

24-033

RECEIVED

**ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT**

SEP 25 2024

HEALTH FACILITIES &
SERVICES REVIEW BOARD**SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION****This Section must be completed for all projects.****Facility/Project Identification**

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

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

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

Type of Ownership of Applicants

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

- 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 they are organized and the name and address of each partner specifying whether each is a general or limited partner.

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

Primary Contact [Person to receive ALL correspondence or inquiries]

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

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

Name: Stephen T. Moore	
Title: Partner	
Company Name: Hinshaw & Culbertson LLP	
Address: 100 Park Avenue, Rockford, Illinois 61101	
Telephone Number: 815-490-4903	
E-mail Address: smoore@hinshawlaw.com	
Fax Number: 815-490-4901	

**ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT**

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

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

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

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

Type of Ownership of Applicants

- | | |
|--|--|
| ☒ Non-profit Corporation | ☐ Partnership |
| ☐ For-profit Corporation | ☐ Governmental |
| ☐ Limited Liability Company | ☐ Sole Proprietorship |
| | ☐ Other |
- 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 they are organized and the name and address of each partner specifying whether each is a general or limited partner.

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

Primary Contact [Person to receive ALL correspondence or inquiries]

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

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

Name: Stephen T. Moore
Title: Partner
Company Name: Hinshaw & Culbertson LLP
Address: 100 Park Avenue, Rockford, Illinois 61101
Telephone Number: 815-490-4903
E-mail Address: smoore@hinshawlaw.com
Fax Number: 815-490-4901

Post Permit Contact

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

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

Site Ownership

[Provide this information for each applicable site]

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

Operating Identity/Licensee

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

Exact Legal Name: Midwest Medical Center			
Address: One Medical Center Drive, Galena, IL 61036			
☒	Non-profit Corporation	☐	Partnership
☐	For-profit Corporation	☐	Governmental
☐	Limited Liability Company	☐	Sole Proprietorship
		☐	Other
- 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. - o Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.			
APPEND DOCUMENTATION AS ATTACHMENT 3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

Organizational Relationships

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

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

Flood Plain Requirements

[Refer to application instructions.]

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

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

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

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

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

DESCRIPTION OF PROJECT

1. Project Classification

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

Part 1110 Classification :

- ☐ Substantive
- ☒ Non-substantive

2. Narrative Description

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

Buildout of shell space for third operating room.

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

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

Total capital cost is \$10,350,000. The project is being funded through bond issues.

Construction will be started in the Fall of 2024. The completion date of the project is April 2025.

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

Project Costs and Sources of Funds

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

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts			
Modernization Contracts			
Contingencies			
Architectural/Engineering Fees			
Consulting and Other Fees			
Movable or Other Equipment (not in construction contracts)			
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment			
Other Costs to Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS			
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities			
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS			
NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT 7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

Related Project Costs

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

Land acquisition is related to project	☐ Yes	☒ No
Purchase Price: \$	_____	
Fair Market Value: \$	_____	
The project involves the establishment of a new facility or a new category of service ☐ Yes ☒ No		
If yes, provide the dollar amount of all non-capitalized operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.		
Estimated start-up costs and operating deficit cost is \$ _____.		

Project Status and Completion Schedules

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

Indicate the stage of the project's architectural drawings:

☐ None or not applicable	☐ Preliminary
☐ Schematics	☒ Final Working
Anticipated project completion date (refer to Part 1130.140): <u>April 2025</u>	
Indicate the following with respect to project expenditures or to financial commitments (refer to Part 1130.140):	
☐ Purchase orders, leases or contracts pertaining to the project have been executed.	
☐ Financial commitment is contingent upon permit issuance. Provide a copy of the contingent "certification of financial commitment" document, highlighting any language related to CON Contingencies	
☒ Financial Commitment will occur after permit issuance.	
APPEND DOCUMENTATION AS ATTACHMENT 8 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.	

State Agency Submittals [Section 1130.620(c)]

Are the following submittals up to date as applicable?

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

Cost Space Requirements

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

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

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

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

Facility Bed Capacity and Utilization

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

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

CERTIFICATION

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

- o in the case of a corporation, any two of its officers or members of its Board of Directors.
- o 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).
- o 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).
- o in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- o in the case of a sole proprietor, the individual that is the proprietor.

