

## LONG-TERM CARE APPLICATION FOR PERMIT

### SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

#### DESCRIPTION OF PROJECT

##### Project Type

[Check one]

[check one]

- ☐ General Long-term Care
- ☒ Specialized Long-term Care

- ☐ Establishment of a new LTC facility
- ☐ Establishment of new LTC services
- ☒ Expansion of an existing LTC facility or service
- ☐ Modernization of an existing facility

#### Narrative Description

Provide in the space below, a brief narrative description of the project. Explain **WHAT** is to be done, **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.

**Include: the number and type of beds involved; the actions proposed (establishment, expansion and/or modernization); the ESTIMATED total project cost and the funding source(s) for the project.**

Marklund Children's Home d/b/a Marklund Wasmond Center and Marklund Charities (collectively, "Marklund" or the "Applicants") seek approval from the Illinois Health Facilities and Services Review Board (the "State Board") to add 24 skilled nursing beds to its existing Medically Complex/Skilled Nursing (MC/DD) facility located at 1435 Summit Street, Elgin, Illinois 60120 (the "Project"). The Project involves the discontinuation and relocation of the residents at Marklund Philip Center, a 30-bed MC/DD facility located at 164 South Prairie Avenue, Bloomingdale, Illinois 60108, to Marklund Wasmond Center.

As noted above, this project also includes the discontinuation of Marklund Philip Center, which is not subject to the State Board review and approval. The facility is over sixty years old with an antiquated institutional design. Further, it is small and can only accommodate 21 of its 30 licensed beds. Significant changes to the physical plant would be required to accommodate all thirty beds, which is economically unfeasible. Given its small size, it is inefficient to operate and difficult staff, which makes it more costly (30% more expensive) to operate than other MC/DD facilities.

Marklund Wasmond Center and Marklund Philip Center consistently operate at or near full occupancy and frequently cannot admit new residents. Collectively, these two facilities can justify the beds requested for the Project. Consolidation of Marklund Wasmond Center and Marklund Philip Center will allow Marklund to expand access to these highly specialized services to a greater number of residents without a significant increase in staff, create economies of scale, integrate clinical, administrative and support functions, and eliminate functional redundancies between the two facilities.

The planned Project is non-substantive, as it does not propose the establishment or discontinuation of a health care facility.

The total project cost is \$11,732,913 and will be funded with \$3,732,913 in cash and \$8,000,000 in debt.

**Facility/Project Identification**

Facility Name: Marklund Wasmond Center		
Street Address: 1435 Summit Street		
City and Zip Code: Elgin, Illinois 60120		
County: Cook	Health Service Area: 007	Health Planning Area: 7-A

**Applicant /Co-Applicant Identification****[Provide for each co-applicant [refer to Part 1130.220].**

Exact Legal Name: Marklund Children's Home
Address: 1S450 Wyatt Drive, Geneva, Illinois 60134
Name of Registered Agent: Robin R. Kelleher
Name of Chief Executive Officer: Gilbert Fonger
CEO Address: 1S450 Wyatt Drive, Geneva, Illinois 60134
Telephone Number: 630-593-5476

**Type of Ownership (Applicant/Co-Applicants)**

<input checked="" type="checkbox"/> Non-profit Corporation	<input type="checkbox"/> Partnership
<input type="checkbox"/> For-profit Corporation	<input type="checkbox"/> Governmental
<input type="checkbox"/> Limited Liability Company	<input type="checkbox"/> Sole Proprietorship <input type="checkbox"/> Other

- o Corporations and limited liability companies must provide an **Illinois certificate of good standing**.
- o 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.

**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: Anne M. Cooper
Title: Attorney
Company Name: Polsinelli PC
Address: 150 North Riverside Plaza, Suite 3000, Chicago, Illinois 60606-1599
Telephone Number: 312-873-3606
E-mail Address: acooper@polsinelli.com
Fax Number:

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

Name: Gilbert Fonger
Title: President & CEO
Company Name: Marklund Children's Home
Address: 1S450 Wyatt Drive, Geneva, Illinois 60134
Telephone Number: 630-593-5476
E-mail Address: gfonger@marklund.org

Fax Number:

**Facility/Project Identification**

Facility Name: Marklund Wasmond Center			
Street Address: 1435 Summit Street			
City and Zip Code: Elgin, Illinois 60120			
County: Cook	Health Service Area: 007	Health Planning Area: 7-A	

**Applicant /Co-Applicant Identification****[Provide for each co-applicant [refer to Part 1130.220].**

Exact Legal Name: Marklund Charities
Address: 1S450 Wyatt Drive, Geneva, Illinois 60134
Name of Registered Agent: Robin R. Kelleher
Name of Chief Executive Officer: Gilbert Fonger
CEO Address: 1S450 Wyatt Drive, Geneva, Illinois 60134
Telephone Number: 630-593-5476

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Company Name: Marklund Children's Home
Address: 1S450 Wyatt Drive, Geneva, Illinois 60134
Telephone Number: 630-593-5476
E-mail Address: gfonger@marklund.org
Fax Number:



**Post Permit Contact**

[Person to receive all correspondence subsequent to permit issuance. **This person must be an employee of the applicant.**]

Name: Anne M. Cooper
Title: Attorney
Company Name: Polsinelli PC
Address: 150 North Riverside Plaza, Suite 3000, Chicago, Illinois 60606-1599
Telephone Number: 312-873-3606
E-mail Address: acooper@polsinelli.com
Fax Number:

**Site Ownership**

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Marklund Children's Home
Address of Site Owner: 1S450 Wyatt Drive, Geneva, Illinois 60134
Street Address or Legal Description of Site: 1435 Summit Street, Elgin, Illinois 60120
<b>Proof of ownership or control of the site is to be provided as . Examples of proof of ownership are property tax statement, 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.</b>
<b>APPEND DOCUMENTATION AS ATTACHMENT-2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b>

**Operating Identity/Licensee**

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

Exact Legal Name: Marklund Children's Home d/b/a Marklund Wasmond Center	
Address: 1435 Summit Street, Elgin, Illinois 60120	
<input checked="" type="checkbox"/> Non-profit Corporation <input type="checkbox"/> For-profit Corporation <input type="checkbox"/> Limited Liability Company	<input type="checkbox"/> Partnership <input type="checkbox"/> Governmental <input type="checkbox"/> Sole Proprietorship
<input type="checkbox"/> Other	
<ul style="list-style-type: none"> <li>o Corporations and limited liability companies must provide an Illinois Certificate of Good Standing.</li> <li>o 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.</li> <li>o <b>Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.</b></li> </ul>	
<b>APPEND DOCUMENTATION AS ATTACHMENT-3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b>	

**Organizational Relationships**

Provide (for each co-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](http://www.FEMA.gov) or [www.illinoisfloodmaps.org](http://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>). Before an application for permit involving construction will be deemed **COMPLETE** the applicant must **attest** that the project **is or is not in a flood plain**, and that the location of the proposed project complies with the Flood Plain Rule under **Illinois Executive Order #2006-5**.

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.

**State Agency Submittals**

The following submittals are up- to- date, as applicable:

- ☒ All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
- ☒ All reports regarding outstanding permits

**If the applicant fails to submit updated information for the requirements listed above, the application for permit will be deemed incomplete.**

**CERTIFICATION**

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) 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 for Permit is filed on the behalf of Marklund Children's Home d/b/a Marklund Wasmond 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 for permit 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 permit application fee required for this application is sent herewith or will be paid upon request.**

SIGNATURE

Gilbert Fonger


PRINTED NAME

President &amp; CEO

PRINTED TITLE

Notarization:

Subscribed and sworn to before me  
this 7 day of December

  
Signature of Notary

Seal

\*Insert EXACT legal name of the applicant



SIGNATURE

Mike Herlihy

PRINTED NAME

Chair, Board of Directors

PRINTED TITLE

Notarization:

Subscribed and sworn to before me  
this 7 day of December

  
Signature of Notary

Seal



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The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) 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 for Permit is filed on the behalf of Marklund Charities\* 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 for permit 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 permit application fee required for this application is sent herewith or will be paid upon request.**

SIGNATURE

Gilbert Fonger

PRINTED NAME

President &amp; CEO

PRINTED TITLE

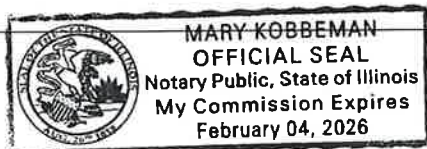
Notarization:

Subscribed and sworn to before me  
this 7 day of December

Signature of Notary

Seal

\*Insert EXACT legal name of the applicant



SIGNATURE

Mike Herlihy

PRINTED NAME

Chair, Board of Directors

PRINTED TITLE

Notarization:

Subscribed and sworn to before me  
this 7 day of December

Signature of Notary

Seal



**SECTION II – PURPOSE OF THE PROJECT, AND ALTERNATIVES –  
INFORMATION REQUIREMENTS**

This Section is applicable to ALL projects.

**Criterion 1125.320 – Purpose of the Project**

**READ THE REVIEW CRITERION** and provide the following required information:

**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, 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 information provided as 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 age and condition and 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 Report. APPEND DOCUMENTATION AS ATTACHMENT-10, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. Each item (1-6) must be identified in Attachment 10.

**Criterion 1125.330 – Alternatives**

**READ THE REVIEW CRITERION** and provide the following required information:

**ALTERNATIVES**

1. Identify **ALL** of 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-11. IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**SECTION III – BED CAPACITY, UTILIZATION AND APPLICABLE REVIEW CRITERIA**

This Section is applicable to all projects proposing establishment, expansion or modernization of LTC categories of service that are subject to CON review, as provided in the Illinois Health Facilities Planning Act [20 ILCS 3960]. It is comprised of information requirements for each LTC category of service, as well as charts for each service, indicating the review criteria that must be addressed for each action (establishment, expansion and modernization). After identifying the applicable review criteria for each category of service involved, read the criteria and provide the required information, AS APPLICABLE TO THE CRITERIA THAT MUST BE ADDRESSED:

**Criterion 1125.510 – Introduction****Bed Capacity**

Applicants proposing to establish, expand and/or modernize General Long Term Care must submit the following information:

Indicate bed capacity changes by Service:

Category of Service	Total # Existing Beds*	Total # Beds After Project Completion
<input type="checkbox"/> General Long-Term Care		
<input checked="" type="checkbox"/> Specialized Long-Term Care	61	85
<input type="checkbox"/>		

\*Existing number of beds as authorized by IDPH and posted in the “LTC Bed Inventory” on the HFSRB website ([www.hfrsb.illinois.gov](http://www.hfrsb.illinois.gov)). PLEASE NOTE: ANY bed capacity discrepancy from the Inventory will result in the application being deemed **incomplete**.

**Utilization**

Utilization for the most current CALENDAR YEAR:

Category of Service	Year	Admissions	Patient Days
<input type="checkbox"/> General Long Term Care			
<input checked="" type="checkbox"/> Specialized Long-Term Care	2021	8	21,109

**Applicable Review Criteria - Guide**

The review criteria listed below must be addressed, per the LTC rules contained in 77 Ill. Adm. Code 1125. See HFSRB's website to view the subject criteria for each project type - (<http://hfsrb.illinois.gov>). To view LTC rules, click on "Board Administrative Rules" and then click on "77 Ill. Adm. Code 1125".

READ THE APPLICABLE REVIEW CRITERIA OUTLINED BELOW and **submit the required documentation for the criteria, as described in SECTIONS IV and V:**

**GENERAL LONG-TERM CARE**

PROJECT TYPE	REQUIRED REVIEW CRITERIA	
	Section	Subject
Expansion of Existing Services	.520	Background of the Applicant
	.530(b)	Service to Planning Area Residents
	.550(a) + (b) or (c)	Service Demand – Expansion of General Long-Term Care
	.590	Staffing Availability
	.600	Bed Capacity
	.620	Project Size
	.640	Assurances
	Appendix A	Project Costs and Sources of Funds
	Appendix B	Related Project Costs
	Appendix C	Project Status and Completion Schedule
	Appendix D	Project Status and Completion Schedule

**SPECIALIZED LONG-TERM CARE**

PROJECT TYPE	REQUIRED REVIEW CRITERIA	
	Section	Subject
Establishment of LTC Developmentally Disabled - Children	.720(a)	Facility Size
	.720(b)	Community Related Functions
	.720(c)	Availability of Ancillary and Support Programs
	.720(d)	Recommendations from State Departments
	.720(f)	Zoning
	.720(j)	State Board Consideration of Public Hearing Testimony
	.800	Estimated Total Project Cost
	Appendix A	Project Costs and Sources of Funds
	Appendix B	Related Project Costs
	Appendix C	Project Status and Completion Schedule



	Appendix D	Project Status and Completion Schedule
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**SECTION IV - SERVICE SPECIFIC REVIEW CRITERIA****GENERAL LONG-TERM CARE****Criterion 1125.520 – Background of the Applicant****BACKGROUND OF APPLICANT**

The applicant shall provide:

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. 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. 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.
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 the information has been 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 is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

**APPEND DOCUMENTATION AS ATTACHMENT-12, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-4) MUST BE IDENTIFIED IN ATTACHMENT 11.**

**Criterion 1125.530 - Planning Area Need**

2. Attest that the primary purpose of the project is to serve residents of the planning area and that at least 50% of the patients will come from within the planning area.
3. Provide letters from referral sources (hospitals, physicians, social services and others) that attest to total number of prospective residents (by zip code of residence) who have received care at existing LTC facilities located in the area during the 12-month period prior to submission of the application. Referral sources shall verify their projections and the methodology used, as described in Section 1125.540.

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

**Criterion 1125.550 - Service Demand – Expansion of General Long-Term Care**

The applicant shall document #1 **and** either #2 or #3:

1. Historical Service Demand
  - a. An average annual occupancy rate that has equaled or exceeded occupancy standards for general LTC, as specified in Section 1125.210(c), for each of the latest two years.
  - b. If prospective residents have been referred to other facilities in order to receive the subject services, the applicant shall provide documentation of the referrals, including completed applications that could not be accepted due to lack of the subject service and documentation from referral sources, with identification of those patients by initials and date.
2. Projected Referrals  
The applicant shall provide documentation as described in Section 1125.540(d).
3. **If a projected demand for service is based upon rapid population growth in the applicant facility's existing market area** (as experienced annually within the latest 24-month period), the projected service demand shall be determined as described in Section 1125.540 (e).

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

**Criterion 1125.590 - Staffing Availability**

1. For each category of service, document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and JCAHO staffing requirements can be met.
2. Provide the following documentation:
  - a. The name and qualification of the person currently filling the position, if applicable; and
  - b. Letters of interest from potential employees; and
  - c. Applications filed for each position; and
  - d. Signed contracts with the required staff; or
  - e. A narrative explanation of how the proposed staffing will be achieved.

APPEND DOCUMENTATION AS ATTACHMENT- 19. IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**Criterion 1125.600 Bed Capacity**

The maximum bed capacity of a general LTC facility is 250 beds, unless the applicant documents that a larger facility would provide personalization of patient/resident care and documents provision of quality care based on the experience of the applicant and compliance with IDPH's licensure standards (77 Ill. Adm. Code: Chapter I, Subchapter c (Long-Term Care Facilities)) over a two-year period.

**APPEND DOCUMENTATION AS ATTACHMENT- 20, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

**Criterion 1125.620 - Project Size**

The applicant shall document that the amount of physical space proposed for the project is necessary and not excessive. The proposed gross square footage (GSF) cannot exceed the GSF standards as stated in Appendix A of 77 Ill. Adm. Code 1125 (LTC rules), unless the additional GSF can be justified by documenting one of the following:

1. Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies;
2. The existing facility's physical configuration has constraints or impediments and requires an architectural design that results in a size exceeding the standards of Appendix A;
3. The project involves the conversion of existing bed space that results in excess square footage.

**APPEND DOCUMENTATION AS ATTACHMENT- 22, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

**Criterion 1125.640 - Assurances**

1. The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the second year of operation after the project completion, the applicant will achieve and maintain the occupancy standards specified in Section 1125.210(c) for each category of service involved in the proposal.
2. For beds that have been approved based upon representations for continuum of care (Section 1125.560(a)) or defined population (Section 1125.560(b)), the facility shall provide assurance that it will maintain admissions limitations as specified in those Sections for the life of the facility. To eliminate or modify the admissions limitations, prior approval of HFSRB will be required.

**APPEND DOCUMENTATION AS ATTACHMENT- 24, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

**SPECIALIZED LONG-TERM****Criterion 1125.720 - Specialized Long-Term Care – Review Criteria**

**This section is applicable to all projects proposing specialized long-term care services or beds.**

**1. Community Related Functions**

Read the criterion and submit the following information:

- a. a description of the process used to inform and receive input from the public including those residents living in close proximity to the proposed facility's location;
- b. letters of support from social, social service and economic groups in the community;
- c. letters of support from municipal/elected officials who represent the area where the project is located.

**2. Availability of Ancillary and Support Services**

Read the criterion, which applies only to ICF/DD 16 beds and fewer facilities, and submit the following:

- a. a copy of the letter, sent by certified mail return receipt requested, to each of the day programs in the area requesting their comments regarding the impact of the project upon their programs and any response letters;
- b. a description of the public transportation services available to the proposed residents;
- c. a description of the specialized services (other than day programming) available to the residents;
- d. a description of the availability of community activities available to the facility's residents.
- e. documentation of the availability of community workshops.

**3. Recommendation from State Departments**

Read the criterion and submit a copy of the letters sent, including the date when the letters were sent, to the Departments of Human Services and Healthcare and Family Services requesting these departments to indicate if the proposed project meets the department's planning objectives regarding the size, type, and number of beds proposed, whether the project conforms or does not conform to the department's plan, and how the project assists or hinders the department in achieving its planning objectives.

**4. Long-term Medical Care for Children Category of Service**

Read the criterion and submit the following information:

- a. a map outlining the target area proposed to be served;
- b. the number of individuals age 0-18 in the target area and the number of individuals in the target area that require the type of care proposed, include the source documents for this estimate;
- c. any reports/studies that show the points of origin of past patients/residents admissions to the facility;

- d. describe the special programs or services proposed and explain the relationship of these programs to the needs of the specialized population proposed to be served.
- e. indicate why the services in the area are insufficient to meet the needs of the area population;
- f. documentation that the 90% occupancy target will be achieved within the first full year of

**APPEND DOCUMENTATION AS ATTACHMENT-26, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

**SECTION V – FINANCIAL AND ECONOMIC FEASIBILITY REVIEW****Criterion 1125.800 Estimated Total Project Cost**

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):

- Availability of Funds – Review Criteria
- Financial Viability – Review Criteria
- Economic Feasibility – Review Criteria, subsection (a)

**Availability of Funds**

The applicant shall document that 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:**

<u>\$3,732,913</u>	<p>a. Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:</p> <ol style="list-style-type: none"> <li>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</li> <li>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;</li> </ol>
_____	b. Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table 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 time table of receipts;
<u>\$8,000,000</u>	<p>d. Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including:</p> <ol style="list-style-type: none"> <li>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;</li> <li>2. For revenue bonds, proof of the feasibility of securing the specified amount and interest rate;</li> <li>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.;</li> <li>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;</li> <li>5. For any option to lease, a copy of the option, including all terms and conditions.</li> </ol>

_____	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.
<b>\$11,732,913</b>	<b>TOTAL FUNDS AVAILABLE</b>

APPEND DOCUMENTATION AS ATTACHMENT-27, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

## 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 of the projects 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-28, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

1. 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.

Provide Data for Projects Classified as:	Category A or Category B (last three years)			Category B (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.



## 2. 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 29, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

## Economic Feasibility

This section is applicable to all projects

### 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 of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 1.5 times for LTC 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:

Identify each 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 SERVICE									
Area (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)	
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 - 30, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

**APPENDIX A****Project Costs and Sources of Funds**

Complete the following table listing all costs 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 equal.

<b>Project Costs and Sources of Funds</b>			
<b>USE OF FUNDS</b>	<b>CLINICAL</b>	<b>NONCLINICAL</b>	<b>TOTAL</b>
Preplanning Costs	\$151,510	\$4,027	\$155,537
Site Survey and Soil Investigation	\$8,467	\$446	\$8,913
Site Preparation	\$330,889	\$17,415	\$348,304
Off Site Work			
New Construction Contracts	\$7,857,955	\$413,577	\$8,271,532
Modernization Contracts			
Contingencies	\$785,795	\$41,358	\$827,153
Architectural/Engineering Fees	\$580,606	\$30,558	\$611,164
Consulting and Other Fees	\$130,637	\$6,876	\$137,513
Movable or Other Equipment (not in construction contracts)	\$480,181	\$38,020	\$518,201
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	\$813,154	\$41,442	\$854,596
Acquisition of Building or Other Property (excluding land)			
<b>TOTAL USES OF FUNDS</b>	<b>\$11,139,194</b>	<b>\$593,719</b>	<b>\$11,732,913</b>
<b>SOURCE OF FUNDS</b>	<b>CLINICAL</b>	<b>NONCLINICAL</b>	<b>TOTAL</b>
Cash and Securities	\$3,544,017	\$188,896	\$3,732,913
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages	\$7,595,177	\$404,823	\$8,000,000
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$11,139,194</b>	<b>\$593,719</b>	<b>\$11,732,913</b>

**APPENDIX A****Itemized Project Costs and Sources of Funds**

Table 1120.110			
Project Cost	Clinical	Non-Clinical	Total
Preplanning			
Legal	\$75,000	\$0	\$75,000
Development & Feasibility Studies	\$25,706	\$1,353	\$27,059
Space Planning	\$50,804	\$2,674	\$53,478
Site Survey & Soil Investigation			
Soil/Environmental Survey	\$8,467	\$446	\$8,913
Site Preparation			
Concrete	\$115,759	\$6,093	\$121,852
Utilities	\$20,279	\$1,067	\$21,346
Grading and Earthwork	\$194,851	\$10,255	\$205,106
New Construction Contracts			
Core/Shell	\$6,867,971	\$361,472	\$7,229,443
Build Out	\$989,984	\$52,105	\$1,042,089
Contingencies			
Core/Shell	\$605,672	\$31,878	\$637,550
Build Out	\$87,306	\$4,595	\$91,901
Site/Soils	\$92,817	\$4,885	\$97,702
Architectural/Engineering Fees			
Structural Vaults	\$580,606	\$30,558	\$611,164
Consulting and Other Fees			
City Permits	\$130,637	\$6,876	\$137,513
Moveable and Other Equipment			
Fixed Medical	\$321,856		\$321,856
Furniture/Fixtures/Equipment	\$158,325		\$158,325
Information Technology		\$38,020	\$38,020
Other Costs to be Capitalized			
Miscellaneous Fees – Walsh, IDPH, Reed	\$27,873	\$111	\$27,984
Surface Parking Lots	\$719,070	\$37,846	\$756,916
Net Book Value of Equipment to be Transferred from Other Locations	\$66,211	\$3,485	\$69,696
<b>Total Project Costs</b>	<b>\$11,139,194</b>	<b>\$593,719</b>	<b>\$11,732,913</b>

**Related Project Costs****APPENDIX C**

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 \$ \_\_\_\_\_.

**APPENDIX D****Project Status and Completion Schedules**

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): December 31, 2024

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

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

**Cost/Space Requirements**

Provide in the following format, the department/area **DGSF** or the building/area **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 department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
<b>CLINICAL</b>							
Residential	\$11,139,194	24,700	17,143	17,143		24,700	
Total Review	\$11,139,194	24,700	17,143	17,143		24,700	
<b>NON CLINICAL</b>							
Administrative/Maintenance	\$593,719	1,300	902	902		1,300	
Total Non-clinical	\$593,719	1,300	902	902		1,300	
<b>TOTAL</b>	<b>\$11,732,913</b>	<b>26,000</b>	<b>18,045</b>	<b>18,045</b>		<b>26,000</b>	


<b>APPENDIX E</b>
-------------------


**SPECIAL FLOOD HAZARD AREA AND 500 YEAR FLOOD PLAIN 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 located 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.

- Applicant: Marklund Children's Home d/b/a Marklund Wasmond Center 1435 Summit Street  
 (Name) (Address)  
Elgin Illinois 60120 847-741-1609  
 (City) (State) (ZIP Code) (Telephone Number)
- Project Location: 1435 Summit Street Elgin, Illinois  
 (Address) (City) (State)  
Cook Hanover  
 (County) (Township) (Section)

- 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**

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: \_\_\_\_\_



# National Flood Hazard Layer FIRMette



88°14'30"W 42°2'59"N



0 250 500 1,000 1,500 2,000 Feet 1:6,000 29 88°13'53"W 42°2'32"N  
Basemap: USGS National Map: Orthoimagery: Data refreshed October, 2020

## Legend #22-049

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 Water Surface Elevation
		17.5
		Coastal Transect
		Base Flood Elevation Line (BFE)
		Limit of Study
		Jurisdiction Boundary
		Coastal Transect Baseline
MAP PANELS		Digital Data Available
		No Digital Data Available
		Unmapped



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 **11/23/2022 at 3:44 PM** 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.

**Section I, Identification, General Information, and Certification**  
**Applicants**

Certificates of Good Standing for Marklund Children's Home d/b/a Marklund Wasmond Center and Marklund Charities (collectively, the "Marklund" or "Applicant") are attached at Attachment – 1.

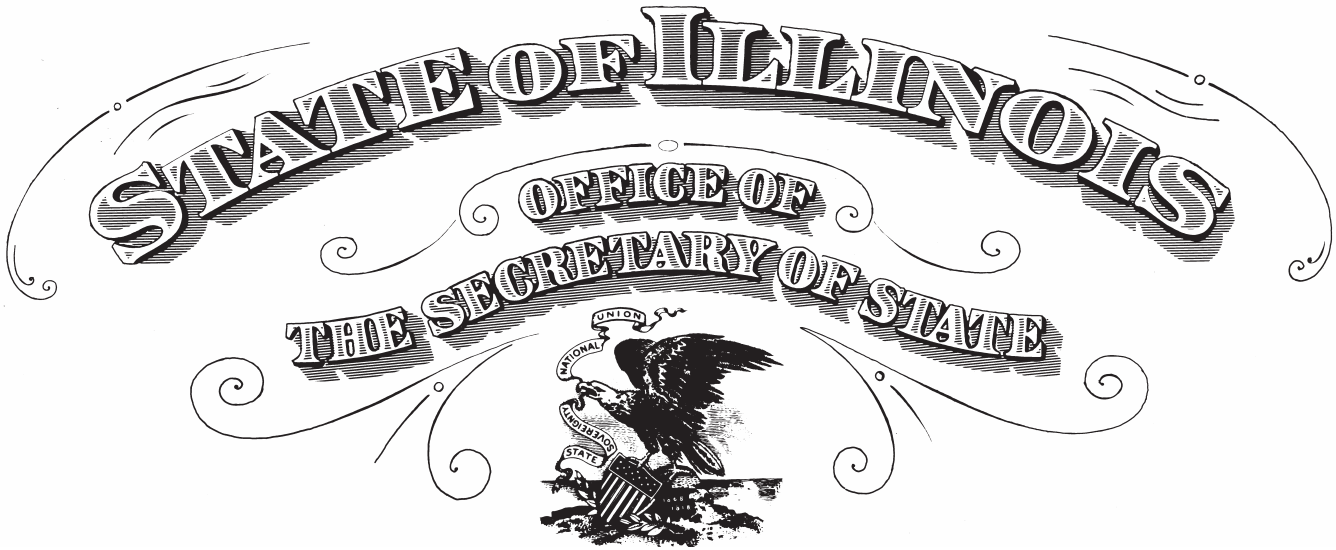
Marklund Children's Home is the operator of Marklund Wasmond Center. Marklund Wasmond Center is a trade name of Marklund Children's Home and is not separately organized.

As the person who is responsible for funding the cash portion of the project Marklund Charities is named as an applicant for this CON application.



