30,	Midwest Medical Center	Midwest Medical Foundation	Consolidated Totals 2020	Comparitive Totals 2019
Net assets (deficit) without donor restrictions:				
Revenue in excess of expenses	$ 2,572,445	$ 11,454	$ 2,583,899	$ 588,827
Net assets with donor restrictions:				
Interest income	22,301	-	22,301	22,575
Loans forgiven	(8,156)	-	(8,156)	(5,564)
Increase in net assets with donor restrictions	14,145	-	14,145	17,011
Change in net assets (deficit)	2,586,590	11,454	2,598,044	605,838
Net assets (deficit), beginning	(4,280,939)	30,508	(4,250,431)	(4,856,269)
Net assets (deficit), end	$ (1,694,349)	$ 41,962	$ (1,652,387)	$ (4,250,431)

See Independent Auditor's Report.

Other Reports

WIPFLI

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Midwest Medical Foundation and Affiliate
Galena, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Midwest Medical Foundation and Affiliate, which comprise the consolidated balance sheet as of September 30, 2020, and the related consolidated statement of operations and changes in net assets and cash flows for the year ended September 30, 2020, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 2, 2021.

Auditor's Responsibility

In planning and performing our audit of the consolidated financial statements, we considered Midwest Medical Foundation and Affiliate's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Midwest Health Foundation and Affiliate's internal control. Accordingly, we do not express an opinion on the effectiveness of Midwest Medical Foundation and Affiliate'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 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 may exist that have not been identified. We did identify certain deficiencies in internal control that we consider to be significant deficiencies:

2020-001 Financial Accounting and Reporting

Condition – The Organization's internal control over financial reporting does not end at the general ledger, but extends to the consolidated financial statements and notes. As part of our professional services for the year ended September 30, 2020, we were requested to draft the consolidated financial statements and accompanying notes to the consolidated financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Because the Organization relies on Wipfli LLP to provide the necessary understanding of current accounting and disclosure principles in the preparation of the consolidated financial statements and notes, completeness of financial reporting could be negatively impacted as external auditors do not have the same comprehensive understanding of the Organization as internal staff.
Criteria – *Government Auditing Standards* considers the inability to report financial data reliably in accordance with accounting principles generally accepted in the United States (GAAP) to be an internal control weakness.

Effect – As a result of not having an individual trained in the preparation of GAAP basis financial statements, the Organization has a significant deficiency in internal controls.

Recommendation – We recommend that management and those charged with governance continue to evaluate whether to accept the degree of risk associated with this condition because of cost or other considerations. Management's Response – The Organization does not have the resources and staff to prepare the consolidated financial statements and notes, but will continue to oversee the auditor's services and review and approve the consolidated financial statements and notes.

2020-002 Segregation of Duties

Condition – Segregation of duties provides stronger internal controls by not allowing one person to have control and responsibility over a complete accounting system (cash receipts, cash disbursements, payroll and purchasing, receiving, and accounts payable). It was noted that certain individuals in the Organization have significant responsibilities or access within the information systems to many of the financial accounting cycles such as accounts payable, payroll, financial accounting, and reporting, which creates a concern over segregation of duties. Due to the small staff size in the accounting departments, a lack of segregation of duties exists.

Criteria – The lack of proper segregation of duties is considered an internal control weakness.

Effect – As a result of not having a sufficient number of individuals in the accounting department to segregate duties, risk of misappropriation and fraudulent transactions in financial reporting increases.

Recommendation – We encourage the Board of Directors and management to strengthen internal controls or implement mitigating controls where possible.

Management's Response – The Organization has added an additional accounting position who will assist in many of the areas and create additional segregation of duties to some areas in the future, and access within the information systems will also be reviewed in the upcoming fiscal year. The Board of Directors and management are aware of incompatible duties and will continue to provide oversight and monitor the Organization's operations.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Midwest Medical Foundation and Affiliate'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*.