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

MIDWEST MEDICAL CENTER

Tracy Bauer

SIGNATURE

Tracy Bauer

PRINTED NAME

President and Chief Executive Officer

PRINTED TITLE

Kelli Jackson

SIGNATURE

Kelli Jackson

PRINTED NAME

Controller

PRINTED TITLE

Notarization:

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

Notarization:

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

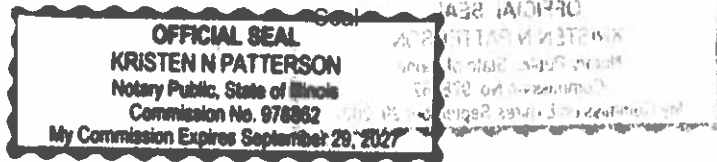
Kristen N Patterson

Signature of Notary

Kristen N Patterson

Signature of Notary

Seal



*Insert the EXACT legal name of the applicant

SECTION II. DISCONTINUATION

N/A. THE PROJECT DOES NOT INVOLVE DISCONTINUATION

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

Criterion 1110.290 – Discontinuation

READ THE REVIEW CRITERION and provide the following information:

GENERAL INFORMATION REQUIREMENTS

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

REASONS FOR DISCONTINUATION

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

IMPACT ON ACCESS

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

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

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

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

1110.110(a) – Background of the Applicant

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.
2. A listing of all health care facilities currently owned and/or operated in Illinois, by any corporate officers or directors, LLC members, partners, or owners of at least 5% of the proposed health care facility.
3. For the following questions, please provide information for each applicant, including corporate officers or directors, LLC members, partners, and owners of at least 5% of the proposed facility. A health care facility is considered owned or operated by every person or entity that owns, directly or indirectly, an ownership interest.
 - a. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant, directly or indirectly, during the three years prior to the filing of the application.
 - b. A certified listing of each applicant, identifying those individuals that have been cited, arrested, taken into custody, charged with, indicted, convicted, or tried for, or pled guilty to the commission of any felony or misdemeanor or violation of the law, except for minor parking violations; or the subject of any juvenile delinquency or youthful offender proceeding. Unless expunged, provide details about the conviction, and submit any police or court records regarding any matters disclosed.
 - c. A certified and detailed listing of each applicant or person charged with fraudulent conduct or any act involving moral turpitude.
 - d. A certified listing of each applicant with one or more unsatisfied judgements against him or her.
 - e. A certified and detailed listing of each applicant who is in default in the performance or discharge of any duty or obligation imposed by a judgment, decree, order or directive of any court or governmental agency.
4. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.
5. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest that the information was previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant can submit amendments to previously submitted information, as needed, to update and/or clarify data.

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

Criterion 1110.110(b) & (d)

PURPOSE OF PROJECT

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

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

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

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

ALTERNATIVES

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

Alternative options must include:

- A) Proposing a project of greater or lesser scope and cost.
- B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes.
- C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and
- D) Provide the reasons why the chosen alternative was selected.

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

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

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

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

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

1. Document that the amount of physical space proposed for the proposed project is necessary and not excessive. This must be a narrative and it shall include the basis used for determining the space and the methodology applied.
2. If the gross square footage exceeds the BGSF/DGSF standards in Appendix B, justify the discrepancy by documenting one of the following:
 - a. Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies and certified by the facility's Medical Director.
 - b. The existing facility's physical configuration has constraints or impediments and requires an architectural design that delineates the constraints or impediments.
 - c. The project involves the conversion of existing space that results in excess square footage.
 - d. Additional space is mandated by governmental or certification agency requirements that were not in existence when Appendix B standards were adopted.

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

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

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

PROJECT SERVICES UTILIZATION:

N/A: PROJECT DOES NOT IMPACT LISTED
SERVICE AREAS

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

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

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

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

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

UNFINISHED OR SHELL SPACE:

Provide the following information:

1. Total gross square footage (GSF) of the proposed shell space.
2. The anticipated use of the shell space, specifying the proposed GSF to be allocated to each department, area, or function.
3. Evidence that the shell space is being constructed due to:
 - a. Requirements of governmental or certification agencies; or
 - b. Experienced increases in the historical occupancy or utilization of those areas proposed to occupy the shell space.
4. Provide:
 - a. Historical utilization for the area for the latest five-year period for which data is available; and
 - b. Based upon the average annual percentage increase for that period, projections of future utilization of the area through the anticipated date when the shell space will be placed into operation.