File Number

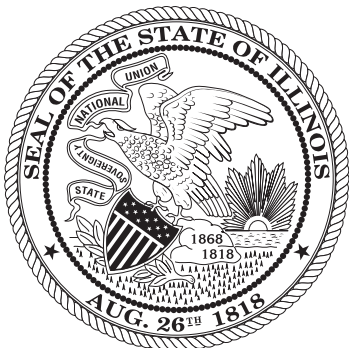
4044-756-3



***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*

MARKLUND CHILDREN'S HOME, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON NOVEMBER 28, 1960, 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 12TH*  
*day of DECEMBER A.D. 2022 .*

*Jesse White*

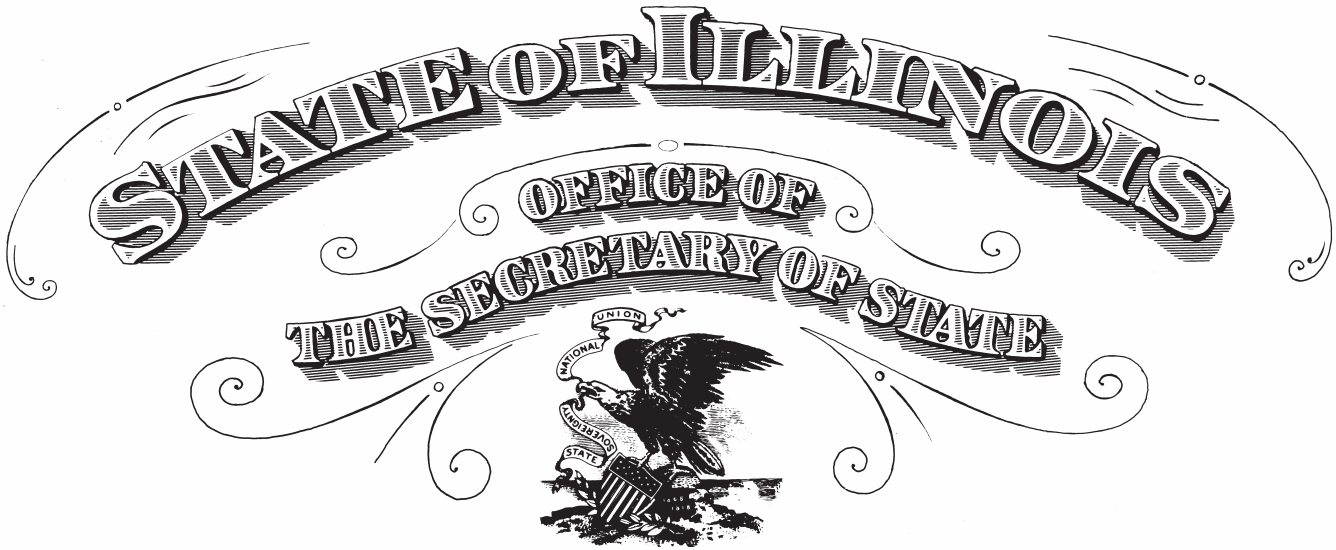
SECRETARY OF STATE

Authentication #: 2234603034 verifiable until 12/12/2023

Authenticate at: <https://www.ilsos.gov>

File Number

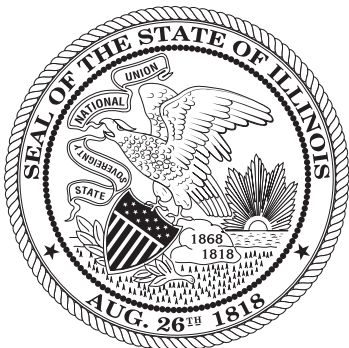
5879-213-6



***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*

MARKLUND CHARITIES, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON APRIL 02, 1996, 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.



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*my hand and cause to be affixed the Great Seal of*  
*the State of Illinois, this 12TH*  
*day of DECEMBER A.D. 2022 .*

*Jesse White*

SECRETARY OF STATE

Authentication #: 2234603046 verifiable until 12/12/2023

Authenticate at: <https://www.ilsos.gov>

**Section I, Identification, General Information, and Certification**  
**Site Ownership**

A letter from Gilbert Fonger, President & CEO of Marklund Children's Home, attesting Marklund Children's Home is the owner of the land and buildings located at 1435 Summit Street, Elgin, Illinois 60120 is attached at Attachment – 2.



**Marklund Hyde Center**  
1S450 Wyatt Drive, Geneva, IL 60134  
630.593.5500 | 630.593.5501 fax

**Marklund Wasmond Center**  
1435 Summit Street, Elgin, IL 60120  
224.523.7530 | 847.622.5523 fax

**Marklund Philip Center**  
164 S. Prairie Avenue, Bloomingdale, IL 60108  
630.529.2871 | 630.529.3266 fax

**Marklund Day School**  
164 S. Prairie Avenue, Bloomingdale, IL 60108  
630.307.1882 | 630.397.5624 fax

December 6, 2022

Debra Savage  
Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2nd Floor  
Springfield, Illinois 62761

**RE: Attestation of Site Ownership**

Dear Chair Savage:

I hereby certify under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure 735 Ill. Comp. Stat. 5/1-109 that Marklund Children's Home is the owner of the site of Marklund Wasmond Center, located at 1435 Summit Street, Elgin, Illinois 60120.

Sincerely,

Gilbert Fonger  
President & CEO  
Marklund Children's Home

Subscribed and sworn to me  
This 7 day of December, 2022

Notary Public

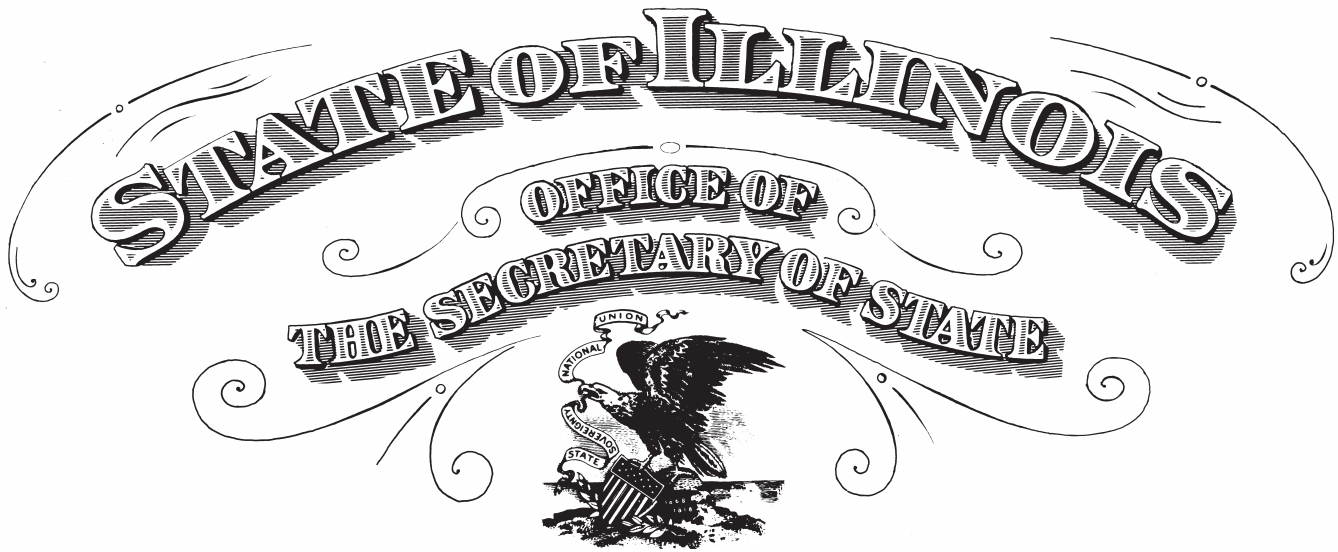


**Section I, Identification, General Information, and Certification**  
**Operating Entity/Licensee**

The Illinois Certificate of Good Standing for Marklund Children's Home is attached at Attachment – 3.

File Number

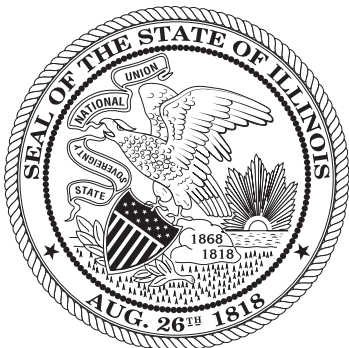
4044-756-3



***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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*Jesse White*

SECRETARY OF STATE

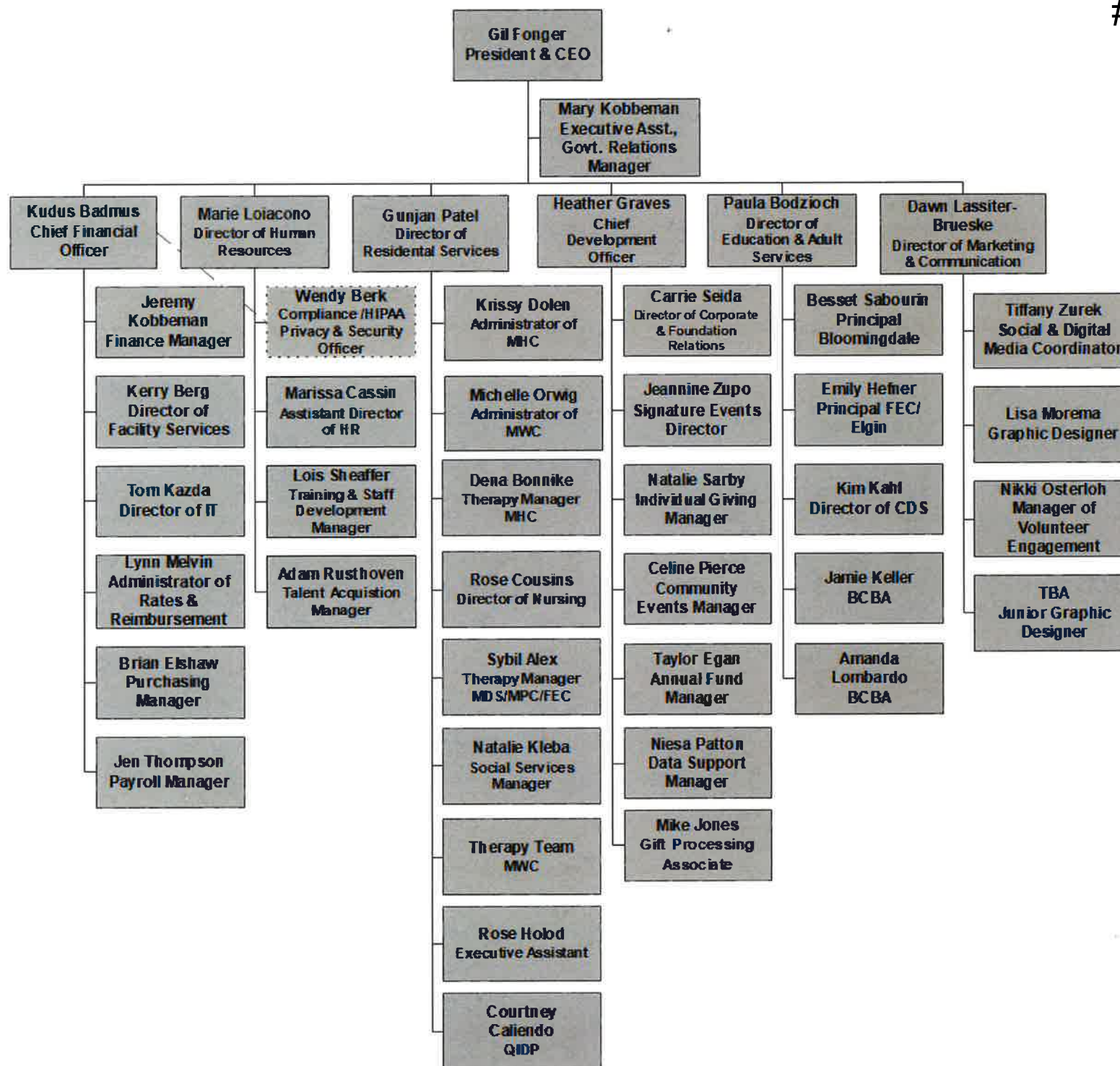
Authentication #: 2234603034 verifiable until 12/12/2023

Authenticate at: <https://www.ilsos.gov>



**Section I, Identification, General Information, and Certification**  
**Organizational Relationships**

The organizational chart for Marklund Children's Home is attached at Attachment – 4.



**Section I, Identification, General Information, and Certification**  
**Flood Plain Requirements**

The Marklund Wasmond Center site complies with the requirements of Illinois Executive Order #2006-5. The skilled nursing facility is located at 1435 Summit Street, Elgin, Illinois 60120. As shown in the documentation from the FEMA Flood Map Service Center attached at Attachment – 5. The interactive map for Panel 17031C0161J reveals that this area is not included in the flood plain.



# National Flood Hazard Layer FIRMette



88°14'30"W 42°2'59"N



0 250 500 1,000 1,500 2,000 Feet 1:6,00040 88°13'53"W 42°2'32"N  
Basemap: USGS National Map: Orthoimagery: Data refreshed October, 2020

## #22-049

### Legend

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

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		With BFE or Depth Zone AE, AO, AH, VE, AR
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		Area with Reduced Flood Risk due to Levee. See Notes. Zone X
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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 **11/23/2022 at 3:44 PM** 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.

**Section I, Identification, General Information, and Certification**  
**Historic Resources Preservation Act Requirements**

The Applicants submitted a request for determination that the site of Marklund Wasmond Center is compliant with the Historic Resources Preservation Act from the Illinois Historic Preservation Office. A copy of the letter is attached at Attachment – 6.



150 N. Riverside Plaza, Suite 3000, Chicago, IL 60606 • (312) 819-1900

December 14, 2022

Anne M. Cooper  
(312) 873-3606  
(312) 276-4317 Fax  
acooper@polsinelli.com

Via Email

Carey Mayer  
Deputy State Historic Preservation Officer  
Illinois State Historic Preservation Office  
Attn: Review & Compliance  
1 Old State Capitol Plaza  
Springfield, Illinois 62701

**Re: Marklund Wasmond Center**

Dear Ms. Meyer:

This office represents Marklund Children's Home d/b/a Marklund Wasmond Center ("Marklund"). Pursuant to Section 4 of the Illinois State Agency Historic Resources Preservation Act, Marklund seeks a formal determination from the Illinois Historic Preservation Agency as to whether Marklund's proposed project to expand Marklund Children's Home (the "Proposed Project") affects historic resources.

**1. Project Description**

Marklund seeks a 24-bed expansion of its Medically Complex/Skilled Nursing facility located at 1435 Summit Street, Elgin, Illinois. The Proposed Project will involve an 18,045 addition to the existing facility.

**2. Topographical or Metropolitan Map**

A metropolitan map showing the location of the Proposed Project is attached at Attachment 1.

**3. Historic Architectural Resources Geographic Information System**

A map from the Historic Architectural Resources Geographic Information System is attached at Attachment 2. The property is not listed on the (i) National Register, (ii) within a local historic district, or (iii) within a local landmark.

[polsinelli.com](http://polsinelli.com)

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Atlanta	Boston	Chicago	Dallas	Denver	Houston	Kansas City	Los Angeles	Miami	Nashville	New York
Phoenix	St. Louis	San Francisco	Seattle	Silicon Valley	Washington, D.C.	Wilmington				

Polsinelli PC, Polsinelli LLP in California



Ms. Cary Meyer  
December 14, 2022  
Page 2

**4. Photographs of Site**

Photographs of the site Marklund Children's Home are attached at Attachment 3.

**5. Address for Building/Structure**

The Proposed Project will be 1435 Summit Street, Elgin, Illinois.

Thank you for your time and consideration of our request for Historic Preservation Determination. If you have any questions or need any additional information, please feel free to contact me at 312-873-3606 or [acooper@polsinelli.com](mailto:acooper@polsinelli.com)

Sincerely,

A handwritten signature in dark ink that reads "Anne M. Cooper".

Anne M. Cooper

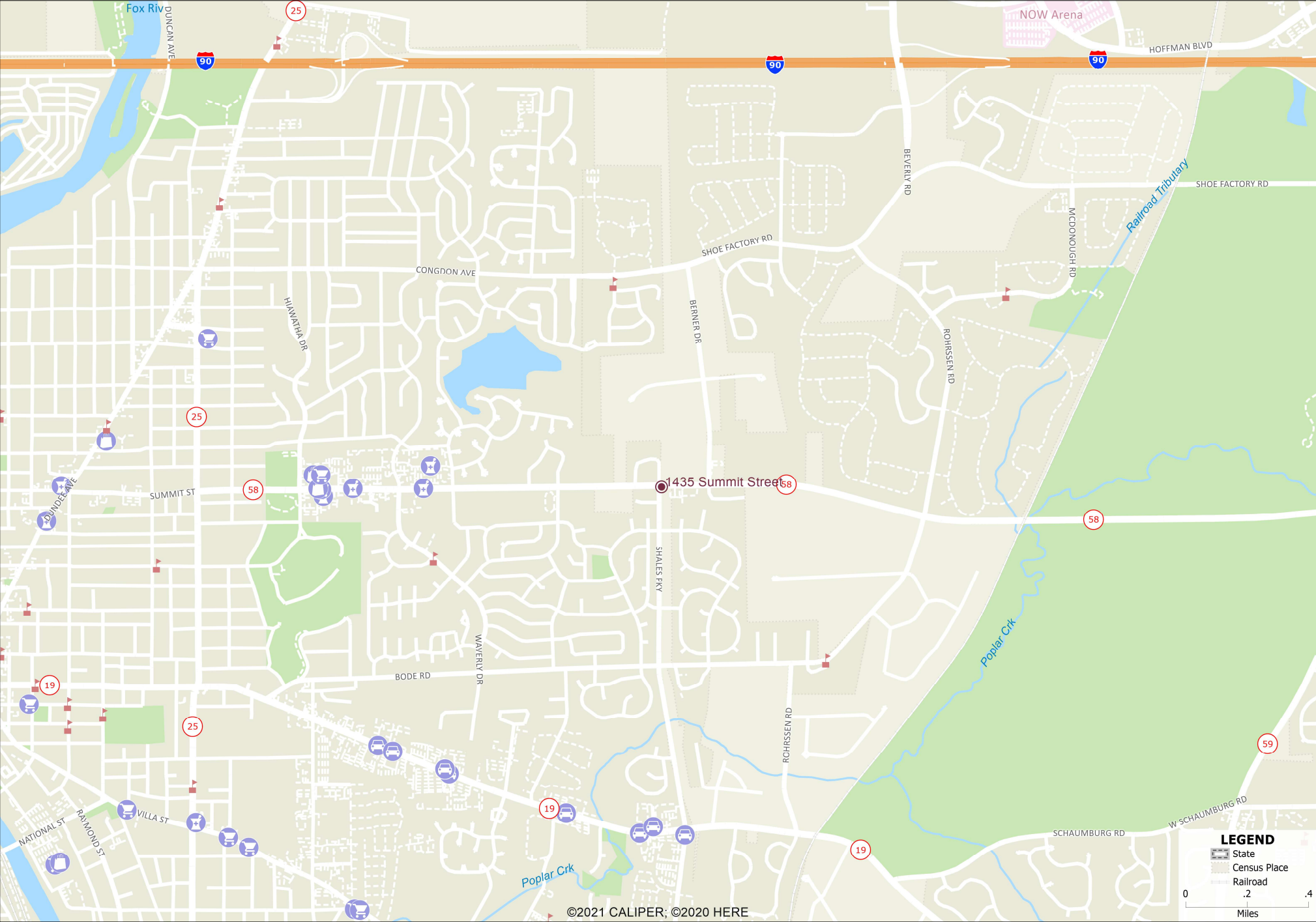
Attachments

**Attachment – 1**





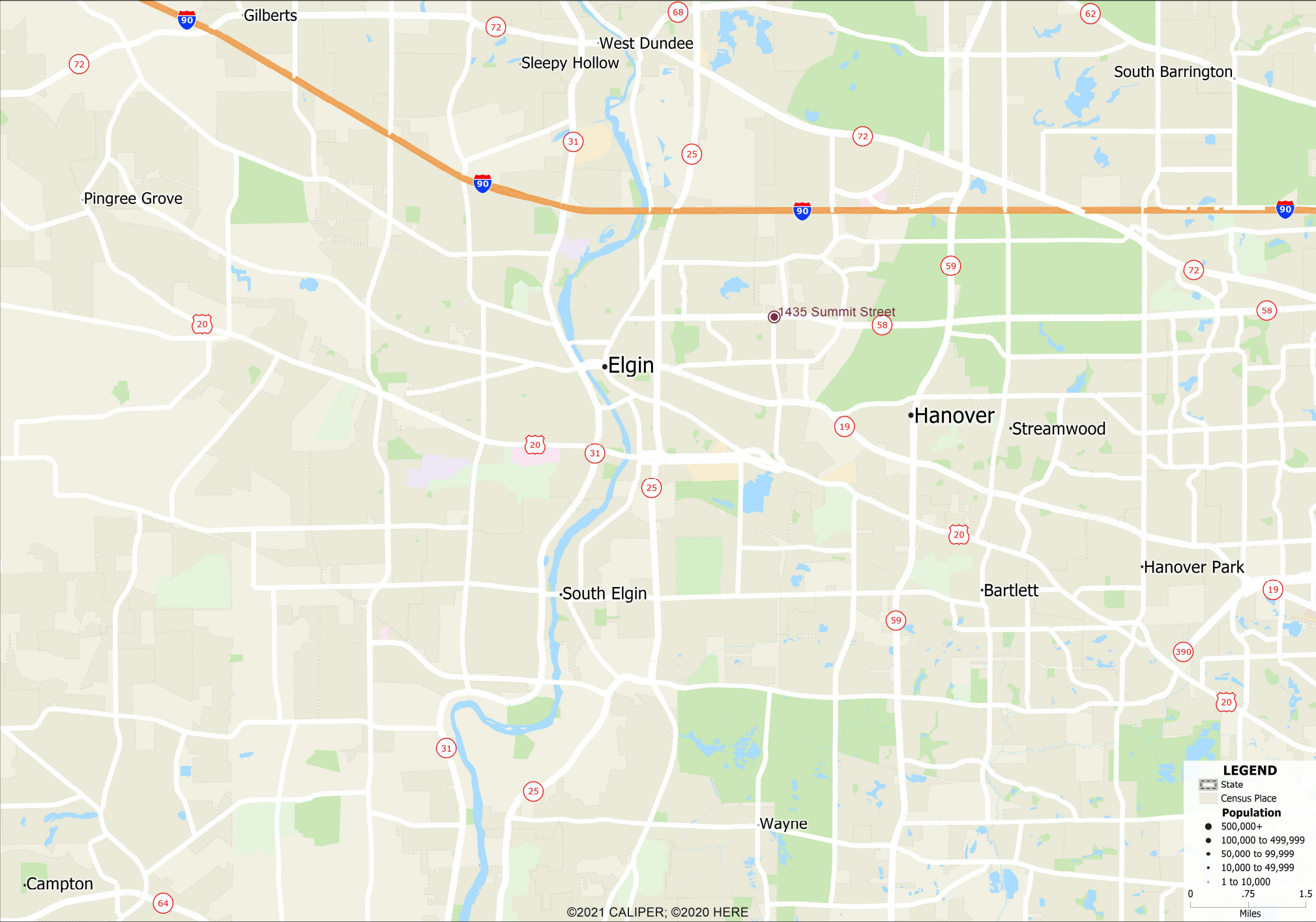
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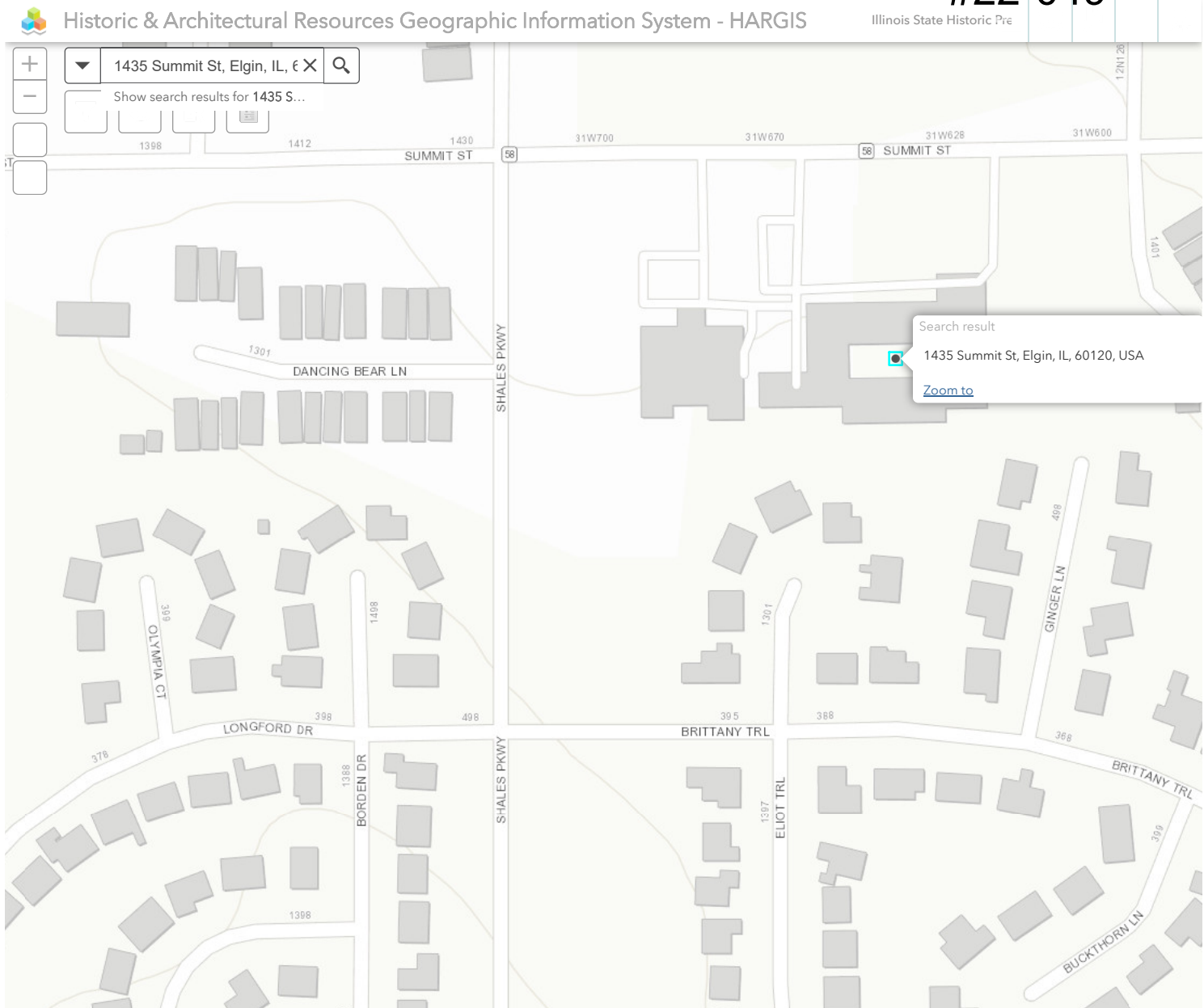
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**LEGEND**