Responses to Findings

Midwest Medical Foundation and Affiliate's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Midwest Medical Foundation and Affiliate's responses were not subjected to the audit procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

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 Midwest Medical Foundation and Affiliate'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 Midwest Medical Foundation and Affiliate's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

February 2, 2021
Eau Claire, Wisconsin

ATTACHMENT 36

Financial Viability

	Historical 3 Years			Projected	
	2019	2020	2021	2022	2023
Current Ratio	2.3	2.4	2.8	2.7	2.8
Net Margin Percentage	2.4%	9.1%	17.3%	8.4%	9.0%
Percent Debt to Total Capitalization	113%	105%	90%	83%	78%
Projected Debt Service Coverage	0.55	3.32	2.87	2.76	2.99
Days Cash on Hand	80.1	200.8	201.1	203.7	100.5
Cushion Ratio	0.14	0.33	0.41	0.50	0.24

No worksheets were prepared with respect to the above-provided information; however, data from the Financial Feasibility Study prepared by Wipfli on behalf of Midwest Medical Foundation and Midwest Medical Center was utilized in the calculations, as described below. Relevant pages of the referenced Financial Feasibility Study are attached.

Specifically:

Current Ratio: (Page 67 of the attached)
Current assets divided by current liabilities (listed on Pages 59 and 60 of the attached)

Net Margin Percentage: (Page 61 of the attached)
Revenue in excess (deficiency) of expenses divided by Total revenue

Percent Debt to Total Capitalization: (Page 67 of the attached)
Total liabilities (Page 60 of the attached) divided by Total Assets (Page 59 of the attached)

Projected Debt Service Coverage: Pages 66 and 67 of the attached

Days Cash on Hand: Pages 65 and 67 of the attached

Cushion Ratio: (Pages 60 and 65 of the attached)

Total available cash and cash equivalents divided by Long-term debt and capital lease obligations – Less current portion + Current portion of long-term debt and capital lease obligations

Midwest Medical Foundation and Affiliate

Galena, Illinois

Financial Feasibility Study

Years Ending September 30, 2022 Through 2026 (Forecasted)

WIPFLI

Midwest Medical Foundation and Affiliate
Section 6: Supplementary Information
September 30, 2017 Through 2021 (Historical)
September 30, 2022 Through 2026 (Forecasted)

Historical and Forecasted Financial Statements

Consolidated Balance Sheets

	Historical					Forecasted				
Assets	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Current assets:										
Cash	$ 1,523,324	$ 2,167,660	$ 2,401,326	$ 10,243,015	$ 5,130,329	$ 5,109,992	$ 5,592,260	$ 5,878,623	$ 6,280,153	$ 6,722,366
Patient and resident receivables - Net	4,679,357	5,373,913	4,885,312	3,765,356	4,440,760	5,151,882	5,903,195	6,303,409	6,811,977	7,184,095
Other receivables	92,856	38,453	14,347	228,415	350,119	350,119	350,119	350,119	350,119	350,119
Inventories	398,902	382,740	378,343	393,868	476,463	221,727	246,946	259,465	273,731	285,435
Prepaid expenses	144,289	125,901	141,854	150,902	208,734	239,827	254,518	266,193	283,831	305,821
Total current assets	6,838,728	8,088,667	7,821,182	14,781,556	10,606,405	11,073,547	12,347,038	13,057,809	13,999,811	14,847,836
Assets limited as to use:										
Board designated funds:										
Designated for capital improvements	2,473,242	2,919,826	824,978	796,279	7,658,486	10,416,644	1,960,999	6,321,302	11,526,426	16,370,263
Designated for debt service - USDA Direct Loan, Series 2019	-	-	1,739,000	1,814,000	1,814,000	1,814,000	1,814,000	1,814,000	1,814,000	1,814,000
Under bond indenture agreement	5,034,213	5,085,682	-	-	-	-	-	-	-	-
Project fund - USDA Guaranteed Loan, Series 2023	-	-	-	-	-	-	4,970,266	50,000	-	-
Debt service reserve fund - USDA Direct Loan, Series 2023	-	-	-	-	-	-	-	-	24,834	124,169
Debt service reserve fund - USDA Guaranteed Loan, Series 2023	-	-	-	-	-	-	-	-	9,223	46,115
Restricted for medical scholarships	1,519,765	1,528,037	1,544,944	1,559,089	1,577,132	1,593,772	1,610,664	1,627,812	1,645,219	1,662,890
Total assets limited as to use	9,027,220	9,533,545	4,108,922	4,169,368	11,049,618	13,824,416	10,355,929	9,813,114	15,019,702	20,017,437
Property and equipment - Net	25,919,800	24,946,451	23,056,785	22,310,805	20,729,844	19,767,882	30,328,576	46,670,035	51,302,503	48,214,754
Other assets	6,484	6,561	6,561	6,562	2,500	2,500	2,500	2,500	2,500	2,500
TOTAL ASSETS	$ 41,792,232	$ 42,575,224	$ 34,993,450	$ 41,268,291	$ 42,388,367	$ 44,668,345	$ 53,034,043	$ 69,543,458	$ 80,324,516	$ 83,082,527

The historical financial statements presented in this section are the responsibility of Organization management. Certain line items have been reclassified from the available audited financial statements for comparison purposes.
See Independent Accountant's Feasibility Study Report.