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

ASSURANCES:

Submit the following:

1. Verification that the applicant will submit to HFSRB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at the time or the categories of service involved.
2. The estimated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted; and
3. The anticipated date when the shell space will be completed and placed into operation.

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

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

1. Applicants proposing to establish, expand and/or modernize Clinical Service Areas Other than categories of service must submit the following information:
2. Indicate changes by Service: Indicate # of key room changes by action(s):

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

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

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

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

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

VII. 1120.120 - AVAILABILITY OF FUNDS

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

\$ _____	a) Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion.
_____	b) Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated timetable of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
_____	c) Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated timetable of receipts.
\$10,350,000	d) Debt – a statement of the estimated terms and conditions (including the debt time, variable or permanent interest rates over the debt time, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including: 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated. 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate. 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc. 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment. 5) For any option to lease, a copy of the option, including all terms and conditions.

_____	e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent.
_____	f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt.
_____	g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
\$10,350,000	TOTAL FUNDS AVAILABLE
APPEND DOCUMENTATION AS ATTACHMENT 34, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.	

SECTION VIII. 1120.130 - FINANCIAL VIABILITY

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

Financial Viability Waiver

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

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

See Section 1120.130 Financial Waiver for information to be provided

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

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

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

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

Variance

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

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

SECTION IX. 1120.140 - ECONOMIC FEASIBILITY

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

A. Reasonableness of Financing Arrangements

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

- 1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or
- 2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:
 - A) A portion or all the cash and equivalents must be retained in the balance sheet asset accounts to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or
 - B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

B. Conditions of Debt Financing

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

- 1) That the selected form of debt financing for the project will be at the lowest net cost available.
- 2) That the selected form of debt financing will not be at the lowest net cost available but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors.
- 3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

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

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (List below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	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 37, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION X. SAFETY NET IMPACT STATEMENT

N/A. THE PROJECT IS NON-SUBSTANTIVE

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

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

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

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

Safety Net Impact Statements shall also include all the following:

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

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

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

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

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

	Outpatient				
	Total				

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

SECTION X. CHARITY CARE INFORMATION

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

1. All applicants and co-applicants shall indicate the amount of charity care for the latest three **audited** fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.
2. If the applicant owns or operates one or more facilities, the reporting shall be for each individual facility located in Illinois. If charity care costs are reported on a consolidated basis, the applicant shall provide documentation as to the cost of charity care; the ratio of that charity care to the net patient revenue for the consolidated financial statement; the allocation of charity care costs; and the ratio of charity care cost to net patient revenue for the facility under review.
3. If the applicant is not an existing facility, it shall submit the facility's projected patient mix by payer source, anticipated charity care expense and projected ratio of charity care to net patient revenue by the end of its second year of operation.

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

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

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

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

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

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

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

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

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

Jo Daviess

(County)

(Township) (Section)

3. You can create a small map of your site showing the FEMA floodplain mapping using the FEMA Map Service Center website (<https://msc.fema.gov/portal/home>) by entering the address for the property in the Search bar. If a map, like that shown on page 2 is shown, select the **Go to NFHL Viewer** tab above the map. You can print a

copy of the floodplain map by selecting the  icon in the top corner of the page. Select the pin tool icon  and place a pin on your site. Print a FIRMETTE size image.

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

IS THE PROJECT SITE LOCATED IN A SPECIAL FLOOD HAZARD AREA: Yes ___ No X?

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

If you are unable to determine if the site is in the mapped floodplain or 500-year floodplain, contact the county or the local community building or planning department for assistance.