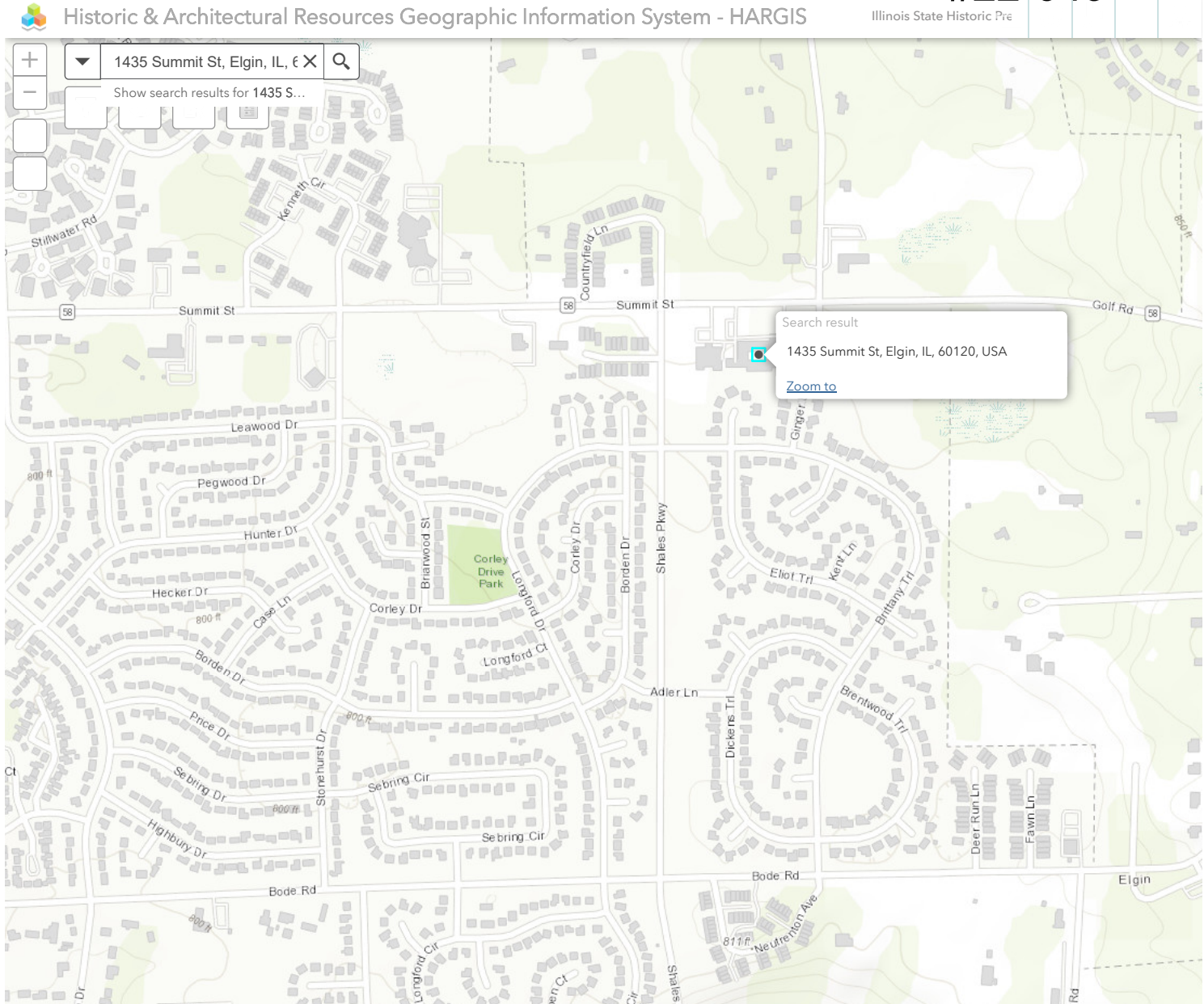
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  - Railroad
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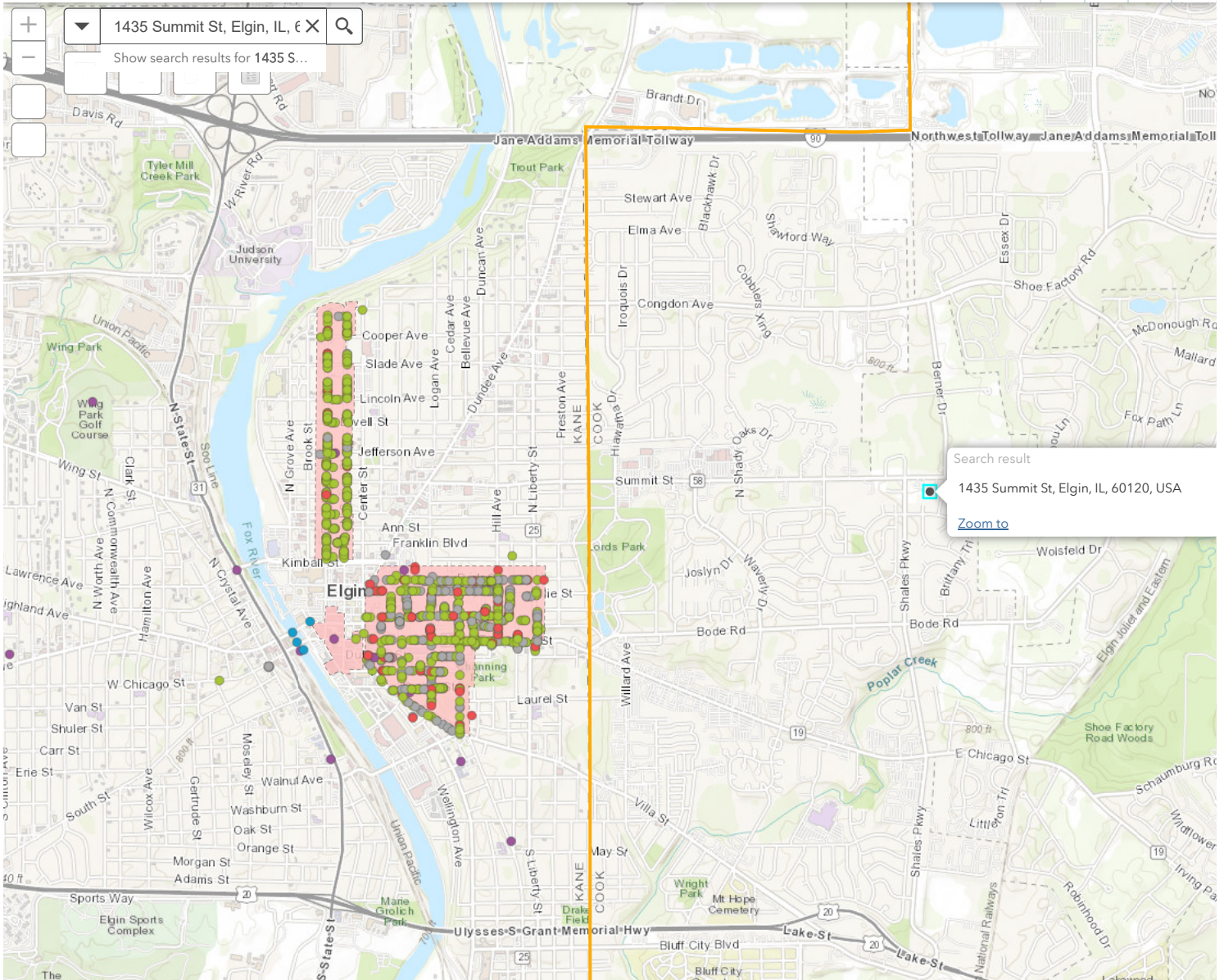


## **Attachment – 2**









## **Attachment – 3**













**Section III, Background, Purpose of the Project, and Alternatives – Information Requirements**  
**Criterion 1110.230(b) – Background, Purpose of the Project, and Alternatives**

Purpose of Project

1. The planned Project is a 24-bed expansion of the Marklund Wasmond Center, an MC/DD facility located at 1435 Summit Street, Elgin, Illinois 60120 and the relocation of the Marklund Philips Center, a 30-bed MC/DD facility located at 164 South Prairie Avenue, Bloomingdale, Illinois 60108 to Marklund Wasmond Center. Marklund serves infants, children, teens and adults with serious and profound developmental disabilities and special healthcare needs. Many Marklund residents are non-ambulatory and have severe cognitive disabilities due to genetic disorders, complications during pregnancy and delivery, or other issues. Others acquired disabilities during infancy or childhood through tragic accidents. Many have complex medical problems that require 24-hour skilled nursing care and regular therapy interventions. Importantly, there are only ten facilities, including the Marklund facilities, in the State of Illinois that serve this specialized population. Unlike traditional skilled nursing facilities that serve geriatric populations where the average length of stay can be several months to a couple of years, for many residents, Marklund is their home, spending nearly 14 years at the facility.

As shown in Table 1125.320(a) below and the support letters attached at Attachment – 26B, Marklund's services are in high demand. Both facilities consistently operate at or near full occupancy and frequently cannot admit new residents due to lack of capacity.

As noted above, this project also includes the discontinuation of Marklund Philip Center, which is not subject to the State Board review and approval. The facility is over sixty years old with an antiquated institutional design. Further, it is small and can only accommodate 21 of its 30 licensed beds. Significant changes to the physical plant would be required to accommodate all thirty beds, which is economically unfeasible. Given its small size, it is inefficient to operate and difficult staff, which makes it more costly (30% more expensive) to operate than other MC/DD facilities.

Upon completion of the project, residents of the Marklund Philip Center will transfer to the newly expanded Marklund Wasmond Center. Consolidation of Marklund Wasmond Center and Marklund Philip Center, which are approximately 11 miles apart, will allow Marklund to expand access to these highly specialized services to a greater number of residents without a significant increase in new staff (staff of Marklund Philip Center are expected to transfer to Marklund Wasmond Center once the expansion is complete), create economies of scale, integrate clinical, administrative and support functions, and eliminate functional redundancies between the two facilities.

<b>Table 1125.320(a)</b> <b>Marklund Wasmond Center &amp; Marklund Philip Center Utilization</b> <b>2017 - 2021</b>						
	2017	2018	2019	2020	2021	Average
Marklund Wasmond Center						
Beds	57	57	57	61	61	61
Admissions	4	7	4	-	8	5
Discharges	4	6	4	1	4	4
Days	20,377	20,450	20,599	20,847	21,109	20,676
Utilization	98%	98%	99%	94%	95%	93%
Marklund Philip						

<b>Table 1125.320(a)</b> <b>Marklund Wasmond Center &amp; Marklund Philip Center Utilization</b> <b>2017 - 2021</b>						
	2017	2018	2019	2020	2021	Average
Center						
Beds	30	30	30	30	30	30
Admissions	4	0	1	2	2	2
Discharges	3	0	3	1	2	2
Days	7,459	7,665	7,343	7,099	7,112	7,336
Utilization	68%	70%	67%	65%	65%	67%
Total Days	27,836	28,115	27,942	27,946	28,221	28,012
Average Daily Census	76.3	77.0	76.6	76.4	77.3	76.7
Total Beds Justified	85	86	85	85	86	85

2. A map of the market area of Marklund Wasmond Center is attached at Attachment – 10. The market area encompasses an approximate 10-mile radius around Marklund Wasmond Center. The boundaries of the market area are as follows:

- North approximately 10 miles to Trout Valley
- Northwest approximately 10 miles to Gilberts
- West approximately 10 miles to North Plato
- Southwest approximately 10 miles to Campton Hills
- South approximately 10 miles to West Chicago
- Southeast approximately 10 miles to Bloomingdale
- East approximately 10 miles to Schaumburg
- Northwest approximately 10 miles to Inverness

3. Marklund Wasmond Center and Marklund Philip Center consistently operate at or near full capacity and cannot admit new residents due to the lack of an available bed.

Further, Marklund Philip Center is over sixty years old with an antiquated institutional design. The current facility is small and can only accommodate 21 of its 30 licensed beds. Significant changes to the physical plant would be required to accommodate all thirty beds, which is economically unfeasible. Given its small size, it is inefficient to operate and difficult staff, which makes it more costly (30% more expensive) to operate than other MC/DD facilities.

4. Sources

Illinois Health Facilities and Services Review Board, LTC Facility Profiles (2017 – 2020).

Marklund Wasmond Center 2021 Annual Long-Term Care Facility Questionnaire

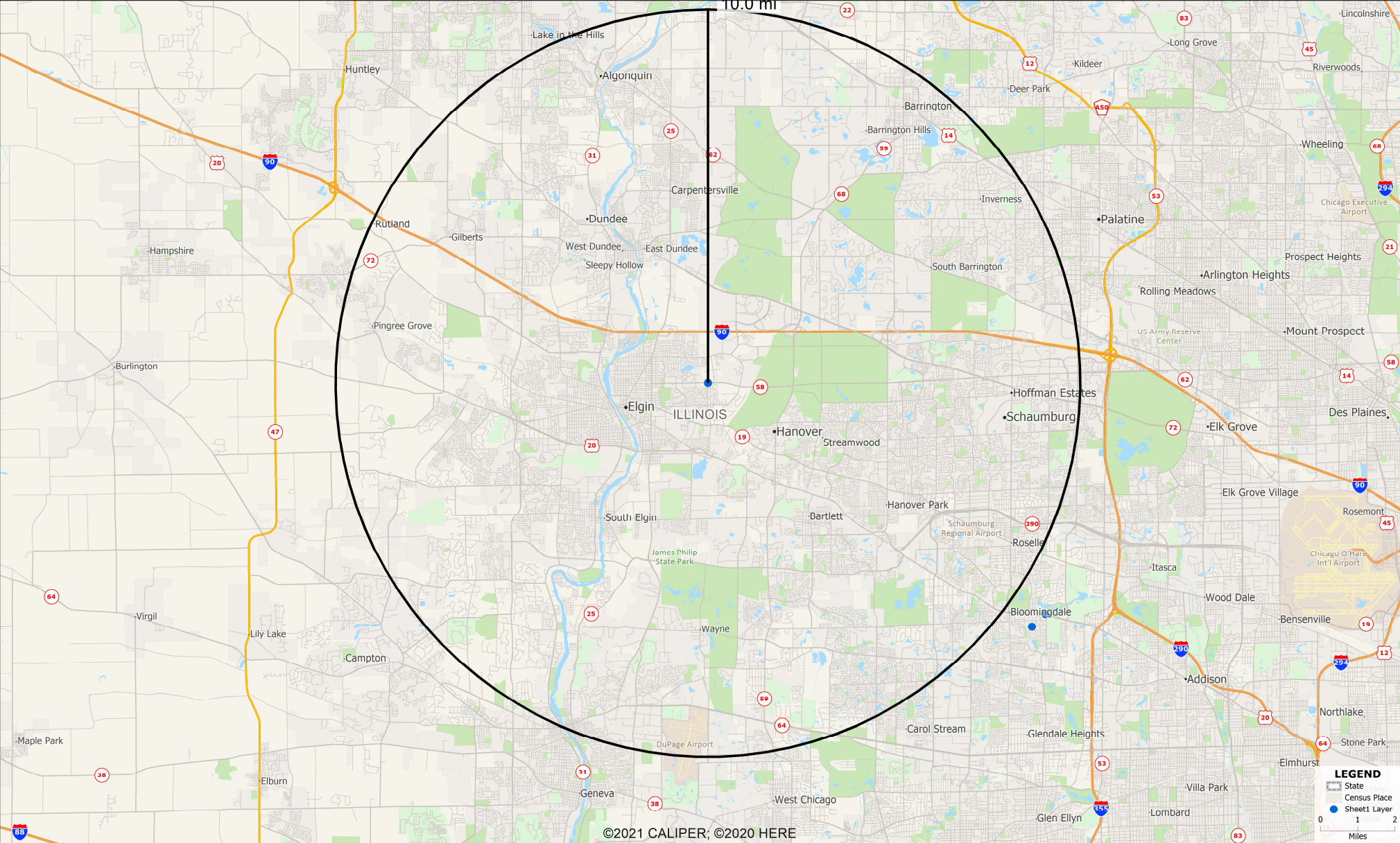
Marklund Philip Center 2021 Annual Long-Term Care Facility Questionnaire

5. Upon completion of the project, residents of the Marklund Philip Center will transfer to the newly expanded Marklund Wasmond Center. Consolidation of Marklund Wasmond Center and Marklund Philip Center, which are approximately 11 miles apart, will allow Marklund to expand access to these highly specialized services to a greater number of residents without a significant increase in new staff (staff of Marklund Philip Center are expected to transfer to Marklund Wasmond Center once the expansion is complete), create economies of scale, integrate clinical,

administrative and support functions, and eliminate functional redundancies between the two facilities.

6. Marklund anticipates Marklund Wasmond Center will achieve 90% utilization within two years of project completion.







**Section III, Background, Purpose of the Project, and Alternatives**  
**Criterion 1125.330 – Background, Purpose of the Project, and Alternatives**

Alternatives

The Applicants considered three options prior to determining to expand Marklund Wasmond Center. The options considered are as follows:

1. Do Nothing/Maintain Status Quo
2. Utilize Existing Facilities
3. Relocate Marklund Philip Center and Expand Marklund Wasmond Center

Do Nothing/Maintain Status Quo

Marklund considered the option to do nothing; however, that would not address capacity issues at Marklund Wasmond Center and Marklund Philip Center. Marklund serves infants, children, teens and adults with serious and profound developmental disabilities and special healthcare needs. Many Marklund residents are non-ambulatory and have severe cognitive disabilities due to genetic disorders, complications during pregnancy and delivery, or other issues. Others acquired disabilities during infancy or childhood through tragic accidents. Many have complex medical problems that require 24-hour skilled nursing care and regular therapy interventions. Marklund Philip Center and Marklund Wasmond Center are only two of ten facilities in the State of Illinois that serve this specialized population. Unlike traditional skilled nursing facilities that serve geriatric populations where the average length of stay can be several months to a couple of years, for many residents, Marklund is their home, spending nearly 14 years at the facility.

As shown in Table 1125.330 below and the support letters attached at Attachment – 26B, these services are in high demand, and Marklund Wasmond Center and Marklund Philip Center consistently operate at or near full occupancy and frequently cannot admit new residents due to lack of capacity.

<b>Table 1125.330</b> <b>Marklund Wasmond Center &amp; Marklund Philip Center Utilization</b> <b>2017 - 2021</b>						
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Average</b>
Marklund Wasmond Center						
Beds	57	57	57	61	61	61
Admissions	4	7	4	-	8	5
Discharges	4	6	4	1	4	4
Days	20,377	20,450	20,599	20,847	21,109	20,676
Utilization	98%	98%	99%	94%	95%	93%
Marklund Philip Center						
Beds	30	30	30	30	30	30
Admissions	4	0	1	2	2	2
Discharges	3	0	3	1	2	2
Days	7,459	7,665	7,343	7,099	7,112	7,336

<b>Table 1125.330</b> <b>Marklund Wasmond Center &amp; Marklund Philip Center Utilization</b> <b>2017 - 2021</b>						
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Average</b>
Utilization	68%	70%	67%	65%	65%	67%
Total Days	27,836	28,115	27,942	27,946	28,221	28,012
Average Daily Census	76.3	77.0	76.6	76.4	77.3	76.7
Total Beds Justified	82	83	82	82	86	85

Marklund Philip Center is over sixty years old with an antiquated institutional design. Further, the current facility is small and can only accommodate 21 of its 30 licensed beds. Significant changes to the physical plant would be required to accommodate all thirty beds, which is economically unfeasible. Given its small size, it is inefficient to operate and difficult staff, which makes it more costly (30% more expensive) to operate than other MC/DD facilities.

Maintaining the status quo will not allow Marklund to address the capacity issues at Marklund Wasmond Center or the physical plant, staffing, operational inefficiencies or high operational costs at Marklund Philip Center. Accordingly, this alternative was not selected.

There is no capital cost with this alternative.

#### Utilize Other Facilities

As noted above, Marklund Wasmond Center is one of ten MC/DD facilities in the State of Illinois. Importantly, there is no MC/DD facility within Marklund Wasmond Center's 10-mile geographic service area. Alden Village Health Facility for Children and Young Adults, which is just outside the Marklund Wasmond Center geographic service area, is also highly utilized averaging 95% occupancy from 2018 – 2020. Accordingly, this alternative was not selected because there are no other facilities in the area that can accommodate additional patients.

There is no capital cost with this alternative.

#### Relocate Marklund Philip Center and Expand Marklund Wasmond Center

Marklund serves infants, children, teens and adults with serious and profound developmental disabilities and special healthcare needs. Many Marklund residents are non-ambulatory and have severe cognitive disabilities due to genetic disorders, complications during pregnancy and delivery, or other issues. Others acquired disabilities during infancy or childhood through tragic accidents. Many have complex medical problems that require 24-hour skilled nursing care and regular therapy interventions. Importantly, there are only ten facilities, including the Marklund facilities, in the State of Illinois that serve this specialized population. Unlike traditional skilled nursing facilities that serve geriatric populations where the average length of stay can be several months to a couple of years, for many residents, Marklund is their home, spending nearly 14 years at the facility.

Marklund's services are in high demand, and the two facilities consistently operate at or near full occupancy and frequently cannot admit new residents due to lack of capacity. Further, there are no MC/DD facilities in the Marklund Wasmond Center 10-mile geographic service area that can accommodate additional special needs residents.

Further, Marklund Philip Center is over sixty years old with an antiquated institutional design. The current facility is small and can only accommodate 21 of its 30 licensed beds. Significant changes to the physical plant would be required to accommodate all thirty beds, which is economically

unfeasible. Given its small size, it is inefficient to operate and difficult staff, which makes it more costly (30% more expensive) to operate than other MC/DD facilities.

Upon completion of the project, residents of the Marklund Philip Center will transfer to the newly expanded Marklund Wasmond Center. Consolidation of Marklund Wasmond Center and Marklund Philip Center, which are approximately 11 miles apart, will allow Marklund to expand access to these highly specialized services to a greater number of residents without a significant increase in new staff (staff of Marklund Philip Center are expected to transfer to Marklund Wasmond Center once the expansion is complete), create economies of scale, integrate clinical, administrative and support functions, and eliminate functional redundancies between the two facilities.

The cost of this alternative is **\$11,732,913**.

**Section III, General Long-Term Care**  
**Criterion 1125.520, Background of the Applicant**

1. Neither the Centers for Medicare and Medicaid Services nor the Illinois Department of Public Health ("IDPH") has taken any adverse action involving civil monetary penalties or restriction or termination of participation in the Medicare or Medicaid programs against any of the applicants, or against any Illinois health care clinics owned or operated by the Applicants, directly or indirectly, within three years preceding the filing of this application
2. A list of all health care facilities owned or operated by Marklund in Illinois is attached at Attachment – 12A. The license for Marklund Wasmond Center is attached at Attachment – 12B.
3. Certification that no adverse action has been taken against either of the Applicants or against any health care facilities owned or operated by the Applicants in Illinois within three years preceding the filing of this application is attached at Attachment – 12C.
4. An authorization permitting the Illinois Health Facilities and Services Review Board ("State Board") and IDPH access to any documents necessary to verify information submitted, including, but not limited to: official records of IDPH or other State agencies; and the records of nationally recognized accreditation organizations is attached at Attachment – 12C.

<b>Marklund Children's Home</b>		
<b>Facility</b>	<b>Address</b>	<b>License No.</b>
Marklund Wasmond Center	1435 Summit Street Elgin, Illinois 60120	0054445
Marklund Philip Center	164 South Prairie Avenue Bloomington, Illinois 60108	0011288
Marklund Haverkamp Home	1 South 394 Wyatt Drive Geneva, Illinois 60134	0045542
Marklund Van Der Molen Home	1 South 406 Wyatt Drive Geneva, Illinois 60134	0045559
Marklund Tommy Home	1 South 585 Wyatt Drive Geneva, Illinois 60134	0045567
Marklund Sayers Home	1 South 383 Wyatt Drive Geneva, Illinois 60134	0045575
Marklund Dreher Home	1 South 381 Wyatt Drive Geneva, Illinois 60134	0047258
Marklund Richard Home	1 South 410 Wyatt Drive Geneva, Illinois 60134	0047266

# 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	ID. NUMBER
08/30/2023	0054445
LONG TERM CARE LICENSE MC/DD	CATEGORY BGBE 61
UNRESTRICTED	61 TOTAL BEDS

#### BUSINESS ADDRESS LICENSEE

MARKLUND CHILDREN'S HOME

MARKLUND WASMOND CENTER

1435 SUMMIT STREET

ELGIN IL 60120

EFFECTIVE DATE: 08/31/21

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

REGION 9

07/20/21

MARKLUND WASMOND CENTER

1435 SUMMIT STREET

ELGIN

IL 60120



**Marklund Hyde Center**  
1S450 Wyatt Drive, Geneva, IL 60134  
630.593.5500 | 630.593.5501 fax

**Marklund Wasmond Center**  
1435 Summit Street, Elgin, IL 60120  
224.523.7530 | 847.622.5523 fax

**Marklund Philip Center**  
164 S. Prairie Avenue, Bloomingdale, IL 60108  
630.529.2871 | 630.529.3266 fax

**Marklund Day School**  
164 S. Prairie Avenue, Bloomingdale, IL 60108  
630.307.1882 | 630.397.5624 fax

December 6, 2022

Debra Savage  
Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2nd Floor  
Springfield, Illinois 62761

**RE: Adverse Action**

Dear Chair Savage:

I hereby certify under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 Ill. Comp. Stat. 5/1-109 that no adverse action as defined in 77 Ill. Admin. Code § 1130.140 has been taken against any health care facility owned or operated by Marklund Children's Home or Marklund Charities in the State of Illinois during the three-year period prior to filing this application.

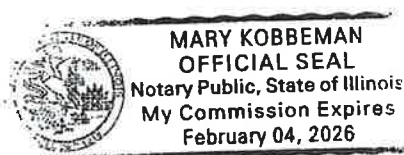
Additionally, pursuant to 77 Ill. Admin. Code § 1110.110(a)(2)(J), I hereby authorize the Health Facilities and Services Review Board ("HFSRB") and the Illinois Department of Public Health ("IDPH") access to any documents necessary to verify information submitted as part of this application for permit. I further authorize HFSRB and IDPH to obtain any additional information or documents from other government agencies which HFSRB or IDPH deem pertinent to process this application for permit.

Sincerely,

Gilbert Fonger  
President & CEO  
Marklund Children's Home  
Marklund Charities

Subscribed and sworn to me  
This 7 day of December, 2022

Mary Kobbeman  
Notary Public



**Section III, General Long-Term Care**  
**Criterion 1125.530(b), Planning Area Need**

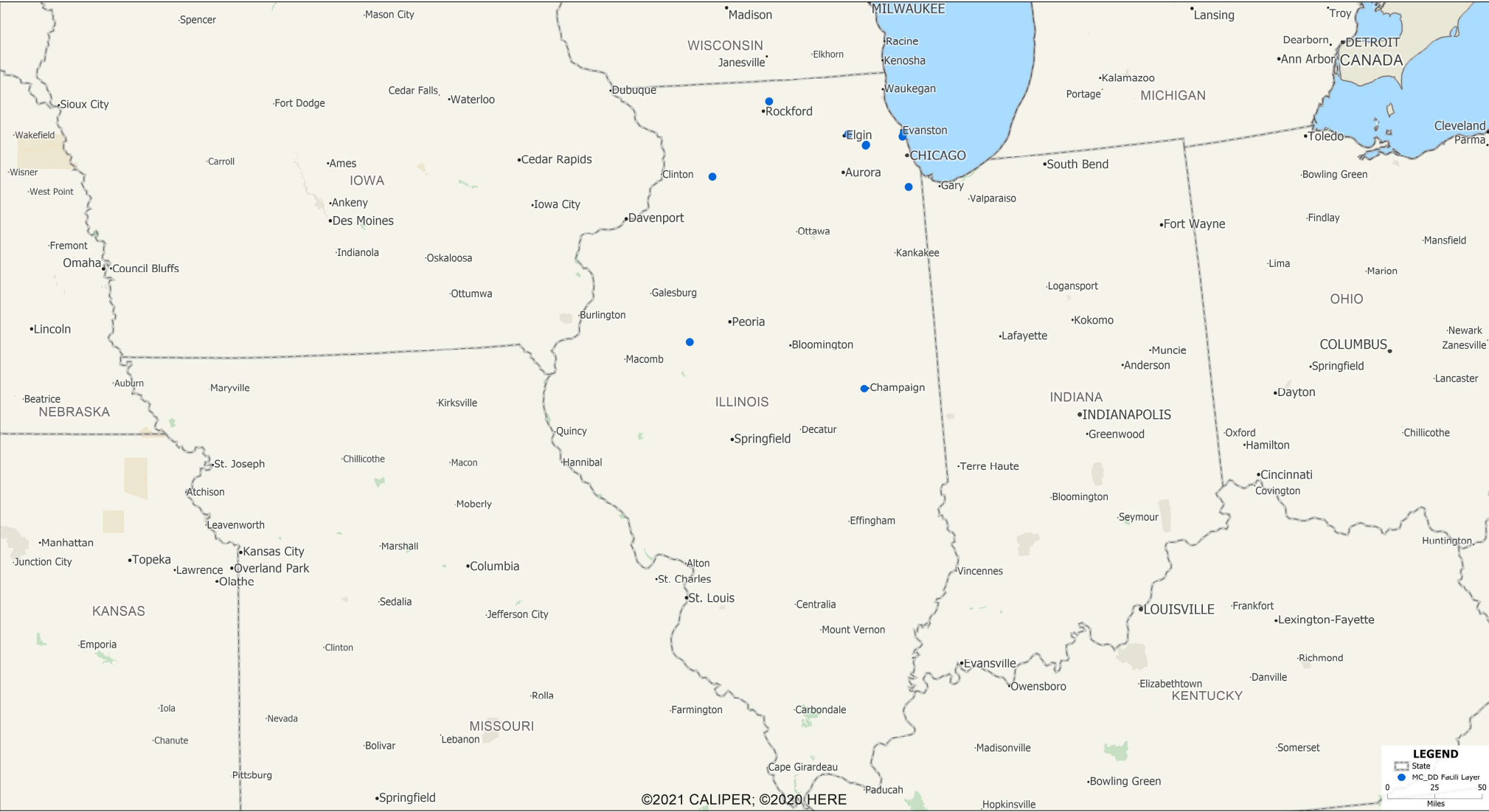
The primary purpose of the proposed project is to improve access to MC/DD services to residents with profound developmental disabilities. As discussed throughout this application Marklund operates two of the State's ten MC/DD facilities. As shown in the map attached at Attachment – 13, only four MC/DD facilities are located outside of the Chicago metropolitan area. Accordingly, Marklund serves residents throughout Illinois, including Chicago, Rockford and Peoria. The tables below provide the zip code of residence for current Marklund Wasmond Center and Marklund Philip Center residents.

<b>Table 1125.530(b)</b>		
<b>Marklund Wasmond Center</b>		
<b>Residents by Zip Code of Residence</b>		
<b>Zip Code</b>	<b>City</b>	<b>Residents</b>
27517	Chapel Hill, NC	1
32621	Bronson, FL	1
32835	Orlando, FL	1
33446	Kings Point, FL	1
34104	Naples, FL	1
34134	Bonita Springs, FL	1
53140	Kenosha, WI	1
53402	Racine, WI	1
60016	Des Plaines	4
60047	Lake Zurich	1
60067	Palatine	1
60074	Palatine	1
60089	Buffalo Grove	1
60101	Addison	1
60103	Bartlett	2
60110	Algonquin	1
60118	West Dundee	2
60120	Elgin	3
60123	Elgin	3
60133	Hanover Park	1
60147	Geneva	1
60154	Westchester	1
60177	South Elgin	2
60181	Villa Park	1
60185	West Chicago	1
60192	Hoffman Estates	1
60193	Schaumburg	1
60409	Calumet City	1
60419	Dolton	1
60443	Matteson	1
60448	Mokena	1
60452	Oak Forest	1
60458	Justice	2
60473	South Holland	1
60503	Aurora	1
60505	Aurora	1
60516	Downers Grove	1
60540	Naperville	1
60542	North Aurora	2
60613	Chicago	1



Table 1125.530(b) Marklund Wasmond Center Residents by Zip Code of Residence		
Zip Code	City	Residents
60618	Chicago	1
60639	Chicago	1
60643	Chicago	1
60649	Chicago	1
60714	Niles	1
61448	Knoxville	1
61832	Danville	1
97201	Portland, OR	1
<b>Total</b>		<b>60</b>

Table 1125.530(b) Marklund Philip Center Residents by Zip Code of Residence		
Zip Code	City	Residents
60016	Des Plaines	4
60067	Palatine	1
60085	Waukegan	1
60118	East Dundee	1
60126	Elmhurst	1
60137	Glen Ellyn	1
60185	West Chicago	1
60187	Wheaton	2
60190	Winfield	1
60431	Joliet	1
60446	Romeoville	1
60471	Richton Park	1
60527	Burr Ridge	1
60563	Naperville	1
60612	Chicago	1
60634	Chicago	1
61270	Morrison	1
<b>Total</b>		<b>21</b>



**Section III, General Long-Term Care****Criterion 1125.550, Service Demand – Expansion of Long-Term Care**

- As shown in Table 1125.550 below and the support letters attached at Attachment – 26B, these services are in high demand, and Marklund Wasmond Center and Marklund Philip Center consistently operate at or near full occupancy and frequently cannot admit new residents due to lack of capacity.