Midwest Medical Foundation and Affiliate

Section 6: Supplementary Information

September 30, 2017 Through 2021 (Historical)
September 30, 2022 Through 2026 (Forecasted)

Consolidated Balance Sheets (Continued)

	Historical					Forecasted				
Liabilities and Net Assets (Deficit)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Current liabilities:										
Current portion of long-term debt and capital lease obligations	$ 600,139	$ 806,295	$ 599,987	$ 1,081,145	$ 1,119,416	$ 1,066,939	$ 1,131,699	$ 1,182,363	$ 1,549,660	$ 1,638,907
Current portion of Paycheck Protection Program loan payable	-	-	-	1,484,536	-	-	-	-	-	-
Accounts payable	784,012	802,402	874,108	966,343	930,294	1,068,871	1,134,348	1,186,382	1,264,989	1,362,994
Accrued expenses:										
Salaries and wages	289,877	377,701	454,269	775,022	661,011	788,394	884,208	928,637	998,351	1,063,249
Vacation	256,258	282,442	297,359	324,703	411,761	491,111	550,796	578,472	621,899	662,325
Interest	1,467,956	1,450,489	481,250	-	-	-	-	-	-	-
Amounts payable to third-party reimbursement programs	100,000	400,000	270,000	300,000	550,000	550,000	550,000	550,000	550,000	550,000
Security deposits	97,132	99,793	87,904	84,703	95,786	95,786	95,786	95,786	95,786	95,786
Deferred revenue	290,044	290,044	309,159	1,158,973	19,162	18,226	18,226	18,226	18,226	18,226
Total current liabilities	3,885,418	4,509,166	3,374,036	6,175,425	3,787,430	4,079,327	4,365,063	4,599,866	5,098,911	5,391,487
Long-term liabilities:										
Long-term debt and capital lease obligations - Less current portion	42,550,520	42,615,726	35,869,845	35,831,689	34,743,372	33,686,744	38,144,081	50,347,214	56,115,771	54,497,480
Paycheck Protection Program loan payable	-	-	-	913,564	-	-	-	-	-	-
Deferred revenue	605,138	306,601	-	-	-	-	-	-	-	-
Total long-term liabilities	43,155,658	42,922,327	35,869,845	36,745,253	34,743,372	33,686,744	38,144,081	50,347,214	56,115,771	54,497,480
Total liabilities	47,041,076	47,431,493	39,243,881	42,920,678	38,530,802	37,766,071	42,509,144	54,887,080	61,214,682	59,888,967
Net assets (deficit):										
Without donor restrictions	(6,768,179)	(6,384,202)	(5,795,375)	(3,211,476)	2,280,433	5,308,502	8,914,235	13,028,566	17,464,615	21,530,670
With donor restrictions	1,519,335	1,527,933	1,544,944	1,559,089	1,577,132	1,593,772	1,610,664	1,627,812	1,645,219	1,662,890
Total net assets (deficit)	(5,248,844)	(4,856,269)	(4,250,431)	(1,652,387)	3,857,565	6,902,274	10,524,899	14,656,378	19,109,834	23,193,560
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	$ 41,792,232	$ 42,575,224	$ 34,993,450	$ 41,268,291	$ 42,388,367	$ 44,668,345	$ 53,034,043	$ 69,543,458	$ 80,324,516	$ 83,082,527

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See Independent Accountant's Feasibility Study Report.