If the determination is being made by a local official, please complete the following:

FIRM Panel Number: _____ Effective Date: _____

Name of Official: _____ Title: _____

Business/Agency: _____ Address: _____

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

Signature: _____ Date: _____

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

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

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

INDEX OF ATTACHMENTS		
ATTACHMENT NO.		PAGES
1	Applicant Identification including Certificate of Good Standing	28-29
2	Site Ownership	30-32
3	Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.	33-35
4	Organizational Relationships (Organizational Chart) Certificate of Good Standing Etc.	36
5	Flood Plain Requirements	37-38
6	Historic Preservation Act Requirements	39
7	Project and Sources of Funds Itemization	40-42
8	Financial Commitment Document if required	N/A
9	Cost Space Requirements	43-48
10	Discontinuation	N/A
11	Background of the Applicant	49-57
12	Purpose of the Project	58-59
13	Alternatives to the Project	60
14	Size of the Project	61-62
15	Project Service Utilization	N/A
16	Unfinished or Shell Space	N/A
17	Assurances for Unfinished/Shell Space	N/A
	Service Specific:	
18	Medical Surgical Pediatrics, Obstetrics, ICU	N/A
19	Comprehensive Physical Rehabilitation	N/A
20	Acute Mental Illness	N/A
21	Open Heart Surgery	N/A
22	Cardiac Catheterization	N/A
23	In-Center Hemodialysis	N/A
24	Non-Hospital Based Ambulatory Surgery	N/A
25	Selected Organ Transplantation	N/A
26	Kidney Transplantation	N/A
27	Subacute Care Hospital Model	N/A
28	Community-Based Residential Rehabilitation Center	N/A
29	Long Term Acute Care Hospital	N/A
30	Clinical Service Areas Other than Categories of Service	N/A
31	Freestanding Emergency Center Medical Services	63-64
32	Birth Center	N/A
	Financial and Economic Feasibility:	
33	Availability of Funds	N/A
34	Financial Waiver	65-196
35	Financial Viability	N/A
36	Economic Feasibility	197-204
37	Safety Net Impact Statement	205-207
38	Charity Care Information	N/A
39	Flood Plain Information	208



To all to whom these Presents Shall Come, Greeting:

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

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



In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 13TH day of AUGUST A.D. 2024 .

Authentication #: 2422602148 verifiable until 08/13/2025
Authenticate at: <https://www.lsos.gov>

Alexi Giannoulis
SECRETARY OF STATE



To all to whom these Presents Shall Come, Greeting:

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

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



In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 13TH day of AUGUST A.D. 2024 .

Authentication #: 2422602128 verifiable until 08/13/2025
Authenticate at: <https://www.ilsos.gov>

Alexi Giannoulas
SECRETARY OF STATE

ATTACHMENT 2

Site Ownership

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

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

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

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

328766
JO DAVIESS COUNTY RECORDER
STATE OF ILLINOIS

June 23 06 1:40 P M
DATE TIME
Jana Dinkoff

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

WARRANTY DEED

Statutory (Illinois)

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

Part of the Southeast and Southwest Quarters of Section 2, Township 28 North, Range 1 West of the Fourth Principal Meridian, Jo Daviess County, Illinois, more particularly described as follows: Beginning at a hex bolt found in concrete at the South Quarter Corner of Section 2, Township 28 North, Range 1 West of the Fourth Principal Meridian, Jo Daviess County, Illinois; thence North 87 degrees 30 minutes 49 seconds West along the South line of the Southwest Quarter of said Section 2, a distance of 985.07 feet to an iron rod survey monument set in Norris Lane over the center of an existing North-South drainage ditch; thence North 4 degrees 02 minutes 18 seconds West along said ditch line, a distance of 160.48 feet; thence North 20 degrees 04 minutes 28 seconds East along said ditch, a distance of 249.38 feet; thence North 3 degrees 27 minutes 05 seconds East along said ditch, a distance of 177.13 feet; thence North 17 degrees 34 minutes 11 seconds East along said ditch, a distance of 199.47 feet; thence North 14 degrees 08 minutes 41 seconds West along said ditch, a distance of 111.10 feet; thence North 37 degrees 31 minutes 30 seconds East along said ditch, a distance of 95.72 feet; thence North 20 degrees 45 minutes 17 seconds East along said ditch, a distance of 158.58 feet; thence North 15 degrees 29 minutes 06 seconds East along said ditch, 96.18 feet to an iron rod survey monument set on the North line of the South Half of said Southwest Quarter of Section 2; thence South 87 degrees 26 minutes 30 seconds East along said North line, a distance of 649.27 feet to an iron rod survey monument found at the Northeast Corner of said South Half of the Southwest Quarter of Section 2; thence South 87 degrees 30 minutes 08 seconds East along the North line of the South Half of the Southeast Quarter of said Section 2, a distance of 92.64 feet to the centerline of US Highway 20; thence South 15 degrees 54 minutes 48 seconds East along said centerline, a distance of 1395.73 feet to the South line of said Southeast Quarter of Section 2; thence North 86 degrees 55 minutes 47 seconds West, a distance of 465.66 feet to the point of beginning, containing 34.440 acres, more or less, all situated in Jo Daviess County, Illinois.
Permanent Index Number(s): Split of 43-13-000-056-00
Property Address: Route 20 West, Galena, IL 61036