<b>Table 1125.550</b> <b>Marklund Wasmond Center &amp; Marklund Philip Center Utilization</b> <b>2017 - 2021</b>						
	2017	2018	2019	2020	2021	Average
Marklund Wasmond Center						
Beds	57	57	57	61	61	61
Admissions	4	7	4	-	8	5
Discharges	4	6	4	1	4	4
Days	20,377	20,450	20,599	20,847	21,109	20,676
Utilization	98%	98%	99%	94%	95%	93%
Marklund Philip Center						
Beds	30	30	30	30	30	30
Admissions	4	0	1	2	2	2
Discharges	3	0	3	1	2	2
Days	7,459	7,665	7,343	7,099	7,112	7,336
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Total Days	27,836	28,115	27,942	27,946	28,221	28,012
Average Daily Census	76.3	77.0	76.6	76.4	77.3	76.7
Total Beds Justified	82	83	82	82	86	85

- Attached at Attachment – 15 is a letter from Gilbert Fonger, President and CEO of Marklund Children's Home attesting that the residents of Marklund Philip Center will transfer to Marklund Wasmond Center upon Project Completion.



**Marklund Hyde Center**  
15450 Wyatt Drive, Geneva, IL 60134  
630.593.5500 | 630.593.5501 fax

**Marklund Wasmond Center**  
1435 Summit Street, Elgin, IL 60120  
224.523.7530 | 847.622.5523 fax

**Marklund Philip Center**  
164 S. Prairie Avenue, Bloomingdale, IL 60108  
630.529.2871 | 630.529.3266 fax

**Marklund Day School**  
164 S. Prairie Avenue, Bloomingdale, IL 60108  
630.307.1882 | 630.397.5624 fax

December 6, 2022

Ms. Debra Savage, Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, Second Floor  
Springfield, Illinois 62761

**Re: Marklund Wasmond Center Expansion**

Dear Chair Savage:

I am writing on behalf of Marklund Children's Home d/b/a Marklund Philip Center in support of the expansion of Marklund Wasmond Center, a Medically Complex/Skilled Nursing (MC/DD) facility located at 1435 Summit Street, Elgin, Illinois 60120. This project proposes a 24-bed expansion of Marklund Wasmond Center, which will allow for the transfer of the residents from Marklund Philip to our sister facility in Elgin.

Marklund Philip Center is small facility, which makes it difficult to operate in an efficient and cost-effective manner. While it is licensed for 30 beds, it can only accommodate 21 beds. Major changes to the physical plant, which are economically unfeasible, would be required to accommodate all 30 beds. Given its size, it is difficult to staff and 30% more expensive to operate compared to other MC/DD facilities.

The consolidation of Marklund Wasmond Center and Marklund Philip Center will allow us to expand access to these highly specialized services to a greater number of residents without a significant increase in staff, create economies of scale, integrate clinical, administrative and support functions, and eliminate functional redundancies between the two facilities.

Marklund Philip Center currently cares for 21 residents with profound developmental disabilities. All of our residents are non-ambulatory and have severe cognitive disabilities due to genetic disorders, complications during pregnancy and delivery, or other issues. Others acquired disabilities during infancy or childhood through tragic accidents. All have complex medical problems that require 24-hour skilled nursing care and regular therapy interventions. Once the expansion is complete, all residents at Marklund Philip Center are expected to transfer to Marklund Wasmond Center.

I support the planned expansion of the Marklund Wasmond Center and consolidation with the Marklund Philip Center. It will ensure our residents continue to have happy purpose-filled lives.

Sincerely,

A handwritten signature in blue ink, appearing to read 'G. Fonger', is written over a large, stylized blue checkmark.

Gilbert Fonger  
President & CEO  
Marklund Children's Home

**Section III, General Long-Term Care**  
**Criterion 1125.590, Staffing Availability**

Marklund Wasmond Center is staffed in accordance with State and Medicaid staffing requirements. As part of the discontinuation, staff of Marklund Philip Center will transfer to Marklund Wasmond Center.

**Section III, General Long-Term Care**  
**Criterion 1125.600, Bed Capacity**

The maximum bed capacity of a specialized long-term care facility is 100 beds. The expansion of Marklund Wasmond Center will increase capacity from 61 beds to 85 beds. Accordingly, this criterion is met.

**Section III, General Long-Term Care**  
**Criterion 1125.620, Project Size**

Marklund proposes to add 24 beds to its MC/DD skilled nursing facility. Pursuant to Section 1125, Appendix A of the HFSRB's rules, the State standard is 350-570 gross square feet per bed for a total of 29,750 – 48,450 gross square feet for 85 skilled nursing beds. The total gross square footage of the clinical space of Marklund Wasmond Center is 41,843 of clinical gross square feet (or 492.3 GSF per bed). Accordingly, the proposed facility meets the State standard per bed.



**Section III, General Long-Term Care**  
**Criterion 1125.640, Assurances**

Attached at Attachment – 24 is a letter from Gilbert Fonger, President & CEO of Marklund Children's Home certifying that the Marklund Wasmond Center will achieve target utilization by the second year after project completion.



**Marklund Hyde Center**  
1S450 Wyatt Drive, Geneva, IL 60134  
630.593.5500 | 630.593.5501 fax

**Marklund Wasmond Center**  
1435 Summit Street, Elgin, IL 60120  
224.523.7530 | 847.622.5523 fax

**Marklund Philip Center**  
164 S. Prairie Avenue, Bloomingdale, IL 60108  
630.529.2871 | 630.529.3266 fax

**Marklund Day School**  
164 S. Prairie Avenue, Bloomingdale, IL 60108  
630.307.1882 | 630.397.5624 fax

December 6, 2022

Debra Savage  
Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2nd Floor  
Springfield, Illinois 62761

**Re: Assurances**

Dear Chair Savage:

Pursuant to 77 Ill. Admin. Code § 1125.640, I hereby certify Marklund Wasmond Center will achieve and maintain 90% occupancy by the second year of after the project completion.

Sincerely,

Gilbert Fonger  
President & CEO  
Marklund Children's Home

Subscribed and sworn to me  
This 7 day of December, 2022

\_\_\_\_\_  
Notary Public



**Section III, Specialized Long-Term Care**  
**Criterion 1125.720(a), Facility Size**

The maximum bed capacity of a specialized long-term care facility is 100 beds. The expansion of Marklund Wasmond Center will increase capacity from 61 beds to 85 beds. Accordingly, this criterion is met.

**Section III, Specialized Long-Term Care**  
**Criterion 1125.720(b), Community Related Functions**

Attached at Attachment – 26B are letters of support from social, social service, economic groups and local public officials.

RAJA KRISHNAMOORTHY  
8TH DISTRICT, ILLINOIS

115 CANNON HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515

TELEPHONE: (202) 225-3711  
FAX: (202) 225-7830

1701 EAST WOODFIELD ROAD, SUITE 704  
SCHAUMBURG, IL 60173

TELEPHONE: (847) 413-1959  
FAX: (847) 413-1965

[www.krishnamoorthi.house.gov](http://www.krishnamoorthi.house.gov)

**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515**

**#22-049**

COMMITTEE ON  
OVERSIGHT & REFORM

SUBCOMMITTEES:  
ECONOMIC & CONSUMER POLICY  
CHAIRMAN

ENVIRONMENT  
HOUSE PERMANENT SELECT  
COMMITTEE ON INTELLIGENCE

SUBCOMMITTEES:  
STRATEGIC TECHNOLOGIES &  
ADVANCED RESEARCH

INTELLIGENCE MODERNIZATION &  
READINESS

December 9, 2022

Debra Savage  
Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2<sup>nd</sup> Floor  
Springfield, IL 62761

Dear Chairwoman Savage,

I am pleased to provide my strong support for Marklund Children's Home certificate of need application to add 24 beds to its existing Medically Complex/Skilled Nursing (MC/DD) facility, the Marklund Wasmond Center. I understand there is a significant need for additional MC/DD beds in the 8th Congressional District and surrounding areas.

Marklund Wasmond Center serves infants, children, teens and adults with serious and profound developmental disabilities and special health care needs. Many Marklund residents are non-ambulatory and have severe cognitive disabilities due to genetic disorders or complications during pregnancy and delivery. Others acquired disabilities during infancy or childhood through tragic accidents that arose. Many have complex medical problems which require 24-hour skilled nursing care and regular therapy interventions. Importantly, Marklund Wasmond Center is one of ten facilities in the State of Illinois that serve this vulnerable community. Due to the specialized care provided, Marklund Wasmond Center consistently operates at or near full capacity and cannot regularly admit new residents. The addition of beds at Marklund Wasmond Center will allow it to admit more medically complex residents who require specialized health care.

I would like to reiterate my full support for Marklund Children's Home certificate of need application. I greatly appreciate your careful consideration of their funding application.

Sincerely,

  
Raja Krishnamoorthi  
Member of Congress

## COMMITTEES:

HUMAN SERVICES • CHAIRWOMAN  
 APPROPRIATIONS - HUMAN SERVICES •  
 VICE-CHAIRWOMAN  
 ENERGY & ENVIRONMENT  
 INSURANCE



## COMMITTEES:

ELEMENTARY & SECONDARY EDUCATION  
 ADMINISTRATION LICENSING & CHARTERS  
 HEALTH CARE LICENSES  
 COMMISSION ON GOVERNMENT FORECASTING  
 AND ACCOUNTABILITY

**ANNA C. MOELLER**

STATE REPRESENTATIVE • 43RD DISTRICT

9 December 2022

Debra Savage  
 Chair  
 Illinois Health Facilities and Services Review Board  
 525 West Jefferson Street, 2nd Floor  
 Springfield, Illinois 62761

Re: Marklund Wasmond Center

Dear Chair Savage,

I write this letter in support of Marklund's certificate of need application and their plan to add 24 beds to their existing facility at the Marklund Wasmond Center. This center serves individuals with serious and profound developmental disabilities and special health care needs. It is one of six facilities in the Chicagoland area that treat medically complex patients, so it frequently operates at capacity and cannot admit additional residents who need these vital services.

Marklund Children's Home ("Marklund") has been a trusted provider of skilled nursing services to medically complex patients for over 60 years. Marklund provides 24-hour skilled nursing care and regular therapy interventions to make everyday life possible. Many Marklund residents are non-ambulatory and have severe cognitive disabilities due to genetic disorders or complications during pregnancy and delivery. The expansion of the Marklund Wasmond Center will allow Marklund to serve more of these vulnerable patients and help them receive the specialized care they need.

I have had the honor and pleasure of representing Illinois' 43<sup>rd</sup> District for the past eight years and previously serving on the Elgin City Council and as the Executive Director of the McHenry County Council of Governments. One of my top priorities in public service has been to improve the quality of life for those in long-term care facilities and to ensure the most vulnerable in our communities are treated with care and dignity. Having worked with Marklund during my career in public service, I know they share this vision and understand how expanded access to these specialized services will benefit vulnerable patients and our communities. I ask the Health Facilities and Services Review Board to approve Marklund's application to add beds at the Marklund Wasmond Center.

Sincerely,

Anna Moeller  
 State Representative, IL-43





## Stritch School of Medicine

December 8, 2022

Debra Savage  
Chair, Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2nd Floor  
Springfield, Illinois 62761

**Re: Marklund Wasmond Center**

Dear Chair Savage:

I am an Associate Professor of Medicine and Bioethics at Loyola University Chicago's Stritch School of Medicine, and I am board certified in internal medicine, pulmonary medicine and critical care. My clinical responsibilities include supervising the medical intensive care unit, the pulmonary consultation team, and a general pulmonary clinic. I provide consultation services to residents with serious respiratory conditions at Marklund Wasmond Center. I am writing in support of the Marklund Children's Home ("Marklund") certificate of need application for a 24-bed expansion of its Marklund Wasmond Center, a medically complex/skilled nursing (MC/DD) facility located at 1435 Summit Street, Elgin, Illinois 60120.

Marklund serves infants, children, teens and young adults with serious and profound developmental disabilities and special healthcare needs, including those requiring comprehensive respiratory services. Many Marklund residents are ventilator-dependent due to genetic disorders, complications during pregnancy and delivery, or other acquired conditions, requiring 24-hour skilled nursing care and regular therapy interventions.

Marklund Wasmond Center is one of four MC/DD facilities in Illinois serving ventilator-dependent pediatric patients. All of these facilities operate at or near capacity, and it is difficult to place patients requiring ventilator therapy. The addition of beds at Marklund Wasmond Center, which I understand will accommodate ventilators, will allow more medically complex patients requiring specialized respiratory services to receive this vital care.

I support Marklund's expansion of Marklund Wasmond Center and encourage you to approve this project.

Sincerely,

Paul J Hutchison, MD, MA, HEC-C  
Associate Professor of Medicine and Bioethics  
Director of Clinical Ethics  
Division of Pulmonary and Critical Care  
Loyola University Medical Center



**Dedicated** to Hope, Healing and Recovery

December 2, 2022

Debra Savage  
Chair  
Illinois Health Facilities and Services Review  
Board  
525 West Jefferson Street, 2nd Floor  
Springfield, Illinois 62761

**Re: Marklund Wasmond Center**

Dear Chair Savage:

I am the Social Services Director at Kindred Sycamore, a 69-bed long-term acute care hospital, in Sycamore, Illinois. I support the addition of 24-skilled nursing beds at Marklund Wasmond Center. Kindred provides treatment and rehabilitation for people with complex medical needs following a serious injury or surgery or for those living with chronic illnesses that require an experienced and highly trained staff. We provide respiratory therapy, head trauma treatment, and pain management. Patients are frequently transferred to Kindred from a general acute care hospital intensive or critical care unit and require more hospital recovery time.

Importantly, Kindred Sycamore is a licensed acute care hospital. On average, patients stay with us for about 27 days. Once hospitalization is no longer required, they are discharged to home or a lower level of care, like a skilled nursing facility. Importantly, there are seven skilled nursing facilities in the DeKalb County planning area, and none admit ventilator dependent patients. As a result, we frequently transfer our medically complex patients outside of the community to receive ventilator therapy, which is a hardship to their family and friends, who must travel in some cases over an hour to visit their loved ones.

Marklund Wasmond Center is approximately 30 minutes from Sycamore and one of the closest skilled nursing facilities that treats ventilator dependent residents. It continuously operates at or near full capacity, and it is difficult to place patients at that facility. The addition of beds at Wasmond Center, which I understand will accommodate ventilators, will allow more medically complex patients requiring specialized treatment to receive that care closer to home.

225 Edward Street • Sycamore, Illinois 60178  
815.895.2144 • 815.895.7057 fax • 800.526.0857 TDD/TTY  
[www.kindredhospitalsyc.com](http://www.kindredhospitalsyc.com)

87109543.1



**Dedicated** to Hope, Healing and Recovery

I support Marklund Wasmond Center's certificate of need application to add skilled nursing beds at Wasmond Center.

Sincerely,

Kristi Kush, RN

Case Manager

Kindred Hospital Sycamore

A handwritten signature in cursive script that reads "Kristi Kush".

**Section III, Specialized Long-Term Care**  
**Criterion 1125.720(d), Recommendations from State Departments**

Attached at Attachment – 26D are copies of letters to the Illinois Department of Human Services and Illinois Department of Public Health requesting a determination that the proposed expansion of Marklund Wasmond Center is consistent with the Departments' long-range goals and objectives.



150 N. Riverside Plaza, Suite 3000, Chicago, IL 60606 • (312) 819-1900

December 2, 2022

Anne M. Cooper  
(312) 873-3606  
(312) 276-4317 Fax  
acooper@polsinelli.com

Via Certified Mail

Director Theresa Eagleson  
Illinois Department of Healthcare and Family  
Services  
401 South Clinton Street  
Chicago, Illinois 60607

**Re: Marklund Wasmond Center Expansion Certificate of Need Application**

Dear Director Eagleson:

I am writing on behalf of my client Marklund Children's Home d/b/a Marklund Wasmond Center ("Marklund") to notify the Illinois Department of Healthcare and Family Services (the "Department") of Marklund's intent to file a certificate of need application with the Illinois Health Facilities and Services Review Board for a 24-bed expansion of its existing 61-bed Medically Complex/Skilled Nursing (MC/DD) facility located at 1435 Summit Street, Elgin, Illinois 60120 (the "Project"). Marklund requests: (1) a determination that the proposed expansion is consistent with the Department's long-range goals and objectives and (2) the Department identify individuals in need of MC/DD services.

Marklund serves infants, children, teens and adults with serious and profound developmental disabilities and special healthcare needs. Many Marklund residents are non-ambulatory and have severe cognitive disabilities due to genetic disorders, complications during pregnancy and delivery, or other issues. Others acquired disabilities during infancy or childhood through tragic accidents. Many have complex medical problems that require 24-hour skilled nursing care and regular therapy interventions

The Project includes the discontinuation of Marklund Philips Center, a 30-bed MC/DD facility located at 164 South Prairie Avenue, Bloomingdale, Illinois 60108 and the transfer of its residents to Marklund Wasmond Center. Marklund Philip Center is over sixty years old with an antiquated institutional design. Further, the current facility is small and can only accommodate 21 of its 30 licensed beds. Significant changes to the physical plant would be required to accommodate all thirty beds, which is economically unfeasible. Given its small size, it is

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Atlanta	Boston	Chicago	Dallas	Denver	Houston	Kansas City	Los Angeles	Miami	Nashville	New York
Phoenix	St. Louis	San Francisco	Seattle	Silicon Valley	Washington, D.C.	Wilmington				

Polsinelli PC, Polsinelli LLP in California



Director Theresa Eagleson

December 2, 2022

Page 2

inefficient to operate and difficult staff, which makes it more costly (30% more expensive) to operate than other MC/DD facilities.

Consolidation of Marklund Wasmond Center and Marklund Philip Center, which are approximately 11 miles apart, will allow Marklund to expand access to these highly specialized services to a greater number of residents without a significant increase in staff, create economies of scale, integrate clinical, administrative and support functions, and eliminate functional redundancies between the two facilities

Thank you for your time and consideration of Marklund's request for determination that its Project is consistent with the Department's long-range objectives. If you have any questions or need any additional information, please feel free to contact me.

Sincerely,

A handwritten signature in blue ink that reads 'Anne M. Cooper'.

Anne M. Cooper





150 N. Riverside Plaza, Suite 3000, Chicago, IL 60606 • (312) 819-1900

December 2, 2022

Anne M. Cooper  
(312) 873-3606  
(312) 276-4317 Fax  
acooper@polsinelli.com

Via Certified Mail

Grace B. Hou  
Secretary  
Illinois Department of Human Services  
401 South Clinton Street, Floor 007  
Chicago, Illinois 60607

**Re: Marklund Wasmond Center Expansion Certificate of Need Application**

Dear Secretary Hou:

I am writing on behalf of my client Marklund Children's Home d/b/a Marklund Wasmond Center ("Marklund") to notify the Illinois Department of Human Services (the "Department") of Marklund's intent to file a certificate of need application with the Illinois Health Facilities and Services Review Board for a 24-bed expansion of its existing 61-bed Medically Complex/Skilled Nursing (MC/DD) facility located at 1435 Summit Street, Elgin, Illinois 60120 (the "Project"). Marklund requests: (1) a determination that the proposed expansion is consistent with the Department's long-range goals and objectives and (2) the Department identify individuals in need of MC/DD services.

Marklund serves infants, children, teens and adults with serious and profound developmental disabilities and special healthcare needs. Many Marklund residents are non-ambulatory and have severe cognitive disabilities due to genetic disorders, complications during pregnancy and delivery, or other issues. Others acquired disabilities during infancy or childhood through tragic accidents. Many have complex medical problems that require 24-hour skilled nursing care and regular therapy interventions

The Project includes the discontinuation of Marklund Philips Center, a 30-bed MC/DD facility located at 164 South Prairie Avenue, Bloomingdale, Illinois 60108 and the transfer of its residents to Marklund Wasmond Center. Marklund Philip Center is over sixty years old with an antiquated institutional design. Further, the current facility is small and can only accommodate 21 of its 30 licensed beds. Significant changes to the physical plant would be required to accommodate all thirty beds, which is economically unfeasible. Given its small size, it is

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Secretary Hou  
December 2, 2022  
Page 2

inefficient to operate and difficult staff, which makes it more costly (30% more expensive) to operate than other MC/DD facilities.

Consolidation of Marklund Wasmond Center and Marklund Philip Center, which are approximately 11 miles apart, will allow Marklund to expand access to these highly specialized services to a greater number of residents without a significant increase in staff, create economies of scale, integrate clinical, administrative and support functions, and eliminate functional redundancies between the two facilities

Thank you for your time and consideration of Marklund's request for determination that its Project is consistent with the Department's long-range objectives. If you have any questions or need any additional information, please feel free to contact me.

Sincerely,

A handwritten signature in blue ink that reads 'Anne M. Cooper'.

Anne M. Cooper

**Section III, Specialized Long-Term Care****Criterion 1125.720(e), Long-Term Medical Care for Children Category of Service**

1. A map of the market area of Marklund Wasmond Center is attached at Attachment – 10. The market area encompasses an approximate 10-mile radius around Marklund Wasmond Center. The boundaries of the market area are as follows:
  - North approximately 10 miles to Trout Valley
  - Northwest approximately 10 miles to Gilberts
  - West approximately 10 miles to North Plato
  - Southwest approximately 10 miles to Campton Hills
  - South approximately 10 miles to West Chicago
  - Southeast approximately 10 miles to Bloomingdale
  - East approximately 10 miles to Schaumburg
  - Northwest approximately 10 miles to Inverness
2. The primary purpose of the proposed project is to improve access to MC/DD services to residents with profound developmental disabilities. As discussed throughout this application Marklund operates two of the State's ten MC/DD facilities. Only four MC/DD facilities are located outside of the Chicago metropolitan area. Accordingly, Marklund serves residents throughout Illinois, including Chicago, Rockford and Peoria. The tables below provide the zip code of residence for current Marklund Wasmond Center and Marklund Philip Center residents.

<b>Table 1125.720€ Marklund Wasmond Center Residents by Zip Code of Residence</b>		
<b>Zip Code</b>	<b>City</b>	<b>Residents</b>
27517	Chapel Hill, NC	1
32621	Bronson, FL	1
32835	Orlando, FL	1
33446	Kings Point, FL	1
34104	Naples, FL	1
34134	Bonita Springs, FL	1
53140	Kenosha, WI	1
53402	Racine, WI	1
60016	Des Plaines	4
60047	Lake Zurich	1
60067	Palatine	1
60074	Palatine	1
60089	Buffalo Grove	1
60101	Addison	1
60103	Bartlett	2
60110	Algonquin	1
60118	West Dundee	2
60120	Elgin	3
60123	Elgin	3
60133	Hanover Park	1
60147	Geneva	1
60154	Westchester	1
60177	South Elgin	2
60181	Villa Park	1
60185	West Chicago	1
60192	Hoffman Estates	1
60193	Schaumburg	1

Table 1125.720€ Marklund Wasmond Center Residents by Zip Code of Residence		
Zip Code	City	Residents
60409	Calumet City	1
60419	Dolton	1
60443	Matteson	1
60448	Mokena	1
60452	Oak Forest	1
60458	Justice	2
60473	South Holland	1
60503	Aurora	1
60505	Aurora	1
60516	Downers Grove	1
60540	Naperville	1
60542	North Aurora	2
60613	Chicago	1
60618	Chicago	1
60639	Chicago	1
60643	Chicago	1
60649	Chicago	1
60714	Niles	1
61448	Knoxville	1
61832	Danville	1
97201	Portland, OR	1
<b>Total</b>		<b>60</b>

Table 1125.530(b) Marklund Philip Center Residents by Zip Code of Residence		
Zip Code	City	Residents
60016	Des Plaines	4
60067	Palatine	1
60085	Waukegan	1
60118	East Dundee	1
60126	Elmhurst	1
60137	Glen Ellyn	1
60185	West Chicago	1
60187	Wheaton	2
60190	Winfield	1
60431	Joliet	1
60446	Romeoville	1
60471	Richton Park	1
60527	Burr Ridge	1
60563	Naperville	1
60612	Chicago	1
60634	Chicago	1
61270	Morrison	1
<b>Total</b>		<b>21</b>

3. Marklund Wasmond Center is an existing MC/DD facility serving residents with profound developmental disabilities (physical & cognitive) with 24-hour nursing care, and a full range of therapeutic and educational programs.
4. Marklund Wasmond Center is one of only eight MC/DD facilities in the State of Illinois specializing in treating children and young adults with developmental disabilities. Importantly, it is the only such facility within its 10-mile geographic service area.
5. Marklund Wasmond Center consistently operates at or near full capacity. With the discontinuation of Marklund Philip Center and the transfer for those residents to the Elgin facility, Marklund Wasmond will achieve 90% occupancy within the first full year after project completion.

<b>Table 1125.720(e)(5)</b> <b>Marklund Wasmond Center &amp; Marklund Philip Center Utilization</b> <b>2017 - 2021</b>						
	2017	2018	2019	2020	2021	Average
Marklund Wasmond Center						
Beds	57	57	57	61	61	61
Admissions	4	7	4	-	8	5
Discharges	4	6	4	1	4	4
Days	20,377	20,450	20,599	20,847	21,109	20,676
Utilization	98%	98%	99%	94%	95%	93%
Marklund Philip Center						
Beds	30	30	30	30	30	30
Admissions	4	0	1	2	2	2
Discharges	3	0	3	1	2	2
Days	7,459	7,665	7,343	7,099	7,112	7,336
Utilization	68%	70%	67%	65%	65%	67%
Total Days	27,836	28,115	27,942	27,946	28,221	28,012
Average Daily Census	76.3	77.0	76.6	76.4	77.3	76.7
Total Beds Justified	82	83	82	82	86	85

**Section III, Specialized Long-Term Care**  
**Criterion 1125.720(f), Zoning**

Marklund Wasmond Center is an existing MC/DD facility. Accordingly, this criterion is not applicable.



**Section V, Financial Feasibility**  
**Criterion 1120.120 Availability of Funds**

The project will be funded by cash and an \$8 million line of credit. Copies of the most recent three years of audited financial statements as well as the renewal of the line of credit area attached at Attachments – 27A – 27E.



**MARKLUND CHILDREN'S HOME  
D/B/A MARKLUND**

**Consolidated Financial Statements**

**June 30, 2020 and 2019**

**(With Independent Auditors' Report Thereon)**



KPMG LLP  
Aon Center  
Suite 5500  
200 E. Randolph Street  
Chicago, IL 60601-6436

## Independent Auditors' Report

The Board of Directors  
Marklund Children's Home:

### *Report on the Consolidated Financial Statements*

We have audited the accompanying consolidated financial statements of Marklund Children's Home d/b/a Marklund (Marklund), which comprise the consolidated balance sheets as of June 30, 2020 and 2019, and the related consolidated statements of operations and changes in net assets without donor restrictions, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 Marklund Children's Home d/b/a Marklund as of June 30, 2020 and 2019, and the results of their operations, changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

*Emphasis of Matter*

As discussed in note 1 to the consolidated financial statements, in 2020, Marklund adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended, and ASU No. 2016-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

KPMG LLP

Chicago, Illinois  
October 26, 2020

**MARKLUND CHILDREN'S HOME  
D/B/A MARKLUND**

Consolidated Balance Sheets

June 30, 2020 and 2019

<b>Assets</b>	<b>2020</b>	<b>2019</b>
Current assets:		
Cash and cash equivalents	\$ 6,348,539	250,339
Receivables:		
Resident accounts receivable	3,739,050	4,741,106
Other	894,677	877,764
Pledges receivable	709,603	280,513
Inventories	91,805	92,109
Prepaid expenses	330,340	390,069
Other assets	477,230	284,895
Total current assets	12,591,244	6,916,795
Assets whose use is limited or restricted	19,502,085	17,485,051
Pledges receivable, net of current portion	1,282,287	782,477
Land, buildings, and equipment, net of accumulated depreciation	27,155,669	18,662,459
Total assets	\$ 60,531,285	43,846,782
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Current portion of long-term notes payable	\$ 272,816	—
Accounts payable	294,114	387,067
Accrued liabilities:		
Compensation and related payables	2,183,044	1,065,725
Other	2,058,701	1,396,750
Line of credit payable	—	1,200,052
Construction payables	1,047,238	—
Total current liabilities	5,855,913	4,049,594
Long-term liability:		
Notes payable, net of current portion	6,274,768	—
Paycheck Protection Program loan	3,879,650	—
Net assets:		
Without donor restrictions	33,632,724	30,291,241
With donor restrictions	10,888,230	9,505,947
Total net assets	44,520,954	39,797,188
Total liabilities and net assets	\$ 60,531,285	43,846,782

See accompanying notes to consolidated financial statements.