Midwest Medical Foundation and Affiliate

Section 6: Supplementary Information

For the Years Ended September 30, 2017 Through 2021 (Historical)
For the Years Ending September 30, 2022 Through 2026 (Forecasted)

Schedule of Financial Ratios

Days Cash on Hand

	Historical					Forecasted				
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Cash	$ 1,523,324	$ 2,167,660	$ 2,401,326	$ 10,243,015	$ 5,130,329	$ 5,109,992	$ 5,592,260	$ 5,878,623	$ 6,280,153	$ 6,722,366
Board designated funds	2,473,242	2,919,826	2,563,978	2,610,279	9,472,486	12,230,644	3,774,999	8,135,302	13,340,426	18,184,263
Under bond indenture agreement	5,034,213	5,085,682	-	-	-	-	-	-	-	-
Debt service reserve fund - USDA Direct Loan, Series 2023	-	-	-	-	-	-	-	-	24,834	124,169
Debt service reserve fund - USDA Guaranteed Loan, Series 2023	-	-	-	-	-	-	-	-	9,223	46,115
Total available cash and cash equivalents (1)	9,030,779	10,173,168	4,965,304	12,853,294	14,602,815	17,340,636	9,367,259	14,013,925	19,654,636	25,076,913
Operating expense	23,748,274	24,906,270	24,966,705	25,871,455	28,905,082	33,428,852	36,562,946	38,712,863	41,949,354	44,982,150
Less:										
Depreciation expense	2,401,902	2,232,933	2,310,053	2,434,579	2,394,839	2,343,069	2,543,366	2,951,247	3,745,091	4,087,749
Amortization expense	57,404	24,070	18,337	10,310	10,311	10,311	10,311	13,057	20,616	20,616
Adjusted expenses (2)	$ 21,288,968	$ 22,649,267	$ 22,638,315	$ 23,426,566	$ 26,499,932	$ 31,075,472	$ 34,009,269	$ 35,748,559	$ 38,183,647	$ 40,873,785
Days in year (3)	365	365	365	366	365	365	365	366	365	365
Days cash on hand [[(1) divided by (2)]] times (3)	154.8	163.9	80.1	200.8	201.1	203.7	100.5	143.5	187.9	223.9

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See Independent Accountant's Feasibility Study Report.

Midwest Medical Foundation and Affiliate

Section 6: Supplementary Information

For the Years Ended September 30, 2017 Through 2021 (Historical)
For the Years Ending September 30, 2022 Through 2026 (Forecasted)

Annual Debt Service Coverage

	Historical					Forecasted				
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Funds available for debt service:										
Change in net assets (deficit)	$ (540,334)	$ 392,575	$ 605,838	$ 2,598,044	$ 5,509,952	$ 3,044,709	$ 3,622,625	$ 4,131,479	$ 4,453,456	$ 4,083,726
Plus:										
Depreciation expense	2,401,902	2,232,933	2,310,053	2,434,579	2,394,839	2,343,069	2,543,366	2,951,247	3,745,091	4,087,749
Interest expense	2,993,832	2,940,001	2,227,543	1,350,963	1,347,377	1,315,862	1,288,847	1,276,218	1,490,279	2,187,088
Funded interest	-	-	-	-	-	-	135,417	509,128	696,874	-
Loss on sale of assets	-	-	3,587	12,942	37,964	-	-	-	-	-
Less:										
Gain on loan forgiveness	25,000	-	672,886	-	2,398,100	-	-	-	-	-
Gain on sale of assets	500	-	-	-	-	-	-	-	-	-
Total funds available for debt service (1)	4,829,900	5,565,509	4,474,135	6,396,528	6,892,032	6,703,640	7,590,255	8,868,072	10,385,700	10,358,563
Annual debt service (2)	$ 3,543,961	$ 3,620,352	$ 8,197,524	$ 1,928,370	$ 2,397,423	$ 2,424,967	$ 2,541,492	$ 2,903,988	$ 3,428,859	$ 3,716,132
Annual debt service coverage [(1) divided by (2)]	1.36	1.54	0.55	3.32	2.87	2.76	2.99	3.05	3.03	2.79