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

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

Dated this 23rd Day of June 20 06

J Eric Binsweller
J Eric Binsweller

Kurt D Binsweller
Kurt D Binsweller

JO DAVIESS COUNTY, ILLINOIS
Real Estate Transfer Tax
\$ 215.75
25¢ per \$500 consideration

Warranty Deed: Page 1 of 2
FOR USE IN ALL STATES

ATG FORM 4057-R
© ATG (REV. 6/02)

Exhibit B

Warranty Deed - Continued
STATE OF ILLINOIS

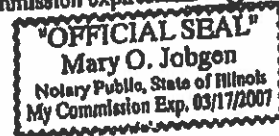
COUNTY OF JO DAVIESS

SS.

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

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

My commission expires:



Exempt under the provisions of paragraph _____

ATTACHMENT 3

Operating Identity/Licensee

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

ATTACHMENT 3

Operating Identity/Licensee

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



To all to whom these Presents Shall Come, Greeting:

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

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



In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 13TH day of AUGUST A.D. 2024 .

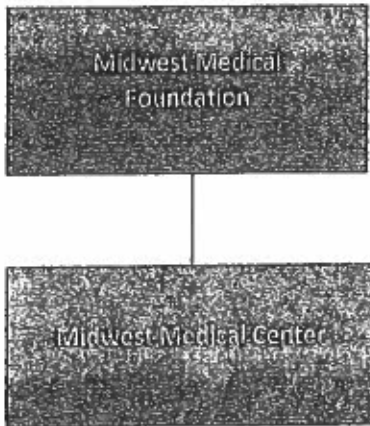
Authentication #: 2422802128 verifiable until 08/13/2025
Authenticate at: <https://www.ilsos.gov>