**MARKLUND CHILDREN'S HOME  
D/B/A MARKLUND**

Consolidated Statements of Operations and Changes in Net Assets Without Donor Restrictions

Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenue and support:		
Resident service revenue	\$ 20,571,133	16,451,877
School services	6,684,037	5,669,683
Community day services	3,566,280	3,514,798
Other revenue	189,073	316,605
Total revenue and support	<u>31,010,523</u>	<u>25,952,963</u>
Expenses:		
Salaries and wages	19,919,347	17,879,258
Employee benefits	5,690,773	4,750,421
Consulting	520,393	448,558
Medical supplies	746,110	707,796
Food and dietary	473,269	464,972
Rent, utilities, and occupancy	800,766	896,167
Depreciation	2,062,363	2,020,114
Illinois Medicaid program assessment	985,972	891,584
Other	1,954,081	1,654,328
Total expenses	<u>33,153,074</u>	<u>29,713,198</u>
Revenue and support deficient of expenses	<u>(2,142,551)</u>	<u>(3,760,235)</u>
Nonoperating gains, net:		
Unrestricted gifts and bequests	3,734,022	1,863,819
Investment return, net	602,339	465,652
Other	18,121	26,687
Total nonoperating gains, net	<u>4,354,482</u>	<u>2,356,158</u>
Revenue, support, and gains in excess (deficient) of expenses and losses	2,211,931	(1,404,077)
Other changes in net assets without donor restrictions:		
Net assets released from restriction used for purchase of land, buildings, and equipment	1,129,552	716,662
Increase (decrease) in net assets without donor restrictions	<u>\$ 3,341,483</u>	<u>(687,415)</u>

See accompanying notes to consolidated financial statements.



**MARKLUND CHILDREN'S HOME  
D/B/A MARKLUND**

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Net assets without donor restrictions:		
Revenue, support, and gains in excess (deficient) of expenses and losses	\$ 2,211,931	(1,404,077)
Net assets released from restriction used for purchase of land, buildings, and equipment	<u>1,129,552</u>	<u>716,662</u>
Increase (decrease) in net assets without donor restrictions	<u>3,341,483</u>	<u>(687,415)</u>
Net assets with donor restrictions:		
Contributions for specific purposes	853,346	1,416,681
Pledges made for specific purposes	1,653,508	1,062,990
Net assets released from restriction for operations	(14,085)	(146,945)
Net assets released from restriction used for purchase of land, buildings, and equipment	(1,129,552)	(716,662)
Contributions to be held in perpetuity	<u>19,066</u>	<u>15,567</u>
Increase in net assets with donor restrictions	<u>1,382,283</u>	<u>1,631,631</u>
Change in net assets	4,723,766	944,216
Net assets at beginning of year	<u>39,797,188</u>	<u>38,852,972</u>
Net assets at end of year	<u>\$ 44,520,954</u>	<u>39,797,188</u>

See accompanying notes to consolidated financial statements.

**MARKLUND CHILDREN'S HOME  
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**Consolidated Statements of Cash Flows**

Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities and gains:		
Change in net assets	\$ 4,723,766	944,216
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities and gains:		
Depreciation	2,062,363	2,020,114
Change in net unrealized gains and losses on trading securities	153,364	36,399
Realized gains on investments, net	(330,867)	(9,928)
Restricted contributions	(872,412)	(1,432,248)
Net assets released from restrictions and used for operations	14,085	146,945
Changes in assets and liabilities:		
Receivables	985,143	(2,214,809)
Pledges receivable	(928,900)	(1,006,499)
Inventories	304	(1,289)
Prepaid expenses	59,729	(91,056)
Other assets	(192,335)	(95,618)
Accounts payable	(92,953)	118,868
Accrued liabilities	<u>1,779,270</u>	<u>699,132</u>
Net cash provided by (used in) operating activities and gains	<u>7,360,557</u>	<u>(885,773)</u>
Cash flows from investing activities:		
Purchases of assets limited or restricted as to use	(13,404,734)	(8,831,120)
Proceeds from sale or maturities of assets limited or restricted as to use	11,565,203	7,401,589
Acquisition of land, buildings, and equipment	<u>(9,508,335)</u>	<u>(1,057,941)</u>
Net cash used in investing activities	<u>(11,347,866)</u>	<u>(2,487,472)</u>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	3,879,650	—
Proceeds from notes payable	6,547,584	—
Repayments of notes payable	—	(986,201)
Proceeds from draws on line of credit	8,721,761	3,964,583
Payments on line of credit	(9,921,813)	(2,764,531)
Net assets released from restrictions and used for operations	(14,085)	(146,945)
Restricted contributions	<u>872,412</u>	<u>1,432,248</u>
Net cash provided by financing activities	<u>10,085,509</u>	<u>1,499,154</u>
Net change in cash and cash equivalents	6,098,200	(1,874,091)
Cash and cash equivalents at beginning of year	<u>250,339</u>	<u>2,124,430</u>
Cash and cash equivalents at end of year	\$ <u><u>6,348,539</u></u>	<u><u>250,339</u></u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 80,909	32,645
Supplemental disclosure of noncash transactions:		
Unpaid payables of building and equipment	1,047,238	—

See accompanying notes to consolidated financial statements.

**MARKLUND CHILDREN'S HOME  
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Notes to Consolidated Financial Statements

June 30, 2020 and 2019

**(1) Description of Organization and Summary of Significant Accounting Policies**

Marklund Children's Home is a not-for-profit organization that provides residential, healthcare, educational, and training services to developmentally disabled infants, children, and young adults. The accompanying consolidated financial statements include the accounts of Marklund Children's Home and Marklund Charities (Charities) (collectively referred to as Marklund). Marklund Children's Home serves as the parent entity of Charities through the authority to approve board of directors' members and the holding of certain reserve powers. Charities is a not-for-profit private organization that provides fundraising activities of Marklund.

Effective October 31, 2016, The Center for Exceptional Care (CEC), d/b/a Little Angels, became an affiliate of Marklund through an agreement for purchase and sale of assets and transfer of operations with no consideration paid.

All significant intercompany balances and transactions have been eliminated in consolidation.

A summary of the significant accounting policies of Marklund follows:

- The consolidated statements of operations and changes in net assets without donor restrictions include revenue, support, and gains in excess (deficient) of expenses and losses. Transactions deemed to be ongoing, major, or central to the provision of client services are reported as revenue and expenses. Transactions incidental to the provision of client services are reported as gains and losses. Changes in net assets without donor restriction that are excluded from revenue and support deficient of expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions that, by donor restrictions, were to be used for the purpose of acquiring such assets), unrestricted gifts and bequests, investment return, and other.
- The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- These consolidated financial statements have been prepared to focus on Marklund as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances into two classes of net assets—without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:
  - *Without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and are resources available to support operations; this category includes board-designated funds functioning as endowment, which represents funds that have been appropriated by the board, the income from which is used in support of the purposes and mission of Marklund.

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Notes to Consolidated Financial Statements

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- *With donor restrictions* – Net assets subject to donor-imposed restriction for use for a particular purpose; Marklund's unspent contributions are included in this class if the donor limited their use. Marklund's donor-restricted endowment funds, which must be maintained in perpetuity with the income from which used in support of the purposes and mission of Marklund, are included in net assets with donor restrictions.

When a donor's restriction is satisfied, either by using the resources in a manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the consolidated financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions and are reported in the consolidated statements of operations and changes in net assets without donor restrictions as net assets released from restriction.

All revenue and net gains are reported as increases in net assets without donor restrictions in the consolidated statements of operations and changes in net assets without donor restriction unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

Unconditional promises to give cash and other assets are reported at fair value at the date the promises are received. Unrestricted contributions and bequests are reported as nonoperating gains. Conditional pledges are not recognized until the conditions on which they depend are substantially met. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Net assets released from restriction for operating purposes are included with other revenue. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

- Resident service revenue performance obligations are satisfied and revenue is recognized over-time as services are provided to residents. School services and community day services performance obligations are satisfied and revenue is recognized over-time as services are provided to students. Revenue is disaggregated in accordance with Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, on the consolidated statements of operations and changes in net assets without donor restrictions
- Cash and cash equivalents include demand deposits and investments in highly liquid instruments with maturities of three months or less at date of purchase, excluding amounts included within assets whose use is limited or restricted.
- Marklund Children's Home, Charities, and the CEC are not-for-profit corporations, 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.

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ASC Topic 740, *Income Taxes*, addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under ASC Topic 740, Marklund must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. ASC Topic 740 also provides guidance on derecognition, classification, interest and penalties on income taxes, and accounting in interim periods, and requires increased disclosures. As of June 30, 2020 and 2019, Marklund does not have a liability for unrecognized tax benefits.

- Assets whose use is limited or restricted include assets set aside by the board of directors for internal endowment development funding and the developmentally disabled children's fund over which the board of directors retains control and may, at its discretion, subsequently use for other purposes, and all donor-restricted investments.
- Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated.
- Investments in equity securities and all investments in debt securities are measured at fair value in the accompanying consolidated balance sheets. Investment return, including interest, dividends, realized gains and losses on investments, and change in unrealized gains and losses on trading securities, is reported as nonoperating gains to the extent not restricted by donors.
- Marklund capitalizes interest costs incurred on debt during the construction of major projects exceeding one year.
- Marklund applies the provisions of ASC Subtopic 820-10, *Fair Value Measurement – Overall*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Subtopic 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Subtopic 820-10 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Marklund applies the provisions of ASC Subtopic 820-10 to fair value measurements of nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a nonrecurring basis.

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Marklund also applies the provisions of ASC Subtopic 825-10, *Financial Instruments – Overall*. ASC Subtopic 825-10 gives Marklund the irrevocable option to report most financial assets and financial liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. Marklund's management did not elect to measure any additional eligible financial assets or financial liabilities at fair value.

- Marklund adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, effective July 1, 2019. The ASU requires an entity to recognize revenue when the entity transfers control of promised goods and services to the customer. Revenue is recognized in an amount that reflects the consideration an entity expects to receive in exchange for those goods and services. An entity is also required to disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The ASU permits the new revenue recognition guidance to be applied using one of two retrospective application methods. Marklund adopted this guidance effective July 1, 2019 under the modified retrospective method. The adoption did not have an impact on Marklund's results of operations. Analysis of the various provisions of this standard resulted in no significant changes in the way Marklund recognizes revenue; however, the presentation and disclosures of revenue have been enhanced.
- Marklund adopted ASU No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, effective July 1, 2019. ASU No. 2018-08 clarifies and improves the scope and the accounting guidance regarding the accounting for grants and contracts as exchange transactions or contributions and improve guidance to better distinguish between conditional and unconditional contributions. The adoption of ASU No. 2018-08 did not have a material effect on the consolidated financial statements.
- Marklund adopted ASU No. 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash, (a Consensus of the FASB Emerging Issues Task Force)*, effective July 1, 2019. ASU No. 2016-18 requires an entity to include amounts generally described as restricted cash and restricted cash equivalents, along with cash and cash equivalents when reconciling beginning and ending balances on the statement of cash flows. Marklund adopted this guidance effective July 1, 2019 with no impact to the consolidated financial statements.
- In February 2016, FASB issued ASU No. 2016-02, *Leases*. ASU No. 2016-02 requires entities to recognize all leased assets as assets on the balance sheet with a corresponding liability resulting in a gross up of the balance sheet. Entities will also be required to present additional disclosures as the nature and extent of leasing activities. ASU No. 2016-02 is effective for private entities for the annual reporting period beginning after December 15, 2021 (as amended by ASU No. 2020-05). The requirements of this statement are effective for Marklund for the year ending June 30, 2023. Marklund is in process of evaluating the impact of this statement.

**(2) COVID Reporting**

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. School services and community day services revenues were significantly impacted starting in mid-March as various policies were implemented by Federal, state, and local governments in response to the COVID-19 pandemic that caused many people to remain at home and forced the closure of or limitations on certain businesses.

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In March 2020, the Coronavirus Aid, Relief and Economic Security Act (CARES Act) was signed into law providing temporary and limited relief to businesses during the COVID-19 outbreak. On March 27, 2020, the CARES Act established the Paycheck Protection Program (PPP), which is administered by the Small Business Administration (SBA). Under the PPP, eligible businesses may receive loans from participating financial institutions that are guaranteed by the SBA, and the loans may be forgiven to the extent the proceeds are used to make payroll, payroll-related, and other eligible payments. Participation in the PPP requires an entity to certify to the federal government (a) its eligibility to receive funds and (b) its eligibility to receive loan forgiveness, if applicable.

On May 6, 2020, Marklund qualified for and received a loan pursuant to the PPP from a qualified lender (the "PPP Lender"), for an aggregate principal amount of approximately \$3,879,650 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the SBA. The principal amount of the PPP Loan is subject to forgiveness under the PPP upon Marklund's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations and covered utility payments incurred by Marklund. Marklund intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. If the PPP Loan is forgiven, Marklund will recognize the income as a gain on extinguishment of debt when it is legally released from its obligation upon notification of forgiveness from the PPP Lender. To the extent that all or part of the PPP Loan is not forgiven, Marklund will be required to pay interest on the PPP Loan at a rate of 1.0% per annum and commencing on the earlier of the date that the SBA approves forgiveness or October 21, 2021. Principal and interest payments will be required over a two-year period starting at the amortization commencement date. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties and insolvency events. The obligation to repay the PPP Loan may be accelerated upon the occurrence of an event of default. The debt is subsequently measured at amortized cost using the effective interest method to recognize interest expense.

The extent of the COVID-19 pandemic's adverse impact on operating results and financial condition of Marklund has been and will continue to be driven by many factors, most of which are beyond Marklund's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, continued declines on resident volumes for an indeterminable length of time, increases in the number of uninsured and underinsured residents as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure. Because of these and other uncertainties, Marklund cannot estimate the length or severity of the impact of the pandemic on the business and the results of its operations.



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Notes to Consolidated Financial Statements

June 30, 2020 and 2019

**(3) Charity Care**

Marklund provides a comprehensive range of custodial care, educational, and developmental training services to severely disabled infants, children, and adults. Revenue sources funding such services include the Illinois Department of Human Services (DHS), Medicaid, local governments, school districts, and private payors. The cost of providing services to clients significantly exceeds the amount of revenue received as evidenced by the revenue and support deficient of expenses reported in the accompanying consolidated statements of operations and changes in net assets without donor restrictions.

In accordance with ASC Topic 954, *Health Care Entities*, Marklund accounts for charity care as the difference between the cost of caring for residents assisted by Medicaid and the amounts reimbursed for these residents as charity care. Since Marklund does not expect payment for charity care services, charges for charity care are not included in revenue. In addition, Marklund reports the cost of services provided to the community as charity care. Charity care attributable to Medicaid subsidies and community service activities for the years ended June 30, 2020 and 2019 approximated \$852,521 and \$2,414,473, respectively.

**(4) Resident Service Revenue**

Marklund has agreements with third-party payors that provide for reimbursement to Marklund at amounts different from its established rates. Resident service revenue is recorded based upon estimated net reimbursable amounts. A summary of the basis of reimbursement with the major third-party payor is as follows:

*Healthcare Family Services*

Marklund participates as a provider of services to disabled children under a Healthcare Family Services (HFS) Medicaid program. Resident service revenue and community day services revenue under the HFS Medicaid program for the years ended June 30, 2020 and 2019 approximated \$22,880,538 and \$18,692,538, respectively. This revenue is based on all-inclusive per diem rates for basic care effective for a period of 12 months. The per diem rates are subject to retroactive adjustment. Funding from HFS may be subject to periodic adjustment as well as to changes in existing payment levels and rates based on the amount of funding available to HFS. Marklund has continued to experience payment delays in 2020 under the Medicaid program due to timing of funding available to HFS.

Marklund participates in the State of Illinois Hospital Assessment program. Pursuant to this program, providers within the State are required to remit payment to the State's Medicaid program under an assessment formula approved by the Centers for Medicare and Medicaid Services. Marklund has included its annual assessment of \$985,972 and \$891,584 as an operating expense in the accompanying 2020 and 2019 consolidated statements of operations and changes in net assets without donor restrictions, respectively.

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Notes to Consolidated Financial Statements

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**(5) Concentration of Credit Risk**

Marklund provides a comprehensive range of custodial care, educational, and developmental training services to severely disabled children and young adults. Marklund grants credit to these individuals and their families and generally does not require collateral or other security in extending credit to them; however, it routinely obtains assignment of (or is otherwise entitled to receive) these individuals' benefits payable under their programs, plans, or policies (e.g., Medicaid and DHS). The following table summarizes the composition of resident accounts receivable at June 30, 2020 and 2019 by funding source:

	<u>2020</u>	<u>2019</u>
Medicaid	99 %	99 %
DHS	1	1
	<u>100 %</u>	<u>100 %</u>

A summary of Marklund's funding source utilization percentages based on resident service revenue for the years ended June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Medicaid	94 %	93 %
DHS	5	6
Other	1	1
	<u>100 %</u>	<u>100 %</u>

**(6) Land, Buildings, and Equipment**

Land, buildings, and equipment are stated at cost or, if donated, at fair value at the date of donation, less accumulated depreciation and amortization. A summary of land, buildings, and equipment at June 30, 2020 and 2019 follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 5,199,517	5,199,517
Land improvements	2,718,484	2,707,669
Buildings and improvements	29,694,293	29,384,984
Furniture and equipment	6,300,602	7,267,893
	43,912,896	44,560,063
Less accumulated depreciation	(26,678,871)	(26,272,540)
Construction in progress	9,921,644	374,936
	<u>\$ 27,155,669</u>	<u>18,662,459</u>

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Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Ranges of depreciable lives include land improvements, 2–10 years; building and improvements, 5–20 years; and furniture and equipment, 3–8 years. As of June 30, 2020, there were outstanding contractual commitments of \$66,555 related to the construction of a new building for students on the autism spectrum and multi needs. Construction of this building began in July 2019, was completed in July 2020, and became operational in August 2020.

**(7) Pledges Receivable**

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on pledge amounts is computed using interest rates applicable to the years in which the promises are received, which is assumed to be 2.5% for 2020 and 2019. Amortization of pledge discounts is included in net assets with donor restrictions. The following are pledges receivable as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Pledges receivable before unamortized discount and allowance for uncollectible pledges	\$ 2,164,891	1,251,000
Less unamortized discount	<u>111,396</u>	<u>162,289</u>
Subtotal	2,053,495	1,088,711
Less allowance for uncollectible pledges	<u>61,605</u>	<u>25,721</u>
Net pledges receivable	<u>\$ 1,991,890</u>	<u>1,062,990</u>
Amounts due in:		
Less than one year	\$ 709,603	280,513
One to five years	<u>1,282,287</u>	<u>782,477</u>
Total	<u>\$ 1,991,890</u>	<u>1,062,990</u>

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Notes to Consolidated Financial Statements

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**(8) Assets Whose Use is Limited or Restricted**

Marklund reports investments in equity securities with readily determinable fair values and all investments in debt securities at fair value. Fair value is determined primarily on the basis of quoted market prices. A summary of the composition of Marklund's investment portfolio, all of which is reported as assets whose use is limited or restricted, at June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Cash equivalents	\$ 5,966,802	4,386,732
Pledges receivable	1,991,890	1,062,990
Equity securities and mutual funds	9,822,217	9,502,323
Fixed-income mutual funds	3,713,066	3,595,996
	<u>\$ 21,493,975</u>	<u>18,548,041</u>

The composition of investment return on Marklund's investment portfolio for the years ended June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 490,184	555,761
Net realized gains on sale of investments	330,867	9,928
Change in net unrealized gains and losses on trading securities	(153,364)	(36,399)
Investment management fees	(65,348)	(63,638)
Investment return, net	<u>\$ 602,339</u>	<u>465,652</u>

**(9) Fair Value Measurement**

**(a) Fair Value of Financial Instruments**

The following methods and assumptions were used by Marklund in estimating the fair value of its financial instruments:

- The carrying amount reported in the consolidated balance sheets for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, accounts payable, and accrued liabilities.
- Fair values of investments held as assets whose use is limited or restricted are estimated based on prices provided by its investment managers and its custodian bank, except for the carrying value of pledges receivable, which approximates fair value. Fair value for equity securities and mutual funds, fixed-income mutual funds, and quoted corporate bonds are measured using quoted market prices at the reporting date multiplied by the quantity held. The carrying value equals fair value.
- The carrying amount of resident accounts receivable approximates fair value because of the contractual terms and relatively short maturities of this financial instrument. The estimated fair value, however, involves unobservable inputs considered to be Level 3 in the fair value hierarchy.

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**(b) Fair Value Hierarchy**

Marklund follows ASC Subtopic 820-10 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Subtopic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that Marklund has the ability to access at the measurement date.
- Level 2 inputs are observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 inputs are unobservable inputs for the asset or liability.

The following table presents Marklund's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2020:

	<u>Fair value</u>	<u>Fair value measurements at June 30 using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:				
Cash and cash equivalents	\$ 6,348,539	6,348,539	—	—
Assets whose use is limited or restricted, excluding pledges receivable of \$1,991,890:				
Cash equivalents	\$ 5,966,802	5,966,802	—	—
Equity mutual funds	9,822,217	9,822,217	—	—
Fixed-income mutual funds	3,713,066	3,713,066	—	—
	<u>\$ 19,502,085</u>	<u>19,502,085</u>	<u>—</u>	<u>—</u>

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The following table presents Marklund's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2019:

	Fair value	Fair value measurements at June 30 using		
		Level 1	Level 2	Level 3
Financial assets:				
Cash and cash equivalents	\$ 250,339	250,339	—	—
Assets whose use is limited or restricted, excluding pledges receivable of \$1,062,990:				
Cash equivalents	\$ 4,386,732	4,386,732	—	—
Equity mutual funds	9,502,323	9,502,323	—	—
Fixed-income mutual funds	3,595,996	3,595,996	—	—
	<u>\$ 17,485,051</u>	<u>17,485,051</u>	<u>—</u>	<u>—</u>

**(c) Transfers between Levels**

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. Marklund evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended June 30, 2020 and 2019, there were no transfers into or out of Levels 1, 2, or 3.

**(10) Notes payable**

Marklund had outstanding notes payable at June 30, 2020 consisting of the following:

Construction loan payable, issued August 20, 2019, bearing interest at a rate of 1.67% at June 30, 2020, with interest paid monthly	\$ <u>6,547,584</u>
Total notes payable	6,547,584
Less current maturities of notes payable	<u>(272,816)</u>
Notes payable, net of current portion	<u>\$ 6,274,768</u>

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Notes to Consolidated Financial Statements

June 30, 2020 and 2019

On August 20, 2019, Marklund entered into a new \$9,000,000 construction loan with St. Charles Bank and Trust Company to fund the building of a school to meet the needs of children with multiple medical needs and those with autism spectrum disorders. Interest under the loan is payable based on the monthly LIBOR rate plus 1.50% for years 1, 9, and 10 of the loan. For years 2 through 8, interest is based on a fixed rate established on the first anniversary date of the loan at the current LIBOR 7-year swap rate plus 200 basis points per year to fix the rate of interest payable. Principal and interest payments are payable monthly, with monthly principal payments beginning on after the first anniversary date of the through the original loan maturity date of August 20, 2029.

At June 30, 2020, scheduled principal repayments on the notes payable were as follows:

	<u>Amount</u>
Fiscal year ending:	
2021	\$ 272,816
2022	327,379
2023	327,379
2024	327,379
2025	327,379
Thereafter	<u>4,965,252</u>
Total	\$ <u><u>6,547,584</u></u>

**(11) Employee Retirement Plans**

Marklund also sponsors an employee retirement savings plan (the Plan) that covers substantially all employees. Other significant provisions of the Plan are as follows:

- *Contributions* – The Plan is a defined-contribution plan. Employer contributions to the Plan in 2020 and 2019 were 100% of each dollar the participant contributes, up to a maximum of 5% of eligible compensation for 2020 and 4% for 2019. Employer-matching contributions to the Plan were \$638,208 and \$442,487 in 2020 and 2019, respectively.
- *Eligibility* – All employees are eligible to participate in the Plan. Employees are eligible to receive matching contributions at the start of the first quarter following the date of hire.
- *Vesting* – Participants are vested immediately in their contributions and are 100% vested in the employer contributions at their two-year anniversary.



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Notes to Consolidated Financial Statements

June 30, 2020 and 2019

**(12) Net Assets**

Net assets at June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Net assets:		
Without donor restrictions:		
Designated by the board:		
Developmentally disabled children fund	\$ 3,925,638	2,941,524
Board-restricted endowment	1,000,000	1,000,000
Unrestricted endowment income and realized gains	5,680,107	5,022,716
Undesignated	<u>23,026,979</u>	<u>21,327,001</u>
Total net assets without donor restrictions	<u>33,632,724</u>	<u>30,291,241</u>
With donor restrictions:		
Donor-restricted endowments	7,617,119	7,598,053
Purpose restricted – capital campaign	2,834,926	1,477,703
Purpose restricted – restricted programs	<u>436,185</u>	<u>430,191</u>
Total net assets with donor restrictions	<u>10,888,230</u>	<u>9,505,947</u>
Total net assets	<u>\$ 44,520,954</u>	<u>39,797,188</u>

Net assets were released from donor restrictions by incurring expenses satisfying the donor-restricted purposes, as follows:

	<u>2020</u>	<u>2019</u>
Capital campaign	\$ 1,129,552	716,662
Restricted programs	<u>14,085</u>	<u>146,945</u>
	<u>\$ 1,143,637</u>	<u>863,607</u>

**(13) Endowments**

Marklund's endowment consists of funds established for a variety of purposes including donor-restricted endowment funds and funds designated by the board to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The income on the endowment funds is expendable to support operations of Marklund facilities, as designated by the board, and is recorded through net assets without donor restrictions.

The "Uniform Prudent Management of Institutional Funds Act" (UPMIFA), which was enacted in the state of Illinois in 2009, does not preclude Marklund from spending below the original gift value of donor-restricted endowment funds.

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Notes to Consolidated Financial Statements

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For accounting and reporting purposes, Marklund classifies as net assets with donor restrictions, the historical value of donor-restricted endowment funds, which includes (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) changes to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument. Also included in net assets with donor restrictions is accumulated appreciation (depreciation) on donor-restricted endowment funds, which are available for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA, and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift.

To make a determination to expend or accumulate donor-restricted endowment funds, Marklund considers a number of factors, including the duration and preservation of the fund, purposes of the donor-restricted fund, general economic conditions, the possible effects of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of Marklund, and the investment policies of Marklund.

**(a) Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Marklund to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. Subsequent gains restore the fair value of the assets of the endowment fund to the required level. There were no deficiencies as of June 30, 2020 or 2019.

**(b) Return Objectives and Risk Parameters**

Marklund has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organizations must hold in perpetuity. Under this policy, as approved by the board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a blended benchmark composed of the major indices related to the investment allocation being targeted for the portfolio.

**(c) Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, Marklund relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Marklund targets a diversified asset allocation that places emphasis on investments in equities, international equities, and mutual funds to achieve its long-term return objectives within prudent risk constraints. Major investment decisions are authorized by the Finance Committee, which oversees the investment program in accordance with established guidelines.

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Notes to Consolidated Financial Statements

June 30, 2020 and 2019

**(d) Spending Policy and How the Investment Objectives Relate to Spending Policy**

Marklund has a policy of spending based on the amount of capital gains, interest, and dividends reinvested in the endowment assets. The spending rate (the annual amount withdrawn from the endowment assets to support the operating budget) is determined by the board based on the investment return expected, but not to exceed 5% of the average fair value of the endowment funds' average fair value over the prior three years through June 30 preceding the fiscal year in which the distribution is planned. In establishing these policies, Marklund considered the expected return on its endowment. Accordingly, Marklund expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return.

During 2020, Marklund had the following activities related to endowment net assets:

	<b>Board-designated and unrestricted endowment income</b>	<b>Donor-restricted endowment funds</b>	<b>Total</b>
Endowment net assets, July 1, 2019	\$ 6,022,716	7,598,053	13,620,769
Investment return	583,754	—	583,754
Contributions	73,637	19,066	92,703
Appropriated expenditures of endowment funds	—	—	—
Endowment net assets, June 30, 2020	<u>\$ 6,680,107</u>	<u>7,617,119</u>	<u>14,297,226</u>

During 2019, Marklund had the following activities related to endowment net assets:

	<b>Board-designated and unrestricted endowment income</b>	<b>Donor-restricted endowment funds</b>	<b>Total</b>
Endowment net assets, July 1, 2018	\$ 5,608,139	7,582,486	13,190,625
Investment return	414,577	—	414,577
Contributions	—	15,567	15,567
Appropriated expenditures of endowment funds	—	—	—
Endowment net assets, June 30, 2019	<u>\$ 6,022,716</u>	<u>7,598,053</u>	<u>13,620,769</u>

**(14) Commitments and Contingencies**

**(a) Litigation**

Marklund is involved in litigation arising in the normal course of business. In consultation with legal counsel, management anticipates that these matters will be resolved without material adverse effect on Marklund's financial position or results of operations.

**MARKLUND CHILDREN'S HOME  
D/B/A MARKLUND**

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

**(b) Line of Credit**

Marklund maintains a credit facility agreement with St. Charles Bank and Trust Company (the Bank). The agreement extends a line of credit to Marklund in the principal sum not to exceed \$7,000,000 in support of working capital requirements and was secured by Marklund's unrestricted receivables and real and personal property. Interest on the unpaid balance is paid monthly based on a variable rate determined as the LIBOR rate for the monthly period plus 1.50%. At June 30, 2020, no amounts were drawn on the line of credit.

**(c) Investment Risk and Uncertainties**

Marklund invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated balance sheets. As a result of the COVID-19 virus, economic uncertainties have arisen which have caused volatility in financial markets and could potentially negatively impact Marklund's investment and business values. The ultimate potential impact of the virus is unknown at this time, but business and investment values are likely to be impacted as a result of the pandemic.