	Historical					Forecasted				
(5) Annual debt service[1]	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Principal payments:										
Existing long-term debt and capital lease obligations	$ 574,200	$ 704,421	$ 5,988,318	$ 587,718	$ 1,060,357	$ 1,119,416	$ 1,066,939	$ 945,099	$ 977,125	$ 975,167
USDA Direct Loan, Series 2023	-	-	-	-	-	-	-	-	79,959	326,405
USDA Guaranteed Loan, Series 2023	-	-	-	-	-	-	-	-	11,088	45,988
New capital lease obligation	-	-	-	-	-	-	60,600	186,600	194,200	202,100
Interest payments:										
Existing long-term debt and capital lease obligations	2,969,761	2,915,931	2,209,206	1,340,652	1,337,066	1,305,551	1,265,536	1,228,961	1,193,494	1,157,901
Construction loan	-	-	-	-	-	-	-	184,128	453,124	-
USDA Direct Loan, Series 2023	-	-	-	-	-	-	-	-	168,378	666,943
USDA Guaranteed Loan, Series 2023	-	-	-	-	-	-	135,417	325,000	324,941	322,928
New capital lease obligation	-	-	-	-	-	-	13,000	34,200	26,600	18,700
Total annual debt service	$ 3,543,961	$ 3,620,352	$ 8,197,524	$ 1,928,370	$ 2,397,423	$ 2,424,967	$ 2,541,492	$ 2,903,988	$ 3,428,859	$ 3,716,132

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See Independent Accountant's Feasibility Study Report.

Midwest Medical Foundation and Affiliate

Section 6: Supplementary Information

For the Years Ended September 30, 2017 Through 2021 (Historical)
For the Years Ending September 30, 2022 Through 2026 (Forecasted)

Other Key Financial Ratios

	Historical					Almanac		Flex	Forecasted				
	2017	2018	2019	2020	2021	(1)	(2)	(3)	2022	2023	2024	2025	2026
Profitability indicators:													
Operating margin	-2.7%	1.0%	-1.1%	8.6%	9.0%	10.1%	6.0%	3.2%	7.7%	8.3%	9.2%	9.1%	7.7%
Total margin	-2.3%	1.6%	2.5%	9.2%	17.4%	13.4%	6.8%	3.3%	8.4%	9.1%	9.7%	9.7%	8.4%
Cash flow margin	7.6%	9.7%	10.9%	17.0%	24.5%	N/A	N/A	7.3%	14.3%	14.9%	16.3%	17.4%	16.2%
Return on equity	10.7%	-7.6%	-12.9%	-87.5%	498.1%	18.0%	17.5%	10.2%	56.3%	41.4%	32.7%	26.3%	19.2%
EBIDA	21.3%	22.2%	20.8%	22.5%	29.1%	8.2%	4.6%	N/A	18.5%	18.7%	19.6%	21.0%	21.3%
Liquidity indicators:													
Current ratio	1.8	1.8	2.3	2.4	2.8	1.7	1.8	1.8	2.7	2.8	2.9	2.8	2.8
Days cash on hand less Government Stimulus Funds (4)	68.5	82.0	80.1	145.2	201.1	96	47	123	203.7	100.5	143.5	187.9	223.9
Days cash on hand - All Funds (5)	154.8	163.9	80.1	200.8	201.1	139	92	N/A	203.7	100.5	143.5	187.9	223.9
Net days revenue in net patient and resident accounts receivable	80.0	83.6	78.1	60.6	57.8	51.4	47.7	42.2	57.8	57.8	57.8	57.8	57.8
Capital structure indicators:													
Equity financing	-12.6%	-11.4%	-12.1%	-4.0%	9.1%	64.0%	74.7%	60.8%	15.5%	19.8%	21.1%	23.8%	27.9%
Debt service coverage	1.36	1.54	0.55	3.32	2.87	N/A	N/A	2.2%	2.76	2.99	3.05	3.03	2.79
Long-term debt to capitalization	114%	113%	113%	105%	90%	24%	27%	24%	83%	78%	77%	75%	70%
Revenue indicators:													
Outpatient revenue to total revenue	63.6%	61.3%	62.1%	64.5%	68.8%	N/A	N/A	87.2%	68.8%	67.9%	65.2%	66.4%	67.2%
Inpatient revenue to total revenue	12.9%	16.8%	17.8%	18.0%	18.3%	N/A	N/A	12.8%	19.3%	22.4%	21.6%	20.9%	20.7%
Contractual adjustment percent	26.8%	27.0%	30.4%	32.9%	33.9%	N/A	N/A	49.4%	34.0%	36.6%	36.8%	36.2%	35.7%
Cost indicators:													
Salaries to total expenses	36.5%	36.8%	38.8%	39.9%	39.9%	N/A	N/A	44.0%	41.2%	42.2%	42.0%	41.5%	41.2%
Average age of plant	11.6	13.2	13.8	13.5	14.4	12.5	13.2	13.2	15.7	15.5	14.3	12.3	12.3
FTE's per adjusted occupied bed (excluding LTC)	4.0	3.9	4.0	4.3	4.0	3.8	5.4	5.8	4.4	4.3	4.2	4.3	4.3