Alexi Giannoulas
SECRETARY OF STATE

ATTACHMENT 4

Organizational Relationships

Midwest Medical Foundation is the sole member of Midwest Medical Center



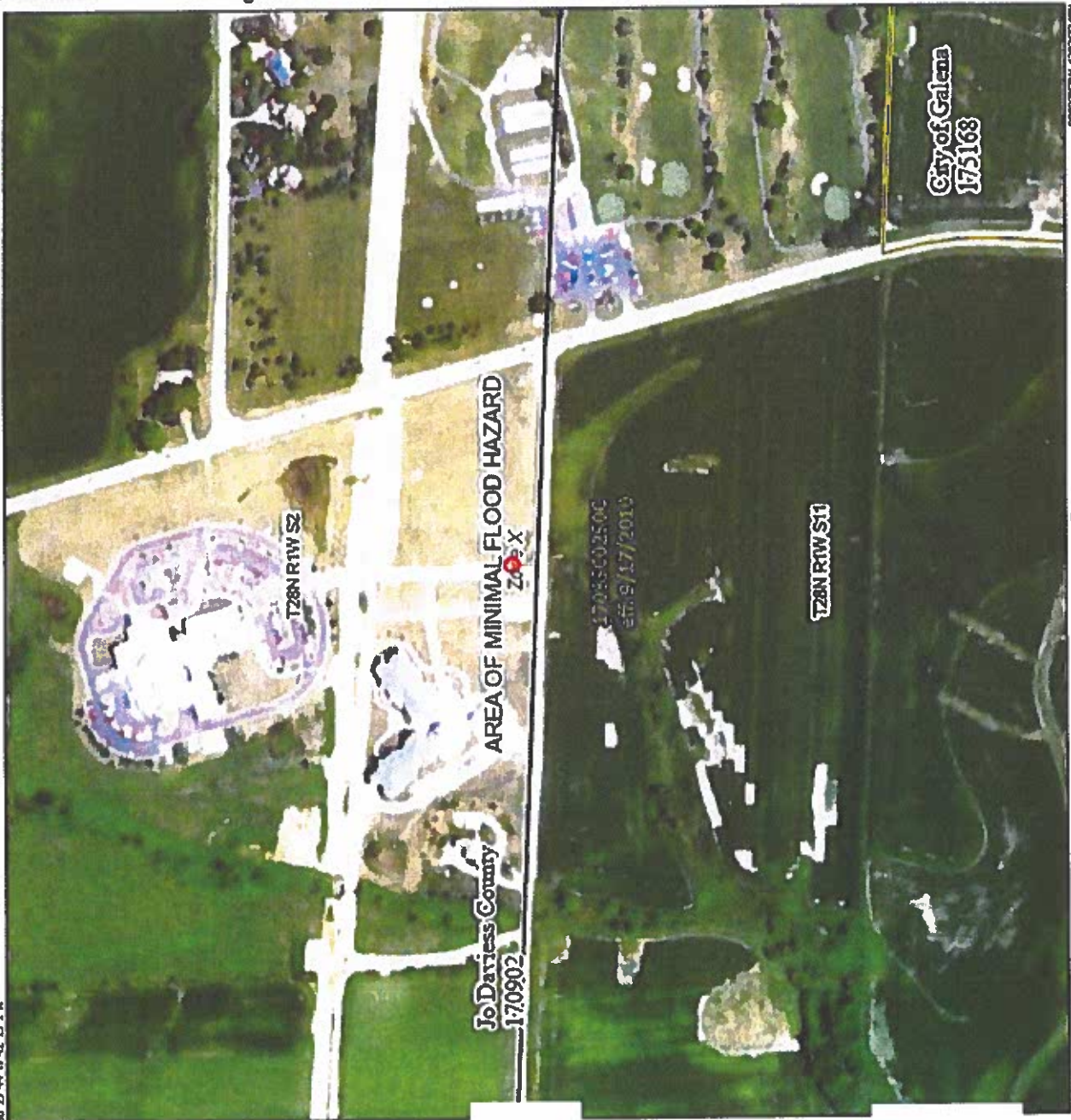
ATTACHMENT 5

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

National Flood Hazard Layer FIRMette



50°27'44"N 42°27'17"W



Legend

SEE PG REPORT FOR DETAILED LEGEND AND INFO MAP FOR FIRM PANEL LAYOUT

SPECIAL FLOOD HAZARD AREAS

- Without Base Flood Elevation (BFE) Zone A, V, AE
- With BFE or Depth Zone AE, A1, A2, V1, V2, AP
- 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 Levees. See Notes. Zone X
- Area with Flood Risk due to Levees Zone D

OTHER AREAS

- Area of Minimal Flood Hazard Zone X
- Effective LOMRIs
- Area of Undetermined Flood Hazard Zone D

GENERAL STRUCTURES

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

OTHER FEATURES

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

MAP PANELS

- Digital Data Available
- No Digital Data Available
- Unmapped

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

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

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

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



**Illinois Department of
Natural Resources**

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

JD Pritzker, Governor
Colleen Callahan, Director

JoDavless County
Galena

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

September 16, 2022

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

Dear Ms. Williams:

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

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

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

Sincerely,

Carey L. Mayer, AIA
Deputy State Historic
Preservation Officer

ATTACHMENT 7

Project Costs and Sources of Funds

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

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs	-	-	
Site Survey and Soil Investigation		-	
Site Preparation	\$329,820	-	
Off Site Work		-	
New Construction Contracts	\$3,799,918	-	
Modernization Contracts	\$4,326,053	-	
Contingencies	\$216,934	-	\$216,934
Architectural/Engineering Fees	\$651,917	-	\$651,917
Consulting and Other Fees	\$325,358	-	
Movable or Other Equipment (not in construction contracts)	\$300,000	-	\$300,000
Bond Issuance Expense (project related)		-	
Net Interest Expense During Construction (project related)	\$400,000	-	\$400,000
Fair Market Value of Leased Space or Equipment	-	-	-
Other Costs to Be Capitalized	-	-	-
Acquisition of Building or Other Property (excluding land)	-	-	-
TOTAL USES OF FUNDS	\$10,350,000	-	\$10,350,000
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities			
Pledges			
Gifts and Bequests			
Bond Issues (project related)	\$10,350,000		\$10,350,000
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	\$10,350,000		\$10,350,000