**(15) Functional Expenses**

Marklund provides services to its residents as well as individuals within its geographic location. The primary program activities of Marklund are residential and day programs. Natural expenses related to more than one functional expense category are allocated using a variety of methods, such as square footage, historic staff time, and actual usage. Expenses related to providing these services for the years ended June 30, 2020 and 2019 are as follows:

	Program activities			Supporting activities		Total supporting activities	Total
	Residential	Nonresidential	Total program activities	General and Administrative	Fundraising		
Salaries and wages	\$ 11,190,772	5,890,005	17,080,777	2,027,855	810,715	2,838,570	19,919,347
Employee benefits	3,167,537	1,606,860	4,774,397	689,040	227,336	916,376	5,690,773
Consulting	482,388	38,005	520,393	—	—	—	520,393
Medical supplies	713,332	32,778	746,110	—	—	—	746,110
Food and dietary	460,320	11,909	472,229	1,040	—	1,040	473,269
Rent, utilities, and occupancy	459,187	274,126	733,313	60,465	6,988	67,453	800,766
Depreciation	1,036,944	874,153	1,911,097	151,266	—	151,266	2,062,363
Illinois Medicaid program assessment	985,972	—	985,972	—	—	—	985,972
Other	689,954	345,595	1,035,549	738,193	180,339	918,532	1,954,081
Total 2020 expenses	\$ 19,186,406	9,073,431	28,259,837	3,667,859	1,225,378	4,893,237	33,153,074

**MARKLUND CHILDREN'S HOME  
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**Notes to Consolidated Financial Statements**

June 30, 2020 and 2019

	Program Activities			Supporting Activities		Total supporting activities	Total
	Residential	Nonresidential	Total program activities	General and Administrative	Fundraising		
Salaries and wages	\$ 9,912,403	5,515,358	15,427,761	1,723,582	727,915	2,451,497	17,879,258
Employee benefits	2,527,194	1,435,938	3,963,132	592,704	194,585	787,289	4,750,421
Consulting	427,793	20,765	448,558	—	—	—	448,558
Medical supplies	653,564	54,232	707,796	—	—	—	707,796
Food and dietary	449,129	15,145	464,274	698	—	698	464,972
Rent, utilities, and occupancy	525,029	290,755	815,784	71,193	9,190	80,383	896,167
Depreciation	948,508	917,839	1,866,347	153,767	—	153,767	2,020,114
Illinois Medicaid program assessment	891,584	—	891,584	—	—	—	891,584
Other	664,426	450,608	1,115,034	299,432	239,862	539,294	1,654,328
Total 2019 expenses	\$ 16,999,630	8,700,640	25,700,270	2,841,376	1,171,552	4,012,928	29,713,198

**(16) Financial Assets and Liquidity Resources**

As of June 30, 2020 and 2019, financial and liquidity resources available within one year for operating expenses, line of credit repayments, and construction costs not financed with debt were as follows:

	2020	2019
Cash and cash equivalents	\$ 6,348,539	250,339
Receivables	4,633,727	5,618,870
Assets whose use is limited or restricted	21,493,975	18,548,041
Less donor-restricted net assets	(7,617,119)	(9,505,947)
Less board-restricted endowment	(1,000,000)	(1,000,000)
Less board-designated developmentally disabled childrens fund	(3,925,638)	(2,941,524)
Total financial assets available to meet cash needs for general expenditures within one year	\$ 19,933,484	10,969,779

Marklund's cash flows fluctuate periodically based on the timing of receipts from the State of Illinois. To accommodate this, Marklund maintains a line of credit of \$7,000,000 (note 14), with a full available undrawn amount at June 30, 2020.

**MARKLUND CHILDREN'S HOME  
D/B/A MARKLUND**

**Notes to Consolidated Financial Statements**

**June 30, 2020 and 2019**

**(17) Subsequent Events**

In connection with the preparation of the consolidated financial statements and in accordance with ASC Topic 855, *Subsequent Events*, Marklund evaluated subsequent events after the consolidated balance sheet date of June 30, 2020 through October 26, 2020, which was the date the consolidated financial statements were issued and other than disclosed below, there were no other items to disclose.

In August 2020, Marklund received CARES Act funding subsequent to June 30, 2020, of \$497,075 in general distribution payments.



**MARKLUND CHILDREN'S HOME  
D/B/A MARKLUND**

**Consolidated Financial Statements**

**June 30, 2021 and 2020**

**(With Independent Auditors' Report Thereon)**





KPMG LLP  
Aon Center  
Suite 5500  
200 E. Randolph Street  
Chicago, IL 60601-6436

## Independent Auditors' Report

The Board of Directors  
Marklund Children's Home:

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Marklund Children's Home d/b/a Marklund (Marklund), which comprise the consolidated balance sheets as of June 30, 2021 and 2020, and the related consolidated statements of operations and changes in net assets without donor restrictions, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

#### *Management's Responsibility for the Consolidated Financial Statements*

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

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 Marklund Children's Home d/b/a Marklund as of June 30, 2021 and 2020, and the results of their operations, changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Chicago, Illinois  
October 25, 2021

**MARKLUND CHILDREN'S HOME  
D/B/A MARKLUND**

Consolidated Balance Sheets

June 30, 2021 and 2020

<b>Assets</b>	<b>2021</b>	<b>2020</b>
Current assets:		
Cash and cash equivalents	\$ 5,364,970	6,348,539
Receivables:		
Resident accounts receivable	3,662,299	3,739,050
Other	1,168,876	894,677
Pledges receivable	468,486	709,603
Inventories	166,849	91,805
Prepaid expenses	517,512	330,340
Agency-held cash – resident deposits	719,421	477,230
Total current assets	12,068,413	12,591,244
Assets whose use is limited or restricted	26,248,241	19,502,085
Pledges receivable, net of current portion	651,702	1,282,287
Land, buildings, and equipment, net of accumulated depreciation	26,196,302	27,155,669
Total assets	\$ 65,164,658	60,531,285
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Current portion of long-term notes payable	\$ 383,069	272,816
Accounts payable	313,171	294,114
Accrued liabilities:		
Compensation and related payables	2,084,108	2,183,044
Agency-held resident deposits	719,421	477,230
Other	1,698,677	1,581,471
Construction payables	—	1,047,238
Total current liabilities	5,198,446	5,855,913
Long-term liability:		
Notes payable, net of current portion	3,507,052	6,274,768
Paycheck Protection Program loan	3,879,650	3,879,650
Net assets:		
Without donor restrictions	42,832,163	33,632,724
With donor restrictions	9,747,347	10,888,230
Total net assets	52,579,510	44,520,954
Total liabilities and net assets	\$ 65,164,658	60,531,285

See accompanying notes to consolidated financial statements.

**MARKLUND CHILDREN'S HOME  
D/B/A MARKLUND**

Consolidated Statements of Operations and Changes in Net Assets Without Donor Restrictions

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue and support:		
Resident service revenue	\$ 21,228,437	20,571,133
School services	6,734,694	6,684,037
Community day services	3,833,477	3,566,280
Other revenue	1,082,658	189,073
Total revenue and support	<u>32,879,266</u>	<u>31,010,523</u>
Expenses:		
Salaries and wages	21,615,675	19,919,347
Employee benefits	5,927,157	5,690,773
Consulting	422,656	520,393
Medical supplies	926,884	746,110
Food and dietary	494,447	473,269
Rent, utilities, and occupancy	1,062,494	800,766
Depreciation	2,463,747	2,062,363
Illinois Medicaid program assessment	1,232,899	985,972
Other	1,944,574	1,954,081
Total expenses	<u>36,090,533</u>	<u>33,153,074</u>
Revenue and support deficient of expenses	<u>(3,211,267)</u>	<u>(2,142,551)</u>
Nonoperating gains, net:		
Unrestricted gifts and bequests	6,231,648	3,734,022
Investment return, net	4,026,681	602,339
Other	42,264	18,121
Total nonoperating gains, net	<u>10,300,593</u>	<u>4,354,482</u>
Revenue, support, and gains in excess of expenses and losses	7,089,326	2,211,931
Other changes in net assets without donor restrictions:		
Net assets released from restriction used for purchase of land, buildings, and equipment	2,110,113	1,129,552
Increase in net assets without donor restrictions	<u>\$ 9,199,439</u>	<u>3,341,483</u>

See accompanying notes to consolidated financial statements.

**MARKLUND CHILDREN'S HOME  
D/B/A MARKLUND**

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Net assets without donor restrictions:		
Revenue, support, and gains in excess of expenses and losses	\$ 7,089,326	2,211,931
Net assets released from restriction used for purchase of land, buildings, and equipment	<u>2,110,113</u>	<u>1,129,552</u>
Increase in net assets without donor restrictions	<u>9,199,439</u>	<u>3,341,483</u>
Net assets with donor restrictions:		
Contributions for specific purposes	983,417	853,346
Pledges made for specific purposes	4,619	1,653,508
Net assets released from restriction for operations	(32,381)	(14,085)
Net assets released from restriction used for purchase of land, buildings, and equipment	(2,110,113)	(1,129,552)
Contributions to be held in perpetuity	<u>13,575</u>	<u>19,066</u>
(Decrease) increase in net assets with donor restrictions	<u>(1,140,883)</u>	<u>1,382,283</u>
Change in net assets	8,058,556	4,723,766
Net assets at beginning of year	<u>44,520,954</u>	<u>39,797,188</u>
Net assets at end of year	<u><u>\$ 52,579,510</u></u>	<u><u>44,520,954</u></u>

See accompanying notes to consolidated financial statements.

**MARKLUND CHILDREN'S HOME  
D/B/A MARKLUND**

**Consolidated Statements of Cash Flows**

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities and gains:		
Change in net assets	\$ 8,058,556	4,723,766
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities and gains:		
Depreciation	2,463,747	2,062,363
Change in net unrealized gains and losses on trading securities	(2,998,587)	153,364
Realized gains on investments, net	(657,038)	(330,867)
Restricted contributions	(996,992)	(872,412)
Net assets released from restrictions and used for operations	32,381	14,085
Changes in assets and liabilities:		
Receivables	(197,448)	985,143
Pledges receivable	871,702	(928,900)
Inventories	(75,044)	304
Prepaid expenses	(187,172)	59,729
Agency-held cash – resident deposits	(242,191)	(192,335)
Accounts payable	19,057	(92,953)
Accrued liabilities	260,461	1,779,270
Net cash provided by operating activities and gains	<u>6,351,432</u>	<u>7,360,557</u>
Cash flows from investing activities:		
Purchases of assets limited or restricted as to use	(7,384,433)	(13,404,734)
Proceeds from sale or maturities of assets limited or restricted as to use	4,293,902	11,565,203
Acquisition of land, buildings, and equipment	(1,504,380)	(9,508,335)
Change in construction payables	(1,047,238)	—
Net cash used in investing activities	<u>(5,642,149)</u>	<u>(11,347,866)</u>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	—	3,879,650
Proceeds from notes payable	1,113,793	6,547,584
Repayments of notes payable	(3,771,256)	—
Proceeds from draws on line of credit	1,565,583	8,721,761
Payments on line of credit	(1,565,583)	(9,921,813)
Net assets released from restrictions and used for operations	(32,381)	(14,085)
Restricted contributions	996,992	872,412
Net cash (used in) provided by financing activities	<u>(1,692,852)</u>	<u>10,085,509</u>
Net change in cash and cash equivalents	(983,569)	6,098,200
Cash and cash equivalents at beginning of year	<u>6,348,539</u>	<u>250,339</u>
Cash and cash equivalents at end of year	\$ <u>5,364,970</u>	\$ <u>6,348,539</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 154,267	80,909
Supplemental disclosure of noncash transactions:		
Unpaid payables of building and equipment	—	1,047,238

See accompanying notes to consolidated financial statements.

**MARKLUND CHILDREN'S HOME  
D/B/A MARKLUND**

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

**(1) Description of Organization and Summary of Significant Accounting Policies**

Marklund Children's Home is a not-for-profit organization that provides residential, healthcare, educational, and training services to developmentally disabled infants, children, and young adults. The accompanying consolidated financial statements include the accounts of Marklund Children's Home and Marklund Charities (Charities) (collectively referred to as Marklund). Marklund Children's Home serves as the parent entity of Charities through the authority to approve board of directors' members and the holding of certain reserve powers. Charities is a not-for-profit private organization that provides fundraising activities of Marklund.

All significant intercompany balances and transactions have been eliminated in consolidation.

A summary of the significant accounting policies of Marklund follows:

- The consolidated statements of operations and changes in net assets without donor restrictions include revenue, support, and gains in excess of expenses and losses. Transactions deemed to be ongoing, major, or central to the provision of client services are reported as revenue and expenses. Transactions incidental to the provision of client services are reported as gains and losses. Changes in net assets without donor restriction that are excluded from revenue and support deficient of expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions that, by donor restrictions, were to be used for the purpose of acquiring such assets), unrestricted gifts and bequests, investment return, and other.
- The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- These consolidated financial statements have been prepared to focus on Marklund as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances into two classes of net assets—without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:
  - *Without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and are resources available to support operations; this category includes board-designated funds functioning as endowment, which represents funds that have been appropriated by the board, the income from which is used in support of the purposes and mission of Marklund.
  - *With donor restrictions* – Net assets subject to donor-imposed restriction for use for a particular purpose; Marklund's unspent contributions are included in this class if the donor limited their use. Marklund's donor-restricted endowment funds, which must be maintained in perpetuity with the income from which used in support of the purposes and mission of Marklund, are included in net assets with donor restrictions.

When a donor's restriction is satisfied, either by using the resources in a manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the consolidated



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financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions and are reported in the consolidated statements of operations and changes in net assets without donor restrictions as net assets released from restriction.

All revenue and net gains are reported as increases in net assets without donor restrictions in the consolidated statements of operations and changes in net assets without donor restriction unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets without donor restrictions, and net losses on endowment investments reduce that net asset class.

Unconditional promises to give cash and other assets are reported at fair value at the date the promises are received. Unrestricted contributions and bequests are reported as nonoperating gains. Conditional pledges are not recognized until the conditions on which they depend are substantially met. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Net assets released from restriction for operating purposes are included with other revenue. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

- Marklund applies the provisions of Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* (Topic 606). Topic 606 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Topic 606 requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled for those goods or services.
- Resident service revenue performance obligations are satisfied and revenue is recognized over time as services are provided to residents. School services and community day services performance obligations are satisfied and revenue is recognized over time as services are provided to students. Revenue is disaggregated in accordance with ASC 606, *Revenue from Contracts with Customers*, on the consolidated statements of operations and changes in net assets without donor restrictions
- Cash and cash equivalents include demand deposits and investments in highly liquid instruments with maturities of three months or less at date of purchase, excluding amounts included within assets whose use is limited or restricted.
- Marklund Children's Home, Charities, and the CEC are not-for-profit corporations, 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.

ASC Topic 740, *Income Taxes*, addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under ASC Topic 740, Marklund must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. ASC Topic 740 also provides guidance on derecognition,

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classification, interest and penalties on income taxes, and accounting in interim periods, and requires increased disclosures. As of June 30, 2021 and 2020, Marklund does not have a liability for unrecognized tax benefits.

- Assets whose use is limited or restricted include assets set aside by the board of directors for internal endowment development funding and the developmentally disabled children's fund over which the board of directors retains control and may, at its discretion, subsequently use for other purposes, and all donor-restricted investments.
- Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated.
- Investments in equity securities and all investments in debt securities are measured at fair value in the accompanying consolidated balance sheets. Investment return, including interest, dividends, realized gains and losses on investments, and change in unrealized gains and losses on trading securities, is reported as nonoperating gains to the extent not restricted by donors.
- Marklund capitalizes interest costs incurred on debt during the construction of major projects exceeding one year.
- Marklund applies the provisions of ASC Subtopic 820-10, *Fair Value Measurement – Overall*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Subtopic 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Subtopic 820-10 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Marklund applies the provisions of ASC Subtopic 820-10 to fair value measurements of nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a nonrecurring basis.

Marklund also applies the provisions of ASC Subtopic 825-10, *Financial Instruments – Overall*. ASC Subtopic 825-10 gives Marklund the irrevocable option to report most financial assets and financial liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. Marklund's management did not elect to measure any additional eligible financial assets or financial liabilities at fair value.

- In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements on

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fair value measurements in Topic 820. Marklund adopted ASU 2018-13 as of July 1, 2020, noting no changes to the consolidated financial statements or footnotes.

- In February 2016, FASB issued ASU No. 2016-02, *Leases*. ASU No. 2016-02 requires entities to recognize all leased assets as assets on the balance sheet with a corresponding liability resulting in a gross up of the balance sheet. Entities will also be required to present additional disclosures as the nature and extent of leasing activities. ASU No. 2016-02 is effective for private entities for the annual reporting period beginning after December 15, 2021 (as amended by ASU No. 2020-05). The requirements of this statement are effective for Marklund for the year ending June 30, 2023. Marklund is in process of evaluating the impact of this statement.

**(2) COVID-19 Reporting**

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. School services and community day services revenues were significantly impacted starting in mid-March as various policies were implemented by Federal, state, and local governments in response to the COVID-19 pandemic that caused many people to remain at home and forced the closure of or limitations on certain businesses.

In March 2020, the Coronavirus Aid, Relief and Economic Security Act (CARES Act) was signed into law providing temporary and limited relief to businesses during the COVID-19 outbreak. On March 27, 2020, the CARES Act established the Paycheck Protection Program (PPP), which is administered by the Small Business Administration (SBA). Under the PPP, eligible businesses may receive loans from participating financial institutions that are guaranteed by the SBA, and the loans may be forgiven to the extent the proceeds are used to make payroll, payroll-related, and other eligible payments. Participation in the PPP requires an entity to certify to the federal government (a) its eligibility to receive funds and (b) its eligibility to receive loan forgiveness, if applicable.

On May 6, 2020, Marklund qualified for and received a loan pursuant to the PPP from a qualified lender (the PPP Lender), for an aggregate principal amount of approximately \$3,879,650 (the PPP Loan). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the SBA. The principal amount of the PPP Loan is subject to forgiveness under the PPP upon Marklund's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by Marklund. Subsequent to the 2021 year-end, Marklund applied for and received approval for forgiveness of the PPP Loan. This forgiveness is noted as a nonrecognized subsequent event. Marklund will recognize the income as a gain on extinguishment in 2022.

For the period ended June 30, 2021, Marklund received \$497,075 in general distributions under the CARES Act. These funds are not subject to repayment, provided Marklund is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for healthcare-related expenses or lost revenue attributable to COVID-19. Such payments are accounted for as government grants and are recognized on a systematic and rational basis as other income once there is reasonable assurance that the applicable terms and conditions required to retain the funds will be met. Based on analysis of the compliance and reporting requirements of the CARES Act and the impact of the pandemic on operating results through June 30, 2021, Marklund has recorded \$447,074

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as other revenue in the consolidated statements of operations and changes in net assets without donor restrictions. Marklund also received \$289,498 from the State of Illinois Healthcare and Family Services funds in 2021. These funds have been recognized as other revenue on the June 30, 2021 consolidated statements of operations and changes in net assets without donor restrictions.

The extent of the COVID-19 pandemic's adverse impact on operating results and financial condition of Marklund has been and will continue to be driven by many factors, most of which are beyond Marklund's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, continued declines on resident volumes for an indeterminable length of time, increases in the number of uninsured and underinsured residents as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure. Because of these and other uncertainties, Marklund cannot estimate the length or severity of the impact of the pandemic on the business and the results of its operations.

**(3) Charity Care**

Marklund provides a comprehensive range of custodial care, educational, and developmental training services to severely disabled infants, children, and adults. Revenue sources funding such services include the Illinois Department of Human Services (DHS), Medicaid, local governments, school districts, and private payors. The cost of providing services to clients significantly exceeds the amount of revenue received as evidenced by the revenue and support deficient of expenses reported in the accompanying consolidated statements of operations and changes in net assets without donor restrictions.

In accordance with ASC Topic 954, *Health Care Entities*, Marklund accounts for charity care as the difference between the cost of caring for residents assisted by Medicaid and the amounts reimbursed for these residents as charity care. Since Marklund does not expect payment for charity care services, charges for charity care are not included in revenue. In addition, Marklund reports the cost of services provided to the community as charity care. Charity care attributable to Medicaid subsidies and community service activities for the years ended June 30, 2021 and 2020 approximated \$2,641,567 and \$852,521, respectively.

**(4) Resident Service Revenue**

Marklund has agreements with third-party payors that provide for reimbursement to Marklund at amounts different from its established rates. Resident service revenue is recorded based upon estimated net reimbursable amounts. A summary of the basis of reimbursement with the major third-party payor is as follows:

*Healthcare Family Services*

Marklund participates as a provider of services to disabled children under a Healthcare Family Services (HFS) Medicaid program. Resident service revenue and community day services revenue under the HFS Medicaid program for the years ended June 30, 2021 and 2020 approximated \$23,889,297 and \$22,880,538, respectively. This revenue is based on all-inclusive per diem rates for basic care effective for a period of 12 months. The per diem rates are subject to retroactive adjustment. Funding from HFS may be subject to periodic adjustment as well as to changes in existing payment levels and rates based on the

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amount of funding available to HFS. Marklund has continued to experience payment delays in 2021 under the Medicaid program due to timing of funding available to HFS.

Marklund participates in the State of Illinois Hospital Assessment program. Pursuant to this program, providers within the State are required to remit payment to the State's Medicaid program under an assessment formula approved by the Centers for Medicare and Medicaid Services. Marklund has included its annual assessment of \$1,232,899 and \$985,972 as an operating expense in the accompanying 2021 and 2020 consolidated statements of operations and changes in net assets without donor restrictions, respectively.

**(5) Concentration of Credit Risk**

Marklund provides a comprehensive range of custodial care, educational, and developmental training services to severely disabled children and young adults. Marklund grants credit to these individuals and their families and generally does not require collateral or other security in extending credit to them; however, it routinely obtains assignment of (or is otherwise entitled to receive) these individuals' benefits payable under their programs, plans, or policies (e.g., Medicaid and DHS). The following table summarizes the composition of resident accounts receivable at June 30, 2021 and 2020 by funding source:

	<u>2021</u>	<u>2020</u>
Medicaid	99 %	99 %
DHS	<u>1</u>	<u>1</u>
	<u>100 %</u>	<u>100 %</u>

A summary of Marklund's funding source utilization percentages based on resident service revenue for the years ended June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Medicaid	95 %	94 %
DHS	4	5
Other	<u>1</u>	<u>1</u>
	<u>100 %</u>	<u>100 %</u>

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**(6) Land, Buildings, and Equipment**

Land, buildings, and equipment are stated at cost or, if donated, at fair value at the date of donation, less accumulated depreciation and amortization. A summary of land, buildings, and equipment at June 30, 2021 and 2020 follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 5,199,517	5,199,517
Land improvements	3,924,338	2,718,484
Buildings and improvements	37,582,065	29,694,293
Furniture and equipment	<u>7,610,426</u>	<u>6,300,602</u>
	54,316,346	43,912,896
Less accumulated depreciation	(28,606,705)	(26,678,871)
Construction in progress	<u>486,661</u>	<u>9,921,644</u>
	<u>\$ 26,196,302</u>	<u>27,155,669</u>

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Ranges of depreciable lives include land improvements, 2–10 years; building and improvements, 5–20 years; and furniture and equipment, 3–8 years. As of June 30, 2021, there were \$315,903 in outstanding contractual commitments related to various capital projects.

**(7) Pledges Receivable**

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on pledge amounts is computed using interest rates applicable to the years in which the promises are received, which is assumed to be 2.5% for 2021 and

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2020. Amortization of pledge discounts is included in net assets with donor restrictions. The following are pledges receivable as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Pledges receivable before unamortized discount and allowance for uncollectible pledges	\$ 1,236,359	2,164,891
Less unamortized discount	<u>81,526</u>	<u>111,396</u>
Subtotal	1,154,833	2,053,495
Less allowance for uncollectible pledges	<u>34,645</u>	<u>61,605</u>
Net pledges receivable	<u>\$ 1,120,188</u>	<u>1,991,890</u>
Amounts due in:		
Less than one year	\$ 468,486	709,603
One to five years	<u>651,702</u>	<u>1,282,287</u>
Total	<u>\$ 1,120,188</u>	<u>1,991,890</u>

**(8) Assets Whose Use is Limited or Restricted**

Marklund reports investments in equity securities with readily determinable fair values and all investments in debt securities at fair value. Fair value is determined primarily on the basis of quoted market prices. A summary of the composition of Marklund's investment portfolio, all of which is reported as assets whose use is limited or restricted, at June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Cash equivalents	\$ 6,650,921	5,966,802
Pledges receivable	1,120,188	1,991,890
Equity securities and mutual funds	15,919,140	9,822,217
Fixed-income mutual funds	<u>3,678,180</u>	<u>3,713,066</u>
	<u>\$ 27,368,429</u>	<u>21,493,975</u>

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The composition of investment return on Marklund's investment portfolio for the years ended June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 447,258	490,184
Net realized gains on sale of investments	657,038	330,867
Change in net unrealized gains and losses on trading securities	2,998,587	(153,364)
Investment management fees	<u>(76,202)</u>	<u>(65,348)</u>
Investment return, net	<u>\$ 4,026,681</u>	<u>602,339</u>

**(9) Fair Value Measurement**

**(a) Fair Value of Financial Instruments**

The following methods and assumptions were used by Marklund in estimating the fair value of its financial instruments:

- The carrying amount reported in the consolidated balance sheets for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, receivables, accounts payable, and accrued liabilities.
- Fair values of investments held as assets whose use is limited or restricted are estimated based on prices provided by its investment managers and its custodian bank, except for the carrying value of pledges receivable, which approximates fair value. Fair value for equity securities and mutual funds, and fixed-income mutual funds are measured using quoted market prices at the reporting date multiplied by the quantity held. The carrying value equals fair value.

**(b) Fair Value Hierarchy**

Marklund follows ASC Subtopic 820-10 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Subtopic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that Marklund has the ability to access at the measurement date.
- Level 2 inputs are observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 inputs are unobservable inputs for the asset or liability.



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The following table presents Marklund's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2021:

	Fair value	Fair value measurements at June 30 using		
		Level 1	Level 2	Level 3
Financial assets:				
Cash and cash equivalents	\$ 5,364,970	5,364,970	—	—
Assets whose use is limited or restricted, excluding pledges receivable of \$1,120,188:				
Cash equivalents	\$ 6,650,921	6,650,921	—	—
Equity mutual funds	15,919,140	15,919,140	—	—
Fixed-income mutual funds	3,678,180	3,678,180	—	—
	<u>\$ 26,248,241</u>	<u>26,248,241</u>	<u>—</u>	<u>—</u>

The following table presents Marklund's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2020:

	Fair value	Fair value measurements at June 30 using		
		Level 1	Level 2	Level 3
Financial assets:				
Cash and cash equivalents	\$ 6,348,539	6,348,539	—	—
Assets whose use is limited or restricted, excluding pledges receivable of \$1,991,890:				
Cash equivalents	\$ 5,966,802	5,966,802	—	—
Equity mutual funds	9,822,217	9,822,217	—	—
Fixed-income mutual funds	3,713,066	3,713,066	—	—
	<u>\$ 19,502,085</u>	<u>19,502,085</u>	<u>—</u>	<u>—</u>

**(c) Transfers between Levels**

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. Marklund evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended June 30, 2021 and 2020, there were no transfers into or out of Level 1, 2, or 3.

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**(10) Notes Payable**

Marklund had outstanding notes payable at June 30, 2021 consisting of the following:

	<u>2021</u>	<u>2020</u>
Construction loan payable, issued August 20, 2019, bearing interest at a rate of 2.50% and 1.67% at June 30, 2021 and 2020, respectively, with interest paid monthly	\$ 3,890,121	6,547,584
Total notes payable	3,890,121	6,547,584
Less current maturities of notes payable	<u>(383,069)</u>	<u>(272,816)</u>
Notes payable, net of current portion	\$ <u>3,507,052</u>	<u>6,274,768</u>

On August 20, 2019, Marklund entered into a \$9,000,000 construction loan with St. Charles Bank and Trust Company to fund the building of a school to meet the needs of children with multiple medical needs and those with autism spectrum disorders. Interest under the loan is payable based on the monthly LIBOR rate plus 1.50% for years 1, 9, and 10 of the loan. For years 2 through 8, interest is based on a fixed rate established on the first anniversary date of the loan at the current LIBOR 7-year swap rate plus 200 basis points per year to fix the rate of interest payable. Principal and interest payments are payable monthly, with monthly principal payments beginning on after the first anniversary date of the through the original loan maturity date of August 20, 2029.

At June 30, 2021, scheduled principal repayments on the notes payable were as follows:

	<u>Amount</u>
Fiscal year ending:	
2022	\$ 383,069
2023	383,069
2024	383,069
2025	383,069
2026	383,069
Thereafter	<u>1,974,776</u>
Total	\$ <u>3,890,121</u>

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**(11) Employee Retirement Plans**

Marklund also sponsors an employee retirement savings plan (the Plan) that covers substantially all employees. Other significant provisions of the Plan are as follows:

- *Contributions* – The Plan is a defined-contribution plan. Employer contributions to the Plan in 2021 and 2020 were 100% of each dollar the participant contributes, up to a maximum of 5% of eligible compensation for 2021 and 2020. Employer-matching contributions to the Plan were \$773,459 and \$638,208 in 2021 and 2020, respectively.
- *Eligibility* – All employees are eligible to participate in the Plan. Employees are eligible to receive matching contributions at the start of the first quarter following the date of hire.
- *Vesting* – Participants are vested immediately in their contributions and are 100% vested in the employer contributions at their two-year anniversary.