(1) Optum 360 Almanac of Hospital Financial and Operating Indicators - CAH - East North Central, which includes Illinois, Indiana, Michigan, Ohio, and Wisconsin, 2/15/2022 data
(2) Optum 360 Almanac of Hospital Financial and Operating Indicators - Michigan Hospitals, 2/15/2022 data
(3) Michigan: May 2022 Flex Monitoring Team Data Summary Report No. 33, CAH Financial Indicators
(4) "Government Stimulus Funds" pertains to government stimulus funds received from legislation enacted in 2020 due to the COVID-19 Global Pandemic (such as the CARES Act and COVID-19 related funding, the PPP Loan, and also Medicare Accelerated and Advance Payments described herein)
(5) Includes assets limited as to use internally designated and assets limited as to use held for the USDA Direct Loan's debt service reserve fund

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See Independent Accountant's Feasibility Study Report.

ATTACHMENT 37

Economic Feasibility

A. Reasonableness of Financing Arrangements

See attached letter.

B. Conditions of Debt Financing

See attached letter.

C. Reasonableness of Project and Related Costs

1. Identify each department or area impacted by the proposed project and provide a cost and square footage allocation for new construction and/or modernization using the following format (insert after this page).

See following page.

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (List below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Mod.	Gross Sq. Ft. New Circ.*		Gross Sq. Ft. Mod. Circ.*		Const. $ (A x C)	Mod. $ (B x E)	
Wellness Center	$350	$ -	12675		0		$4,436,250	$	$4,440,000
Surgery	$500	$300	1950		3780		$975,000	$1,134,000	$2,110,000
Atrium/Lobby	$400	$	6888		0		$2,755,200	$ -	$2,750,000
Rehab	$375	$250	11900		6666		$4,462,500	$1,666,500	$6,130,000
Primary Care Clinic	$400	$250	9133		5900		$3,653,200	$1,475,000	$5,130,000
Specialty Care Clinic	$ -	$250	0		6460		$	$1,615,000	$1,620,000
Canopy	$160	$	1878		0		$300,480	$	$300,000
Site Development	$725,000	$	1		0		$725,000	$	$725,000
Contingencies	$4,873,050	$	1		0		$4,873,050	$	$4,873,050
Construction Mgmt Fees	$1,052,927	$	1		0		$1,052,927	$	$1,052,927
Professional Services	$2,074,168	$	1		0		$2,074,168	$	$2,074,168
Owner Items	$3,544,855	$	1		0		$3,544,855	$	$3,544,855
TOTALS									$34,750,000

* Include the percentage (%) of space for circulation

D. Projected Operating Costs

2025 – Operating Costs $41, 949,354
2026 – Operating Costs $44,982,150

E. Total Effect of the Project on Capital Costs

2025 – Capital Costs $4,632,468
2026 – Capital Costs ($3,087,749)

midwest
MEDICAL CENTER

September 26, 2022

Ms. Debra Savage
Chairperson
Illinois Health Facilities and Services Review Board
525 West Jefferson Street – 2nd Floor
Springfield, IL 62761

Re: Reasonableness of Financing Arrangements and Conditions of Debt Financing

Dear Ms. Savage:

With respect to the expansion and modernization project for Midwest Medical Center that is the basis for the submission of the Certificate of Need Permit Application to which this letter is attached, I hereby attest that the total estimated project costs and related costs will be funded in total or in part by borrowing because a portion or all the cash and equivalents must be retained in the balance sheet asset accounts to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities.

I further attest that the selected form of debt financing for the project will be at the lowest net cost available.

If you have any questions, please let me know.

Sincerely,

Tracy L. Bauer

Tracy Bauer
CEO and President
Midwest Medical Center

Subscribed and sworn to before me this 26th day of September, 2022.

Kristen Patterson
Signature of Notary Public

OFFICIAL SEAL
KRISTEN PATTERSON
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:10/20/23

ATTACHMENT 39

Charity Care Information

CHARITY CARE			
	2021	2020	2019
Net Patient Revenue	29,681,071	23,300,285	23,266,965
Amount of Charity Care (charges)	1,390,538	1,235,616	538,013
Cost of Charity Care	411,117	324,847	155,667