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

Site Preparation \$329,820

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

New Construction Contracts \$3,799,918

The new construction contract includes new additions for surgery department. They are as follows:

Description	Square Footage	Projected Cost
Main Level – Surgery Suite Build Out	5,850	\$3,799,918

Modernization Contracts \$4,326,053

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

Description	Square Footage	Projected Cost
Main Level – Surgery Suite Build Out	6,660	\$4,326,053

The proposed design for the surgery expansion reconfigures existing space to accommodate additional pre/post rooms, a new procedure room, a new endoscopy room along with an additional operating room. The design also focuses on improving central processing, PACU, expanding clean storage and equipment storage. The surgery department is designed to be remodeled in multiple phases to allow the current surgery department to stay open during the entire phase of construction in an attempt to keep up with the current caseload demand. The newly renovated surgery suite will increase in size from 7,615 square feet to an approximate overall square footage of 12,728 square feet.

Contingencies \$216,934

The project costs are based on finalized construction documents. MMC is halfway through its current expansion and plans to have about \$1,000,000 remaining in contingency. Based on those numbers, it was decided to keep the construction contingency at a minimum considering how well the first project was estimated.

Architectural/Engineering Fees \$651,917

The architectural and engineering fees cover the cost of programming, interior design, schematic design, design development, construction documentation and construction administration. The fees include coordinating site and/or virtual visits to the facility as well as virtual reality design aids.

Consulting and Other Fees \$325,358

The consultant fees are the construction management services for the project which is 3.75% or \$325,358. The project fee or construction management fee includes corporate overhead, accounting, project administration, corporate project and items that occur offsite. This minimizes risk to MMC by no preconstruction fee, lean on-site staffing approach, completely open book process, guaranteed maximum price, fully auditable and all cost savings is MMCs.

Movable or Other Equipment (not in construction contracts) \$300,000

Most existing furnishings and equipment will be used in the new space, but does require additional purchase since there will be more space. Items that will be purchased are a surgical table, additional beds and equipment for the pre/post rooms and OR.

Net Interest Expense During construction (project related) \$400,000

The financing or construction period interest expense (12 month construction period) is estimated to be \$400,000.

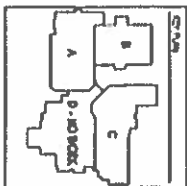
ATTACHMENT 9

Cost Space Requirements

Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
REVIEWABLE							
Surgery Department	10,350,000	7,615 DGSF	12,510 DGSF	5,850 DGSF	6,660 DGSF	955 DGSF	
Total Clinical	10,350,000	7,615 DGSF	12,510 DGSF	5,850 DGSF	6,660 DGSF	955 DGSF	
NON-REVIEWABLE							
OTHER PROJECT COSTS							
Site Development, Contingency, CM Fees, Pro Fees, Owner Items							
TOTAL	10,350,000	7,615 DGSF	12,510 DGSF	5,850 DGSF	6,660 DGSF	955 DGSF	