**(12) Net Assets**

Net assets at June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Net assets:		
Without donor restrictions:		
Designated by the board:		
Developmentally disabled children fund	\$ 3,077,691	3,925,638
Board-restricted endowment	1,000,000	1,000,000
Unrestricted endowment income and realized gains	9,702,098	5,680,107
Undesignated	<u>29,052,374</u>	<u>23,026,979</u>
Total net assets without donor restrictions	<u>42,832,163</u>	<u>33,632,724</u>
With donor restrictions:		
Donor-restricted endowments	7,630,694	7,617,119
Purpose restricted – capital campaign	1,224,080	2,834,926
Purpose restricted – restricted programs	<u>892,573</u>	<u>436,185</u>
Total net assets with donor restrictions	<u>9,747,347</u>	<u>10,888,230</u>
Total net assets	<u>\$ 52,579,510</u>	<u>44,520,954</u>

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Net assets were released from donor restrictions by incurring expenses satisfying the donor-restricted purposes, as follows:

	<u>2021</u>	<u>2020</u>
Capital campaign	\$ 2,110,113	1,129,552
Restricted programs	<u>32,381</u>	<u>14,085</u>
	<u>\$ 2,142,494</u>	<u>1,143,637</u>

**(13) Endowments**

Marklund's endowment consists of funds established for a variety of purposes including donor-restricted endowment funds and funds designated by the board to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The income on the endowment funds is expendable to support operations of Marklund facilities, as designated by the board, and is recorded through net assets without donor restrictions.

The "Uniform Prudent Management of Institutional Funds Act" (UPMIFA), which was enacted in the state of Illinois in 2009, does not preclude Marklund from spending below the original gift value of donor-restricted endowment funds.

For accounting and reporting purposes, Marklund classifies as net assets with donor restrictions, the historical value of donor-restricted endowment funds, which includes (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) changes to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument. Also included in net assets with donor restrictions is accumulated appreciation (depreciation) on donor-restricted endowment funds, which are available for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA, and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift.

To make a determination to expend or accumulate donor-restricted endowment funds, Marklund considers a number of factors, including the duration and preservation of the fund, purposes of the donor-restricted fund, general economic conditions, the possible effects of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of Marklund, and the investment policies of Marklund.

**(a) Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Marklund to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. Subsequent gains restore the fair value of the assets of the endowment fund to the required level. There were no deficiencies as of June 30, 2021 or 2020.

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**(b) Return Objectives and Risk Parameters**

Marklund has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organizations must hold in perpetuity. Under this policy, as approved by the board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a blended benchmark composed of the major indices related to the investment allocation being targeted for the portfolio.

**(c) Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, Marklund relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Marklund targets a diversified asset allocation that places emphasis on investments in equities, international equities, and mutual funds to achieve its long-term return objectives within prudent risk constraints. Major investment decisions are authorized by the Finance Committee, which oversees the investment program in accordance with established guidelines.

**(d) Spending Policy and How the Investment Objectives Relate to Spending Policy**

Marklund has a policy of spending based on the amount of capital gains, interest, and dividends reinvested in the endowment assets. The spending rate (the annual amount withdrawn from the endowment assets to support the operating budget) is determined by the board based on the investment return expected, but not to exceed 5% of the average fair value of the endowment funds' average fair value over the prior three years through June 30 preceding the fiscal year in which the distribution is planned. In establishing these policies, Marklund considered the expected return on its endowment. Accordingly, Marklund expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return.

During 2021, Marklund had the following activities related to endowment net assets:

	<b>Board-designated and unrestricted endowment income</b>	<b>Donor-restricted endowment funds</b>	<b>Total</b>
Endowment net assets, June 30, 2021	\$ 6,680,107	7,617,119	14,297,226
Investment return	4,021,991	—	4,021,991
Contributions	—	13,575	13,575
Appropriated expenditures of endowment funds	—	—	—
Endowment net assets, June 30, 2020	\$ 10,702,098	7,630,694	18,332,792

**MARKLUND CHILDREN'S HOME  
D/B/A MARKLUND**

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

During 2020, Marklund had the following activities related to endowment net assets:

	<b>Board-designated and unrestricted endowment income</b>	<b>Donor-restricted endowment funds</b>	<b>Total</b>
Endowment net assets, July 1, 2019	\$ 6,022,716	7,598,053	13,620,769
Investment return	583,754	—	583,754
Contributions	73,637	19,066	92,703
Appropriated expenditures of endowment funds	—	—	—
Endowment net assets, June 30, 2020	<u>\$ 6,680,107</u>	<u>7,617,119</u>	<u>14,297,226</u>

**(14) Commitments and Contingencies**

**(a) Litigation**

Marklund is involved in litigation arising in the normal course of business. In consultation with legal counsel, management anticipates that these matters will be resolved without material adverse effect on Marklund's financial position or results of operations.

**(b) Line of Credit**

Marklund maintains a credit facility agreement with St. Charles Bank and Trust Company (the Bank). The agreement extends a line of credit to Marklund in the principal sum not to exceed \$7,000,000 in support of working capital requirements and was secured by Marklund's unrestricted receivables and real and personal property. Interest on the unpaid balance is paid monthly based on a variable rate determined as the LIBOR rate for the monthly period plus 1.50% through June 30, 2021. At June 30, 2021, no amounts were drawn on the line of credit. Subsequent to June 30, 2021, the interest on the unpaid balance is paid monthly based on a variable rate determined as the PRIME rate for the monthly period minus 1.50% with a floor of 3.25%.

**(c) Investment Risk and Uncertainties**

Marklund invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated balance sheets. As a result of the COVID-19 virus, economic uncertainties have arisen which have caused volatility in financial markets and could potentially negatively impact Marklund's investment and business values. The ultimate potential impact of the virus is unknown at this time, but business and investment values are likely to be impacted as a result of the pandemic.

**MARKLUND CHILDREN'S HOME  
D/B/A MARKLUND**

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

**(15) Functional Expenses**

Marklund provides services to its residents as well as individuals within its geographic location. The primary program activities of Marklund are residential and day programs. Natural expenses related to more than one functional expense category are allocated using a variety of methods, such as square footage, historic staff time, and actual usage. Expenses related to providing these services for the years ended June 30, 2021 and 2020 are as follows:

	Program activities			Supporting activities		Total supporting activities	Total
	Residential	Nonresidential	Total program activities	General and Administrative	Fundraising		
Salaries and wages	\$ 12,218,858	6,752,730	18,971,588	1,806,575	837,512	2,644,087	21,615,675
Employee benefits	3,258,390	1,763,157	5,021,547	673,232	232,378	905,610	5,927,157
Consulting	419,493	3,163	422,656	—	—	—	422,656
Medical supplies	856,775	67,855	924,630	2,254	—	2,254	926,884
Food and dietary	487,478	6,278	493,756	691	—	691	494,447
Rent, utilities, and occupancy	511,763	466,573	978,336	54,728	29,430	84,158	1,062,494
Depreciation	1,135,359	1,145,795	2,281,154	182,593	—	182,593	2,463,747
Illinois Medicaid program assessment	1,232,899	—	1,232,899	—	—	—	1,232,899
Other	644,045	414,423	1,058,468	696,813	189,293	886,106	1,944,574
Total 2021 expenses	\$ 20,765,060	10,619,974	31,385,034	3,416,886	1,288,613	4,705,499	36,090,533

	Program activities			Supporting activities		Total supporting activities	Total
	Residential	Nonresidential	Total program activities	General and Administrative	Fundraising		
Salaries and wages	\$ 11,190,772	5,890,005	17,080,777	2,027,855	810,715	2,838,570	19,919,347
Employee benefits	3,167,537	1,606,860	4,774,397	689,040	227,336	916,376	5,690,773
Consulting	482,388	38,005	520,393	—	—	—	520,393
Medical supplies	713,332	32,778	746,110	—	—	—	746,110
Food and dietary	460,320	11,909	472,229	1,040	—	1,040	473,269
Rent, utilities, and occupancy	459,187	274,126	733,313	60,465	6,988	67,453	800,766
Depreciation	1,036,944	874,153	1,911,097	151,266	—	151,266	2,062,363
Illinois Medicaid program assessment	985,972	—	985,972	—	—	—	985,972
Other	689,954	345,595	1,035,549	738,193	180,339	918,532	1,954,081
Total 2020 expenses	\$ 19,186,406	9,073,431	28,259,837	3,667,859	1,225,378	4,893,237	33,153,074

**MARKLUND CHILDREN'S HOME  
D/B/A MARKLUND**

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

**(16) Financial Assets and Liquidity Resources**

As of June 30, 2021 and 2020, financial and liquidity resources available within one year for operating expenses, line of credit repayments, and construction costs not financed with debt were as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 5,364,970	6,348,539
Receivables	4,831,175	4,633,727
Pledges receivable – current	468,486	709,603
Assets whose use is limited or restricted	26,248,241	19,502,085
Less donor-restricted net assets	(7,630,694)	(7,617,119)
Less board-restricted endowment	(1,000,000)	(1,000,000)
Less board-designated developmentally disabled children's fund	<u>(3,077,691)</u>	<u>(3,925,638)</u>
Total financial assets available to meet cash needs for general expenditures within one year	\$ <u>25,204,487</u>	<u>18,651,197</u>

Marklund's cash flows fluctuate periodically based on the timing of receipts from the State of Illinois. To accommodate this, Marklund maintains a line of credit of \$7,000,000 (note 14), with a full available undrawn amount at June 30, 2021.

**(17) Subsequent Events**

In connection with the preparation of the consolidated financial statements and in accordance with ASC Topic 855, *Subsequent Events*, Marklund evaluated subsequent events after the consolidated balance sheet date of June 30, 2021 through October 25, 2021, which was the date the consolidated financial statements were issued and other than disclosed in note 2, there were no other items to disclose.





**MARKLUND CHILDREN'S HOME  
D/B/A MARKLUND**

**Consolidated Financial Statements**

**June 30, 2022 and 2021**

**(With Independent Auditors' Report Thereon)**



KPMG LLP  
Aon Center  
Suite 5500  
200 E. Randolph Street  
Chicago, IL 60601-6436

## Independent Auditors' Report

The Board of Directors  
Marklund Children's Home d/b/a Marklund:

### *Opinion*

We have audited the consolidated financial statements of Marklund Children's Home d/b/a Marklund (Marklund), which comprise the consolidated balance sheets as of June 30, 2022 and 2021, and the related consolidated statements of operations and changes in net assets without donor restrictions, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Marklund as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Marklund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Marklund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Marklund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Chicago, Illinois  
November 18, 2022

**MARKLUND CHILDREN'S HOME  
D/B/A MARKLUND**

Consolidated Balance Sheets

June 30, 2022 and 2021

<b>Assets</b>	<b>2022</b>	<b>2021</b>
Current assets:		
Cash and cash equivalents	\$ 508,538	5,364,970
Receivables:		
Resident accounts receivable	4,524,008	3,662,299
Other	1,671,922	1,168,876
Pledges receivable	378,561	468,486
Inventories	129,734	166,849
Prepaid expenses	514,309	517,512
Agency-held cash – resident deposits	680,340	719,421
Total current assets	8,407,412	12,068,413
Assets whose use is limited or restricted	25,303,964	26,248,241
Pledges receivable, net of current portion	214,657	651,702
Investments	5,007,600	—
Land, buildings, and equipment, net of accumulated depreciation	26,533,452	26,196,302
Total assets	\$ 65,467,085	65,164,658
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Current portion of long-term notes payable	\$ 383,069	383,069
Accounts payable	408,299	313,171
Accrued liabilities:		
Compensation and related payables	2,981,128	2,084,108
Agency-held resident deposits	680,340	719,421
Other	1,571,672	1,698,677
Construction payables	707,118	—
Total current liabilities	6,731,626	5,198,446
Long-term liability:		
Notes payable, net of current portion	2,169,751	3,507,052
Paycheck protection program loan	—	3,879,650
Net assets:		
Without donor restrictions	47,626,833	42,832,163
With donor restrictions	8,938,875	9,747,347
Total net assets	56,565,708	52,579,510
Total liabilities and net assets	\$ 65,467,085	65,164,658

See accompanying notes to consolidated financial statements.

**MARKLUND CHILDREN'S HOME  
D/B/A MARKLUND**

Consolidated Statements of Operations and Changes in Net Assets Without Donor Restrictions

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue and support:		
Resident service revenue	\$ 21,880,286	21,228,437
School services	6,864,675	6,734,694
Community day services	4,266,211	3,833,477
Other revenue	4,345,057	1,082,658
Total revenue and support	<u>37,356,229</u>	<u>32,879,266</u>
Expenses:		
Salaries and wages	22,955,667	21,615,675
Employee benefits	6,200,041	5,927,157
Consulting	754,033	422,656
Medical supplies	1,131,608	926,884
Food and dietary	565,196	494,447
Rent, utilities, and occupancy	1,060,497	1,062,494
Depreciation	2,780,659	2,463,747
Illinois Medicaid program assessment	1,269,750	1,232,899
Other	1,947,918	1,944,574
Total expenses	<u>38,665,369</u>	<u>36,090,533</u>
Revenue and support deficient of expenses	<u>(1,309,140)</u>	<u>(3,211,267)</u>
Nonoperating gains, net:		
Unrestricted gifts and bequests	7,496,936	6,231,648
Investment return, net	(3,014,063)	4,026,681
Other	19,939	42,264
Total nonoperating gains, net	<u>4,502,812</u>	<u>10,300,593</u>
Revenue, support, and gains in excess of expenses and losses	3,193,672	7,089,326
Other changes in net assets without donor restrictions:		
Net assets released from restriction used for purchase of land, buildings, and equipment	1,600,998	2,110,113
Increase in net assets without donor restrictions	<u>\$ 4,794,670</u>	<u>9,199,439</u>

See accompanying notes to consolidated financial statements.

**MARKLUND CHILDREN'S HOME  
D/B/A MARKLUND**

**Consolidated Statements of Changes in Net Assets**

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Net assets without donor restrictions:		
Revenue, support, and gains in excess of expenses and losses	\$ 3,193,672	7,089,326
Net assets released from restriction used for purchase of land, buildings, and equipment	<u>1,600,998</u>	<u>2,110,113</u>
Increase in net assets without donor restrictions	<u>4,794,670</u>	<u>9,199,439</u>
Net assets with donor restrictions:		
Contributions for specific purposes	671,804	983,417
Pledges made for specific purposes	46,026	4,619
Net assets released from restriction for operations	(41,854)	(32,381)
Net assets released from restriction used for purchase of land, buildings, and equipment	(1,600,998)	(2,110,113)
Contributions to be held in perpetuity	<u>116,550</u>	<u>13,575</u>
Decrease in net assets with donor restrictions	<u>(808,472)</u>	<u>(1,140,883)</u>
Change in net assets	3,986,198	8,058,556
Net assets at beginning of year	<u>52,579,510</u>	<u>44,520,954</u>
Net assets at end of year	<u><u>\$ 56,565,708</u></u>	<u><u>52,579,510</u></u>

See accompanying notes to consolidated financial statements.

**MARKLUND CHILDREN'S HOME  
D/B/A MARKLUND**

Consolidated Statements of Cash Flows

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities and gains:		
Change in net assets	\$ 3,986,198	8,058,556
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities and gains:		
Depreciation	2,780,659	2,463,747
Forgiveness of Paycheck Protection Program loan	(3,879,650)	—
Change in net unrealized gains and losses on trading securities	3,985,767	(2,998,587)
Realized gains on investments, net	(46,443)	(657,038)
Restricted contributions	(788,354)	(996,992)
Net assets released from restrictions and used for operations	41,854	32,381
Changes in assets and liabilities:		
Receivables	(1,364,755)	(197,448)
Pledges receivable	526,970	871,702
Inventories	37,115	(75,044)
Prepaid expenses	3,203	(187,172)
Agency-held cash – resident deposits	39,081	(242,191)
Accounts payable	95,128	19,057
Accrued liabilities	730,934	260,461
Net cash provided by operating activities and gains	<u>6,147,707</u>	<u>6,351,432</u>
Cash flows from investing activities:		
Purchases of assets limited or restricted as to use	(15,663,735)	(7,384,433)
Proceeds from sale or maturities of assets limited or restricted as to use	7,661,088	4,293,902
Acquisition of land, buildings, and equipment	(3,117,809)	(1,504,380)
Change in construction payables	707,118	(1,047,238)
Net cash used in investing activities	<u>(10,413,338)</u>	<u>(5,642,149)</u>
Cash flows from financing activities:		
Proceeds from notes payable	—	1,113,793
Repayments of notes payable	(1,337,301)	(3,771,256)
Proceeds from draws on line of credit	5,583,797	1,565,583
Payments on line of credit	(5,583,797)	(1,565,583)
Net assets released from restrictions and used for operations	(41,854)	(32,381)
Restricted contributions	788,354	996,992
Net cash used in financing activities	<u>(590,801)</u>	<u>(1,692,852)</u>
Net change in cash and cash equivalents	<u>(4,856,432)</u>	<u>(983,569)</u>
Cash and cash equivalents at beginning of year	<u>5,364,970</u>	<u>6,348,539</u>
Cash and cash equivalents at end of year	\$ <u>508,538</u>	\$ <u>5,364,970</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 78,389	154,267
Supplemental disclosure of noncash transactions:		
Unpaid payables of buildings, equipment, and construction	\$ 755,612	—
Forgiveness of Paycheck Protection Program loan	3,879,650	—

See accompanying notes to consolidated financial statements.

**MARKLUND CHILDREN'S HOME  
D/B/A MARKLUND**

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

**(1) Description of Organization and Summary of Significant Accounting Policies**

Marklund Children's Home is a not-for-profit organization that provides residential, healthcare, educational, and training services to developmentally disabled infants, children, and young adults. The accompanying consolidated financial statements include the accounts of Marklund Children's Home and Marklund Charities (Charities) (collectively referred to as Marklund). Marklund Children's Home serves as the parent entity of Charities through the authority to approve board of directors' members and the holding of certain reserve powers. Charities is a not-for-profit private organization that provides fundraising activities of Marklund.

All significant intercompany balances and transactions have been eliminated in consolidation.

A summary of the significant accounting policies of Marklund follows:

- The consolidated statements of operations and changes in net assets without donor restrictions include revenue, support, and gains in excess of expenses and losses. Transactions deemed to be ongoing, major, or central to the provision of client services are reported as revenue and expenses. Transactions incidental to the provision of client services are reported as gains and losses. Changes in net assets without donor restriction that are excluded from revenue and support deficient of expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions that, by donor restrictions, were to be used for the purpose of acquiring such assets), unrestricted gifts and bequests, investment return, and other.
- The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- These consolidated financial statements have been prepared to focus on Marklund as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances into two classes of net assets—without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:
  - *Without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and are resources available to support operations; this category includes board-designated funds functioning as endowment, which represents funds that have been appropriated by the board, the income from which is used in support of the purposes and mission of Marklund.
  - *With donor restrictions* – Net assets subject to donor-imposed restriction for use for a particular purpose; Marklund's unspent contributions are included in this class if the donor limited their use. Marklund's donor-restricted endowment funds, which must be maintained in perpetuity with the income from which used in support of the purposes and mission of Marklund, are included in net assets with donor restrictions.



**MARKLUND CHILDREN'S HOME  
D/B/A MARKLUND**

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

When a donor's restriction is satisfied, either by using the resources in a manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the consolidated financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions and are reported in the consolidated statements of operations and changes in net assets without donor restrictions as net assets released from restriction.

All revenue and net gains are reported as increases in net assets without donor restrictions in the consolidated statements of operations and changes in net assets without donor restriction unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets without donor restrictions, and net losses on endowment investments reduce that net asset class.

Unconditional promises to give cash and other assets are reported at fair value at the date the promises are received. Unrestricted contributions and bequests are reported as nonoperating gains. Conditional pledges are not recognized until the conditions on which they depend are substantially met. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Net assets released from restriction for operating purposes are included with other revenue. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

- Marklund applies the provisions of Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* (Topic 606). Topic 606 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Topic 606 requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled for those goods or services.
- Resident service revenue performance obligations are satisfied and revenue is recognized over time as services are provided to residents. School services and community day services performance obligations are satisfied and revenue is recognized over time as services are provided to students. Revenue is disaggregated in accordance with ASC 606, *Revenue from Contracts with Customers*, on the consolidated statements of operations and changes in net assets without donor restrictions
- Cash and cash equivalents include demand deposits and investments in highly liquid instruments with maturities of three months or less at date of purchase, excluding amounts included within assets whose use is limited or restricted. Cash equivalents held by investment managers are treated as an investing activity in the consolidated statements of cash flows.
- Marklund Children's Home, and Charities are not-for-profit corporations, 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.

**MARKLUND CHILDREN'S HOME  
D/B/A MARKLUND**

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

ASC Topic 740, *Income Taxes*, addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under ASC Topic 740, Marklund must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. ASC Topic 740 also provides guidance on derecognition, classification, interest and penalties on income taxes, and accounting in interim periods, and requires increased disclosures. As of June 30, 2022 and 2021, Marklund does not have a liability for unrecognized tax benefits.

- Assets whose use is limited or restricted include assets set aside by the board of directors for internal endowment development funding and the developmentally disabled children's fund over which the board of directors retains control and may, at its discretion, subsequently use for other purposes, and all donor-restricted investments.
- Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated.
- Investments in equity securities and all investments in debt securities are measured at fair value in the accompanying consolidated balance sheets. Investment return, including interest, dividends, realized gains and losses on investments, and change in unrealized gains and losses on trading securities, is reported as nonoperating gains to the extent not restricted by donors.
- Marklund capitalizes interest costs incurred on debt during the construction of major projects exceeding one year.
- Marklund applies the provisions of ASC Subtopic 820-10, *Fair Value Measurement* – Overall, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Subtopic 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Subtopic 820-10 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Marklund applies the provisions of ASC Subtopic 820-10 to fair value measurements of nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a nonrecurring basis.

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Marklund also applies the provisions of ASC Subtopic 825-10, *Financial Instruments – Overall*. ASC Subtopic 825-10 gives Marklund the irrevocable option to report most financial assets and financial liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. Marklund's management did not elect to measure any additional eligible financial assets or financial liabilities at fair value.

- In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements on fair value measurements in Topic 820. Marklund adopted ASU 2018-13 as of July 1, 2020, noting no changes to the consolidated financial statements or footnotes.
- In February 2016, FASB issued ASU No. 2016-02, *Leases*. ASU No. 2016-02 requires entities to recognize all leased assets as assets on the balance sheet with a corresponding liability resulting in a gross up of the balance sheet. Entities will also be required to present additional disclosures as the nature and extent of leasing activities. ASU No. 2016-02 is effective for private entities for the annual reporting period beginning after December 15, 2021 (as amended by ASU No. 2020-05). The requirements of this statement are effective for Marklund for the year ending June 30, 2023. Marklund is in process of evaluating the impact of this statement.

**(2) COVID-19 Reporting**

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. School services and community day services revenues were significantly impacted starting in mid-March 2020 as various policies were implemented by Federal, state, and local governments in response to the COVID-19 pandemic that caused many people to remain at home and forced the closure of or limitations on certain businesses.

In March 2020, the Coronavirus Aid, Relief and Economic Security Act (CARES Act) was signed into law providing temporary and limited relief to businesses during the COVID-19 outbreak. On March 27, 2020, the CARES Act established the Paycheck Protection Program (PPP), which is administered by the Small Business Administration (SBA). Under the PPP, eligible businesses may receive loans from participating financial institutions that are guaranteed by the SBA, and the loans may be forgiven to the extent the proceeds are used to make payroll, payroll-related, and other eligible payments. Participation in the PPP requires an entity to certify to the federal government (a) its eligibility to receive funds and (b) its eligibility to receive loan forgiveness, if applicable.

On May 6, 2020, Marklund qualified for and received a loan pursuant to the PPP from a qualified lender (the PPP Lender), for an aggregate principal amount of approximately \$3,879,650 (the PPP Loan). The PPP Loan bore interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, had a term of two years, and was unsecured and guaranteed by the SBA. The principal amount of the PPP Loan was subject to forgiveness under the PPP upon Marklund's request to the extent that the PPP Loan proceeds were used to pay expenses permitted by the PPP, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by Marklund. On August 23, 2021, Marklund received approval for forgiveness of the PPP Loan. Marklund recognized the entire amount as other revenue in the consolidated statements of operations and changes in net assets without donor restrictions in 2022.

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For the periods ended June 30, 2022 and 2021, Marklund received \$283,999 and \$497,075, respectively, in general distributions under the CARES Act. These funds were not subject to repayment, provided Marklund was able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received had been used for healthcare-related expenses or lost revenue attributable to COVID-19. Such payments were accounted for as government grants and are recognized on a systematic and rational basis as other income once there was reasonable assurance that the applicable terms and conditions required to retain the funds will be met. Based on analysis of the compliance and reporting requirements of the CARES Act and the impact of the pandemic on operating results through June 30, 2022 and 2021, Marklund has recorded \$283,999 and \$497,075, respectively, as other revenue in the consolidated statements of operations and changes in net assets without donor restrictions. Marklund also received \$289,498 from the State of Illinois Healthcare and Family Services funds in 2022. These funds have been recognized as other revenue on the June 30, 2022 consolidated statements of operations and changes in net assets without donor restrictions.

The extent of the COVID-19 pandemic's adverse impact on operating results and financial condition of Marklund has been and will continue to be driven by many factors, most of which are beyond Marklund's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, continued declines on resident volumes for an indeterminable length of time, increases in the number of uninsured and underinsured residents as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure. Because of these and other uncertainties, Marklund cannot estimate the length or severity of the impact of the pandemic on the business and the results of its operations.

**(3) Charity Care**

Marklund provides a comprehensive range of custodial care, educational, and developmental training services to severely disabled infants, children, and adults. Revenue sources funding such services include the Illinois Department of Human Services (DHS), Medicaid, local governments, school districts, and private payors. The cost of providing services to clients significantly exceeds the amount of revenue received as evidenced by the revenue and support deficient of expenses reported in the accompanying consolidated statements of operations and changes in net assets without donor restrictions.

In accordance with ASC Topic 954, *Health Care Entities*, Marklund accounts for charity care as the difference between the cost of caring for residents assisted by Medicaid and the amounts reimbursed for these residents as charity care. Since Marklund does not expect payment for charity care services, charges for charity care are not included in revenue. In addition, Marklund reports the cost of services provided to the community as charity care. Charity care attributable to Medicaid subsidies and community service activities for the years ended June 30, 2022 and 2021 approximated \$3,660,809 and \$2,641,567, respectively.

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**(4) Resident Service Revenue**

Marklund has agreements with third-party payors that provide for reimbursement to Marklund at amounts different from its established rates. Resident service revenue is recorded based upon estimated net reimbursable amounts. A summary of the basis of reimbursement with the major third-party payor is as follows:

*Healthcare Family Services*

Marklund participates as a provider of services to disabled children under a Healthcare Family Services (HFS) Medicaid program. Resident service revenue and community day services revenue under the HFS Medicaid program for the years ended June 30, 2022 and 2021 approximated \$24,953,890 and \$23,889,297, respectively. This revenue is based on all-inclusive per diem rates for basic care effective for a period of 12 months. The per diem rates are subject to retroactive adjustment. Funding from HFS may be subject to periodic adjustment as well as to changes in existing payment levels and rates based on the amount of funding available to HFS. Marklund has continued to experience payment delays in 2022 under the Medicaid program due to timing of funding available to HFS.

Marklund participates in the State of Illinois Hospital Assessment program. Pursuant to this program, providers within the State are required to remit payment to the State's Medicaid program under an assessment formula approved by the Centers for Medicare and Medicaid Services. Marklund has included its annual assessment of \$1,269,750 and \$1,232,899 as an operating expense in the accompanying 2022 and 2021 consolidated statements of operations and changes in net assets without donor restrictions, respectively.

**(5) Concentration of Credit Risk**

Marklund provides a comprehensive range of custodial care, educational, and developmental training services to severely disabled children and young adults. Marklund grants credit to these individuals and their families and generally does not require collateral or other security in extending credit to them; however, it routinely obtains assignment of (or is otherwise entitled to receive) these individuals' benefits payable under their programs, plans, or policies (e.g., Medicaid and DHS). The following table summarizes the composition of resident accounts receivable at June 30, 2022 and 2021 by funding source:

	<u>2022</u>	<u>2021</u>
Medicaid	98 %	99 %
DHS	2	1
	<u>100 %</u>	<u>100 %</u>

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A summary of Marklund's funding source utilization percentages based on resident service revenue for the years ended June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Medicaid	95 %	95 %
DHS	4	4
Other	1	1
	<u>100 %</u>	<u>100 %</u>

**(6) Land, Buildings, and Equipment**

Land, buildings, and equipment are stated at cost or, if donated, at fair value at the date of donation, less accumulated depreciation and amortization. A summary of land, buildings, and equipment at June 30, 2022 and 2021 follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 5,099,517	5,199,517
Land improvements	3,948,418	3,924,338
Buildings and improvements	38,066,731	37,582,065
Furniture and equipment	<u>7,984,169</u>	<u>7,610,426</u>
	55,098,835	54,316,346
Less accumulated depreciation	(31,011,152)	(28,606,705)
Construction in progress	<u>2,445,769</u>	<u>486,661</u>
	<u>\$ 26,533,452</u>	<u>26,196,302</u>

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Ranges of depreciable lives include land improvements, 2–10 years; building and improvements, 5–20 years; and furniture and equipment, 3–8 years. As of June 30, 2022, there were \$9,199,407 in outstanding contractual commitments related to various capital projects.

**(7) Pledges Receivable**

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on pledge amounts is computed using interest rates applicable to the years in which the promises are received, which is assumed to be 3.25% for 2022 and

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2021. Amortization of pledge discounts is included in net assets with donor restrictions. The following are pledges receivable as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Pledges receivable before unamortized discount and allowance for uncollectible pledges	\$ 675,734	1,236,359
Less unamortized discount	<u>67,306</u>	<u>81,526</u>
Subtotal	608,428	1,154,833
Less allowance for uncollectible pledges	<u>15,210</u>	<u>34,645</u>
Net pledges receivable	\$ <u>593,218</u>	<u>1,120,188</u>
Amounts due in:		
Less than one year	\$ 378,561	468,486
One to five years	<u>214,657</u>	<u>651,702</u>
Total	\$ <u>593,218</u>	<u>1,120,188</u>

**(8) Assets Whose Use is Limited or Restricted, Pledges Receivable, and Investments**

Marklund reports investments in equity securities with readily determinable fair values and all investments in debt securities at fair value. Fair value is determined primarily on the basis of quoted market prices. A summary of the composition of Marklund's investment portfolio, all of which is reported as assets whose use is limited or restricted, pledges receivable, and investments in the accompanying consolidated balance sheets, at June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Cash equivalents	\$ 8,817,084	6,650,921
Pledges receivable	593,218	1,120,188
Equity securities and mutual funds	14,735,028	15,919,140
Fixed-income mutual funds	<u>6,759,452</u>	<u>3,678,180</u>
	\$ <u>30,904,782</u>	<u>27,368,429</u>

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The composition of investment return on Marklund's investment portfolio for the years ended June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 1,031,699	447,258
Net realized gains on sale of investments	46,443	657,038
Change in net unrealized gains and losses on trading securities	(3,985,767)	2,998,587
Investment management fees	<u>(106,438)</u>	<u>(76,202)</u>
Investment return, net	<u>\$ (3,014,063)</u>	<u>4,026,681</u>

**(9) Fair Value Measurement**

**(a) Fair Value of Financial Instruments**

The following methods and assumptions were used by Marklund in estimating the fair value of its financial instruments:

- The carrying amount reported in the consolidated balance sheets for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, receivables, accounts payable, and accrued liabilities.
- Fair values of investments held as assets whose use is limited or restricted are estimated based on prices provided by its investment managers and its custodian bank, except for the carrying value of pledges receivable, which approximates fair value. Fair value for equity securities and mutual funds, and fixed-income mutual funds are measured using quoted market prices at the reporting date multiplied by the quantity held. The carrying value equals fair value.

**(b) Fair Value Hierarchy**

Marklund follows ASC Subtopic 820-10 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Subtopic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that Marklund has the ability to access at the measurement date.
- Level 2 inputs are observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 inputs are unobservable inputs for the asset or liability.



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The following table presents Marklund's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2022:

	<u>Fair value</u>	<u>Fair value measurements at June 30 using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:				
Cash and cash equivalents	\$ 508,538	508,538	—	—
Assets whose use is limited or restricted, excluding pledges receivable of \$593,218:				
Cash equivalents	\$ 8,817,084	8,817,084	—	—
Equity mutual funds	14,735,028	14,735,028	—	—
Fixed-income mutual funds	6,759,452	6,759,452	—	—
	<u>\$ 30,311,564</u>	<u>30,311,564</u>	<u>—</u>	<u>—</u>

The following table presents Marklund's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2021:

	<u>Fair value</u>	<u>Fair value measurements at June 30 using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:				
Cash and cash equivalents	\$ 5,364,970	5,364,970	—	—
Assets whose use is limited or restricted, excluding pledges receivable of \$1,120,188:				
Cash equivalents	\$ 6,650,921	6,650,921	—	—
Equity mutual funds	15,919,140	15,919,140	—	—
Fixed-income mutual funds	3,678,180	3,678,180	—	—
	<u>\$ 26,248,241</u>	<u>26,248,241</u>	<u>—</u>	<u>—</u>

**(c) Transfers between Levels**

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. Marklund evaluated the significance of transfers between levels based upon the nature of the financial instrument

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and size of the transfer relative to total assets. For the years ended June 30, 2022 and 2021, there were no transfers into or out of Level 1, 2, or 3.

**(10) Notes Payable**

Marklund had outstanding notes payable at June 30, 2022 consisting of the following:

	<u>2022</u>	<u>2021</u>
Construction loan payable, issued August 20, 2019, bearing interest at a rate of 2.50% at June 30, 2022 and 2021, respectively, with interest paid monthly	\$ 2,552,820	3,890,121
Total notes payable	2,552,820	3,890,121
Less current maturities of notes payable	<u>(383,069)</u>	<u>(383,069)</u>
Notes payable, net of current portion	<u>\$ 2,169,751</u>	<u>3,507,052</u>

On August 20, 2019, Marklund entered into a \$9,000,000 construction loan with St. Charles Bank and Trust Company to fund the building of a school to meet the needs of children with multiple medical needs and those with autism spectrum disorders. Interest under the loan is payable based on the monthly LIBOR rate plus 1.50% for years 1, 9, and 10 of the loan. For years 2 through 8, interest is based on a fixed rate established on the first anniversary date of the loan at the current LIBOR 7-year swap rate plus 200 basis points per year to fix the rate of interest payable. Principal and interest payments are payable monthly, with monthly principal payments beginning on after the first anniversary date of the loan through the original loan maturity date of August 20, 2029.

At June 30, 2022, scheduled principal repayments on the notes payable were as follows:

	<u>Amount</u>
Fiscal year ending:	
2023	\$ 383,069
2024	383,069
2025	383,069
2026	383,069
2027	383,069
Thereafter	<u>637,475</u>
Total	<u>\$ 2,552,820</u>

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**(11) Employee Retirement Plans**

Marklund also sponsors an employee retirement savings plan (the Plan) that covers substantially all employees. Other significant provisions of the Plan are as follows:

- *Contributions* – The Plan is a defined-contribution plan. Employer contributions to the Plan in 2022 and 2021 were 100% of each dollar the participant contributes, up to a maximum of 5% of eligible compensation for 2022 and 2021. Employer-matching contributions to the Plan were \$855,572 and \$773,459 in 2022 and 2021, respectively.
- *Eligibility* – All employees are eligible to participate in the Plan. Employees are eligible to receive matching contributions at the start of the first quarter following the date of hire.
- *Vesting* – Participants are vested immediately in their contributions and are 100% vested in the employer contributions at their two-year anniversary.

**(12) Net Assets**

Net assets at June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Net assets:		
Without donor restrictions:		
Designated by the board:		
Developmentally disabled children fund	\$ 1,000,000	1,000,000
Board-restricted endowment	3,162,741	3,077,691
Unrestricted endowment income and realized gains	7,278,365	9,702,098
Undesignated	<u>36,185,727</u>	<u>29,052,374</u>
Total net assets without donor restrictions	<u>47,626,833</u>	<u>42,832,163</u>
With donor restrictions		
Donor-restricted endowments	7,747,244	7,630,694
Purpose restricted – capital campaign	577,878	1,224,080
Purpose restricted – restricted programs	<u>613,753</u>	<u>892,573</u>
Total net assets with donor restrictions	<u>8,938,875</u>	<u>9,747,347</u>
Total net assets	<u>\$ 56,565,708</u>	<u>52,579,510</u>

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Net assets were released from donor restrictions by incurring expenses satisfying the donor-restricted purposes, as follows:

	<u>2022</u>	<u>2021</u>
Capital campaign	\$ 1,600,998	2,110,113
Restricted programs	<u>41,854</u>	<u>32,381</u>
	<u>\$ 1,642,852</u>	<u>2,142,494</u>

**(13) Endowments**

Marklund's endowment consists of funds established for a variety of purposes including donor-restricted endowment funds and funds designated by the board to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The income on the endowment funds is expendable to support operations of Marklund facilities, as designated by the board, and is recorded through net assets without donor restrictions.

The "Uniform Prudent Management of Institutional Funds Act" (UPMIFA), which was enacted in the state of Illinois in 2009, does not preclude Marklund from spending below the original gift value of donor-restricted endowment funds.

For accounting and reporting purposes, Marklund classifies as net assets with donor restrictions, the historical value of donor-restricted endowment funds, which includes (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) changes to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument. Also included in net assets with donor restrictions is accumulated appreciation (depreciation) on donor-restricted endowment funds, which are available for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA, and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift.

To make a determination to expend or accumulate donor-restricted endowment funds, Marklund considers a number of factors, including the duration and preservation of the fund, purposes of the donor-restricted fund, general economic conditions, the possible effects of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of Marklund, and the investment policies of Marklund.

**(a) Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Marklund to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. Subsequent gains restore the fair value of the assets of the endowment fund to the required level. There were no deficiencies as of June 30, 2022 or 2021.

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**(b) Return Objectives and Risk Parameters**

Marklund has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organizations must hold in perpetuity. Under this policy, as approved by the board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a blended benchmark composed of the major indices related to the investment allocation being targeted for the portfolio.

**(c) Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, Marklund relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Marklund targets a diversified asset allocation that places emphasis on investments in equities, international equities, and mutual funds to achieve its long-term return objectives within prudent risk constraints. Major investment decisions are authorized by the Finance Committee, which oversees the investment program in accordance with established guidelines.

**(d) Spending Policy and How the Investment Objectives Relate to Spending Policy**

Marklund has a policy of spending based on the amount of capital gains, interest, and dividends reinvested in the endowment assets. The spending rate (the annual amount withdrawn from the endowment assets to support the operating budget) is determined by the board based on the investment return expected, but not to exceed 5% of the average fair value of the endowment funds' average fair value over the prior three years through June 30 preceding the fiscal year in which the distribution is planned. In establishing these policies, Marklund considered the expected return on its endowment. Accordingly, Marklund expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return.

During 2022, Marklund had the following activities related to endowment net assets:

	<b>Board- designated income</b>	<b>Donor-restricted endowmen funds</b>	<b>Total</b>
Endowment net assets, July 1, 2021	\$ 12,779,789	7,630,694	20,410,483
Investment return	(2,423,733)	—	(2,423,733)
Contributions	85,050	116,550	201,600
Endowment net assets, June 30, 2022	\$ 10,441,106	7,747,244	18,188,350

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During 2021, Marklund had the following activities related to endowment net assets:

	<b>Board- designated income</b>	<b>Donor-restricted endowment funds</b>	<b>Total</b>
Endowment net assets, July 1, 2020	\$ 6,680,107	7,617,119	14,297,226
Investment return	4,021,991	—	4,021,991
Contributions	2,077,691	13,575	2,091,266
Endowment net assets, June 30, 2021	<u>\$ 12,779,789</u>	<u>7,630,694</u>	<u>20,410,483</u>

**(14) Commitments and Contingencies**

**(a) Litigation**

Marklund is involved in litigation arising in the normal course of business. In consultation with legal counsel, management anticipates that these matters will be resolved without material adverse effect on Marklund's financial position or results of operations.

**(b) Line of Credit**

Marklund maintains a credit facility agreement with St. Charles Bank and Trust Company (the Bank). The agreement extends a line of credit to Marklund in the principal sum not to exceed \$7,000,000, with a maturity date of August 20, 2023, in support of working capital requirements and was secured by Marklund's unrestricted receivables and real and personal property. Interest on the unpaid balance is paid monthly based on a variable rate determined as the PRIME rate for the monthly period plus 1.50% with a floor of 3.25% at June 30, 2022. At June 30, 2022, no amounts were drawn on the line of credit.

**(c) Investment Risk and Uncertainties**

Marklund invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated balance sheets. As a result of the COVID-19 virus, economic uncertainties have arisen which have caused volatility in financial markets and could potentially negatively impact Marklund's investment and business values. The ultimate potential impact of the virus is unknown at this time, but business and investment values are likely to be impacted as a result of the pandemic.

**(15) Functional Expenses**

Marklund provides services to its residents as well as individuals within its geographic location. The primary program activities of Marklund are residential and day programs. Natural expenses related to more than one functional expense category are allocated using a variety of methods, such as square footage, historic

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staff time, and actual usage. Expenses related to providing these services for the years ended June 30, 2022 and 2021 are as follows:

	<b>Program activities</b>			<b>Supporting activities</b>		<b>Total supporting activities</b>	<b>Total</b>
	<b>Residential</b>	<b>Non residential</b>	<b>Total program activities</b>	<b>General and administrative</b>	<b>Fund-raising</b>		
Salaries and wages	\$ 12,541,263	7,722,134	20,263,397	1,881,807	810,463	2,692,270	22,955,667
Employee benefits	3,282,168	1,997,714	5,279,882	704,250	215,909	920,159	6,200,041
Consulting	749,472	4,561	754,033	—	—	—	754,033
Medical supplies	1,064,960	63,901	1,128,861	2,747	—	2,747	1,131,608
Food and dietary	557,756	6,715	564,471	725	—	725	565,196
Rent, utilities, and occupancy	519,607	453,509	973,116	57,714	29,667	87,381	1,060,497
Depreciation	1,083,910	1,483,487	2,567,397	213,262	—	213,262	2,780,659
Illinois Medicaid program assessment	1,269,750	—	1,269,750	—	—	—	1,269,750
Other	598,673	368,871	967,544	733,921	246,453	980,374	1,947,918
<b>Total 2022 expenses</b>	<b>\$ 21,667,559</b>	<b>12,100,892</b>	<b>33,768,451</b>	<b>3,594,426</b>	<b>1,302,492</b>	<b>4,896,918</b>	<b>38,665,369</b>

	<b>Program activities</b>			<b>Supporting activities</b>		<b>Total supporting activities</b>	<b>Total</b>
	<b>Residential</b>	<b>Non residential</b>	<b>Total program activities</b>	<b>General and administrative</b>	<b>Fund-raising</b>		
Salaries and wages	\$ 12,218,858	6,752,730	18,971,588	1,806,575	837,512	2,644,087	21,615,675
Employee benefits	3,258,390	1,763,157	5,021,547	673,232	232,378	905,610	5,927,157
Consulting	419,493	3,163	422,656	—	—	—	422,656
Medical supplies	856,775	67,855	924,630	2,254	—	2,254	926,884
Food and dietary	487,478	6,278	493,756	691	—	691	494,447
Rent, utilities, and occupancy	511,763	466,573	978,336	54,728	29,430	84,158	1,062,494
Depreciation	1,135,359	1,145,795	2,281,154	182,593	—	182,593	2,463,747
Illinois Medicaid program assessment	1,232,899	—	1,232,899	—	—	—	1,232,899
Other	644,045	414,423	1,058,468	696,813	189,293	886,106	1,944,574
<b>Total 2021 expenses</b>	<b>\$ 20,765,060</b>	<b>10,619,974</b>	<b>31,385,034</b>	<b>3,416,886</b>	<b>1,288,613</b>	<b>4,705,499</b>	<b>36,090,533</b>

**MARKLUND CHILDREN'S HOME  
D/B/A MARKLUND**

Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

**(16) Financial Assets and Liquidity Resources**

As of June 30, 2022 and 2021, financial and liquidity resources available within one year for operating expenses, line of credit repayments, and construction costs not financed with debt were as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 508,538	5,364,970
Receivables	6,195,930	4,831,175
Pledges receivable – current	378,561	468,486
Assets whose use is limited or restricted	25,303,964	26,248,241
Investments	5,007,600	—
Less donor-restricted net assets	(8,938,875)	(9,747,347)
Less board-restricted endowment	(3,162,741)	(3,077,691)
Less board-designated developmentally disabled children's fund	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Total financial assets available to meet cash needs for general expenditures within one year	\$ <u>24,292,977</u>	<u>23,087,834</u>

Marklund's cash flows fluctuate periodically based on the timing of receipts from the State of Illinois. To accommodate this, Marklund maintains a line of credit of \$7,000,000 (note 14), with a full available undrawn amount at June 30, 2022.

**(17) Subsequent Events**

In connection with the preparation of the consolidated financial statements and in accordance with ASC Topic 855, *Subsequent Events*, Marklund evaluated subsequent events after the consolidated balance sheet date of June 30, 2022 through November 18, 2022, which was the date the consolidated financial statements were issued and other than disclosed in note 2, there were no other items to disclose.



**Marklund****MWC expansion**

<b>Revenue</b>	<b>year 1</b>	<b>year 2</b>
Program Revenue	\$ 13,546,904	\$ 14,369,532
Other Operating Revenue	<u>45,581</u>	<u>47,860</u>
<b>Total Revenue</b>	<b>\$ 13,592,485</b>	<b>\$ 14,417,392</b>
<b>Expenses</b>		
Salaries	\$ 6,315,412	\$ 6,504,874
Employee Benefits	1,642,007	1,691,267
Employee Expense	61,556	64,349
Consulting	144,130	150,671
Consulting - Nurses & Aides	423,419	442,631
Medical	617,761	645,791
Dietary & Support	227,846	238,183
Housekeeping	53,466	55,891
Occupancy	206,741	216,122
Equipment	116,956	122,263
Administrative (not including salaries)	102,285	106,359
Provider Taxes	812,064	861,422
Interest Expense	589,823	566,525
Client/Student	28,843	30,152
Depreciation	<u>551,193</u>	<u>961,194</u>
<b>Total Direct Expenses</b>	<b>\$ 11,893,502</b>	<b>\$ 12,657,694</b>
Allocation of Administration 10%	\$ 1,189,350	\$ 1,265,769
Allocation of Transportation	89,128	91,802
Allocation of Help Wanted	<u>39,499</u>	<u>40,684</u>
<b>Total Allocated Expenses</b>	<b>\$ 1,317,977</b>	<b>\$ 1,398,255</b>
<b>Total Expenses</b>	<b>\$ 13,211,479</b>	<b>\$ 14,055,949</b>
<b>Net Income (Loss)</b>	<b>\$ 381,006</b>	<b>\$ 361,443</b>

# Marklund MWC expansion loan amortization

## Loan Details

Loan amount	\$8,000,000.00
Annual interest rate	7.50%
Loan period in years	15
Start date of loan	6/1/2024

## Loan Summary

Monthly payment	\$74,160.99
Number of payments	180
Total interest	\$5,348,977.98
Total cost of loan	\$13,348,977.98

Pmt No.	Payment Date	Beginning Balance	Payment	Principal	Interest	Ending Balance
1	7/1/2024	\$8,000,000.00	\$74,160.99	\$24,160.99	\$50,000.00	\$7,975,839.01
2	8/1/2024	\$7,975,839.01	\$74,160.99	\$24,311.99	\$49,848.99	\$7,951,527.02
3	9/1/2024	\$7,951,527.02	\$74,160.99	\$24,463.94	\$49,697.04	\$7,927,063.07
4	10/1/2024	\$7,927,063.07	\$74,160.99	\$24,616.84	\$49,544.14	\$7,902,446.23
5	11/1/2024	\$7,902,446.23	\$74,160.99	\$24,770.70	\$49,390.29	\$7,877,675.53
6	12/1/2024	\$7,877,675.53	\$74,160.99	\$24,925.52	\$49,235.47	\$7,852,750.01
7	1/1/2025	\$7,852,750.01	\$74,160.99	\$25,081.30	\$49,079.69	\$7,827,668.71
8	2/1/2025	\$7,827,668.71	\$74,160.99	\$25,238.06	\$48,922.93	\$7,802,430.65
9	3/1/2025	\$7,802,430.65	\$74,160.99	\$25,395.80	\$48,765.19	\$7,777,034.85
10	4/1/2025	\$7,777,034.85	\$74,160.99	\$25,554.52	\$48,606.47	\$7,751,480.33
11	5/1/2025	\$7,751,480.33	\$74,160.99	\$25,714.24	\$48,446.75	\$7,725,766.09
12	6/1/2025	\$7,725,766.09	\$74,160.99	\$25,874.95	\$48,286.04	\$7,699,891.14
13	7/1/2025	\$7,699,891.14	\$74,160.99	\$26,036.67	\$48,124.32	\$7,673,854.47
14	8/1/2025	\$7,673,854.47	\$74,160.99	\$26,199.40	\$47,961.59	\$7,647,655.08
15	9/1/2025	\$7,647,655.08	\$74,160.99	\$26,363.14	\$47,797.84	\$7,621,291.93
16	10/1/2025	\$7,621,291.93	\$74,160.99	\$26,527.91	\$47,633.07	\$7,594,764.02
17	11/1/2025	\$7,594,764.02	\$74,160.99	\$26,693.71	\$47,467.28	\$7,568,070.30
18	12/1/2025	\$7,568,070.30	\$74,160.99	\$26,860.55	\$47,300.44	\$7,541,209.75
19	1/1/2026	\$7,541,209.75	\$74,160.99	\$27,028.43	\$47,132.56	\$7,514,181.33
20	2/1/2026	\$7,514,181.33	\$74,160.99	\$27,197.36	\$46,963.63	\$7,486,983.97
21	3/1/2026	\$7,486,983.97	\$74,160.99	\$27,367.34	\$46,793.65	\$7,459,616.63
22	4/1/2026	\$7,459,616.63	\$74,160.99	\$27,538.38	\$46,622.60	\$7,432,078.25
23	5/1/2026	\$7,432,078.25	\$74,160.99	\$27,710.50	\$46,450.49	\$7,404,367.75
24	6/1/2026	\$7,404,367.75	\$74,160.99	\$27,883.69	\$46,277.30	\$7,376,484.06

**Section V, Financial Feasibility**

**Criterion 1120.130(a) – Financial Viability Waiver**

Marklund does not have an “A” bond rating and the project will not be funded entirely by internal sources. Accordingly, this criterion is not applicable.

**Section V, Financial Feasibility****Criterion 1120.130(b) – Financial Viability Ratios**

1. Financial Viability ratios for the most recent three years for which audited financial statements are available and for the first full fiscal year after the Project reaches target utilization are provided in Table 1120.130(b) below.

<b>Table 1120.130(b)</b> <b>Financial Viability Ratios</b> <b>Marklund Children's Home Consolidated Financial Statements</b>				
	Category A or Category B (last three years)			Category B (Projected)
	2020	2021	2022	2024
Current Ratio	2.15	2.32	1.99	1.2
Net Margin Percentage	10.8%	28.0%	12.8%	8.5%
Percent Debt to Total Capitalization	19%	12%	4%	3.7%
Projected Debt Service Coverage	19.81	30.45	19.78	1.7
Days Cash on Hand	273	305	278	245
Cushion Ratio	85	73	71	27

2. Financial viability ratio worksheet is attached at Attachment – 29A.

**Marklund Children's Home Consolidated Financial Statements**  
**Financial Viability Ratios**

	<b>Standard</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Current Ratio</b>				
Current Assets		\$12,591,244	\$12,068,413	\$13,415,012
Current Liabilities		\$5,855,913	\$5,198,446	\$6,731,626
<b>Current Ratio</b>	<b>&gt; 1.5</b>	<b>2.15</b>	<b>2.32</b>	<b>1.99</b>
<b>Net Margin Percentage</b>				
Net Income		\$ 3,341,483	\$ 9,199,439	\$ 4,794,670
Net Operating Revenues		\$ 31,010,523	\$ 32,879,266	\$ 37,356,229
<b>Net Margin Percentage</b>	<b>&gt; 2.5%</b>	<b>10.8%</b>	<b>28.0%</b>	<b>12.8%</b>
<b>Long-Term Debt to Capitalization</b>				
Long-Term Debt		\$10,154,418	\$7,386,702	\$2,169,751
Equity		\$44,520,230	\$52,579,510	\$56,565,708
<b>Long-Term Debt to Capitalization</b>	<b>&lt; 80%</b>	<b>19%</b>	<b>12%</b>	<b>4%</b>
<b>Projected Debt Service Coverage</b>				
Net Income		\$ 3,341,483	\$ 9,199,439	\$ 4,794,670
Depreciation/Amortization		2,062,363	2,463,747	2,780,659
Interest Expense		-	-	-
Interest Expense and Principal Payments		272,816	383,069	383,069
<b>Projected Debt Service Coverage</b>	<b>&gt; 1.50</b>	<b>19.81</b>	<b>30.45</b>	<b>19.78</b>
<b>Days Cash on Hand</b>				
Cash		\$ 6,348,539	\$ 5,364,970	\$ 5,516,138
Investments		\$19,502,085	\$26,248,241	\$25,303,964
Donor-Restricted Endowments		\$7,617,119	\$7,630,694	\$7,747,244
Board Designated Funds		\$4,925,638	\$4,077,691	\$4,162,741
Operating Expense		\$ 33,153,074	\$ 36,090,533	\$ 38,665,369
Depreciation		2,062,363	2,463,747	2,780,659
<b>Days Cash on Hand</b>	<b>&gt; 45 Days</b>	<b>273</b>	<b>305</b>	<b>278</b>
<b>Cushion Ratio</b>				
Cash		\$ 6,348,539	\$ 5,364,970	\$ 5,516,138
Investments		\$19,502,085	\$26,248,241	\$25,303,964
Donor-Restricted Endowments		\$7,617,119	\$7,630,694	\$7,747,244
Board Designated Funds		\$4,925,638	\$4,077,691	\$4,162,741
Interest Expense and Principal Payments		\$272,816	\$383,069	\$383,069
<b>Cushion Ratio</b>	<b>&gt; 3.0</b>	<b>85</b>	<b>73</b>	<b>71</b>

**Section V, Economic Feasibility Review Criteria****Criterion 1120.140(a), Reasonableness of Financing Arrangements**

Attached at Attachment – 30A is a letter from Gilbert Fonger, President & CEO of Marklund Children's Home attesting the total project costs will be funded in part by borrowing because borrowing is less costly than liquidation of existing investments.



**Marklund Hyde Center**  
1S450 Wyatt Drive, Geneva, IL 60134  
630.593.5500 | 630.593.5501 fax

**Marklund Wasmond Center**  
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**Marklund Philip Center**  
164 S. Prairie Avenue, Bloomingdale, IL 60108  
630.529.2871 | 630.529.3266 fax

**Marklund Day School**  
164 S. Prairie Avenue, Bloomingdale, IL 60108  
630.307.1882 | 630.397.5624 fax

December 6, 2022

Debra Savage  
Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2nd Floor  
Springfield, Illinois 62761

**Re: Reasonableness of Financing Arrangements**

Dear Chair Savage:

I hereby certify under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109 and pursuant to 77 Ill. Admin. Code § 1120.140(a) that the total estimated project costs and related costs will be funded in part by borrowing because 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. I further certify the selected form of debt financing for the project is the lowest net cost available.

Gilbert Fonger  
President & CEO  
Marklund Children's Home  
Marklund Charities

Subscribed and sworn to me  
This 7 day of December, 2022

Notary Public



**Section V, Economic Feasibility Review Criteria**  
**Criterion 1120.140(b), Conditions of Debt Financing**

Attached at Attachment – 30A is a letter from Gilbert Fonger, President & CEO of Marklund Children's Home attesting the selected form of debt financing for the project will be at the lowest net cost available.



**Section V, Economic Feasibility Review Criteria**  
**Criterion 1120.140(c), Reasonableness of Project and Related Costs**

1. The Cost and Gross Square Feet by Department is provided in the table below.

<b>COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE</b>									
Department (list below) CLINICAL	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)	
<b>CLINICAL</b>									
Residential	\$0.00	\$458.38	17,143		24,700		\$7,857,955		\$7,857,955
Contingency	\$0.00	\$45.84	17,143		24,700		\$785,795		\$785,795
<b>TOTAL CLINICAL</b>	<b>\$0.00</b>	<b>\$504.21</b>	<b>17,143</b>		<b>24,700</b>		<b>\$8,643,750</b>		<b>\$8,643,750</b>
<b>NON- CLINICAL</b>									
Admin/ Mechanical	\$0.00	\$458.51	902		1,301		\$413,577		\$413,577
Contingency	\$0.00	\$45.85	902		1,301		\$41,358		\$41,358
<b>TOTAL NON- CLINICAL</b>	<b>\$0.00</b>	<b>\$504.36</b>	<b>902</b>		<b>1,300</b>		<b>\$454,935</b>		<b>\$454,935</b>
<b>TOTAL</b>	<b>\$0.00</b>	<b>\$504.22</b>	<b>18,045</b>		<b>26,000</b>		<b>\$9,098,685</b>		<b>\$9,098,685</b>
* Include the percentage (%) of space for circulation									

**Section V, Economic Feasibility Review Criteria**  
**Criterion 1120.310(d), Projected Operating Costs**

Operating Expenses	\$8,260,490
Treatments	28,012
Capital Costs per Treatment	\$294.89

**Section X, Economic Feasibility Review Criteria**  
**Criterion 1120.310(e), Total Effect of Project on Capital Costs**

Capital Costs	\$1,527,719
Treatments	28,012
Capital Costs per Treatment	\$54.54

After paginating the entire, completed application, indicate in the chart below, the page numbers for the attachments included as part of the project's application for permit:

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