1. DEMOLITION PLAN - OVERALL MAIN LEVEL

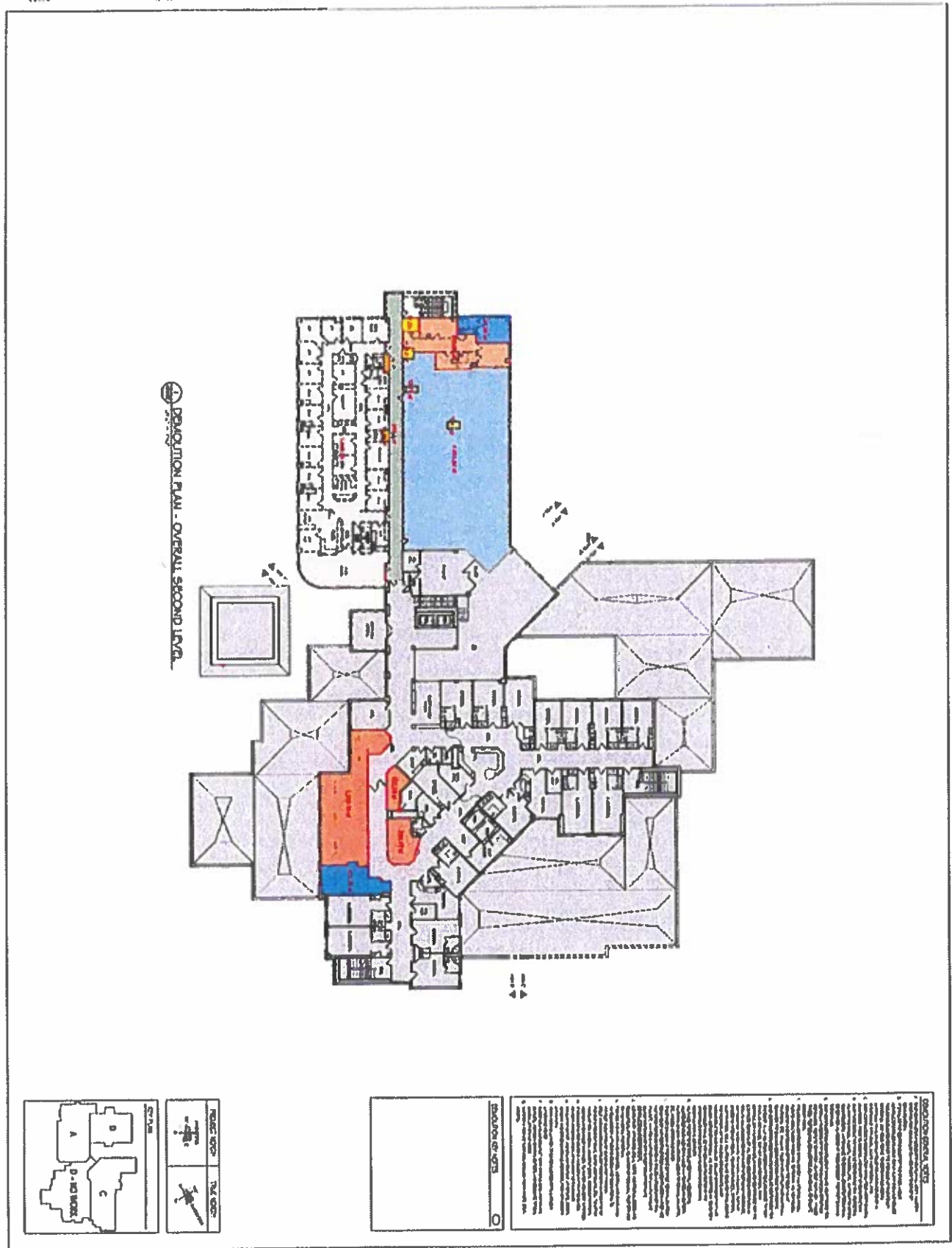


NOTES:
1. ALL EXISTING WALLS TO REMAIN SHALL BE CONCRETE OR CMU.
2. ALL NEW WALLS SHALL BE CONCRETE OR CMU.
3. ALL DEMOLITION AREAS SHALL BE REMOVED TO FINISH FLOOR.
4. ALL DEMOLITION AREAS SHALL BE REINFORCED WITH STEEL.
5. ALL DEMOLITION AREAS SHALL BE REINFORCED WITH STEEL.
6. ALL DEMOLITION AREAS SHALL BE REINFORCED WITH STEEL.
7. ALL DEMOLITION AREAS SHALL BE REINFORCED WITH STEEL.
8. ALL DEMOLITION AREAS SHALL BE REINFORCED WITH STEEL.
9. ALL DEMOLITION AREAS SHALL BE REINFORCED WITH STEEL.
10. ALL DEMOLITION AREAS SHALL BE REINFORCED WITH STEEL.

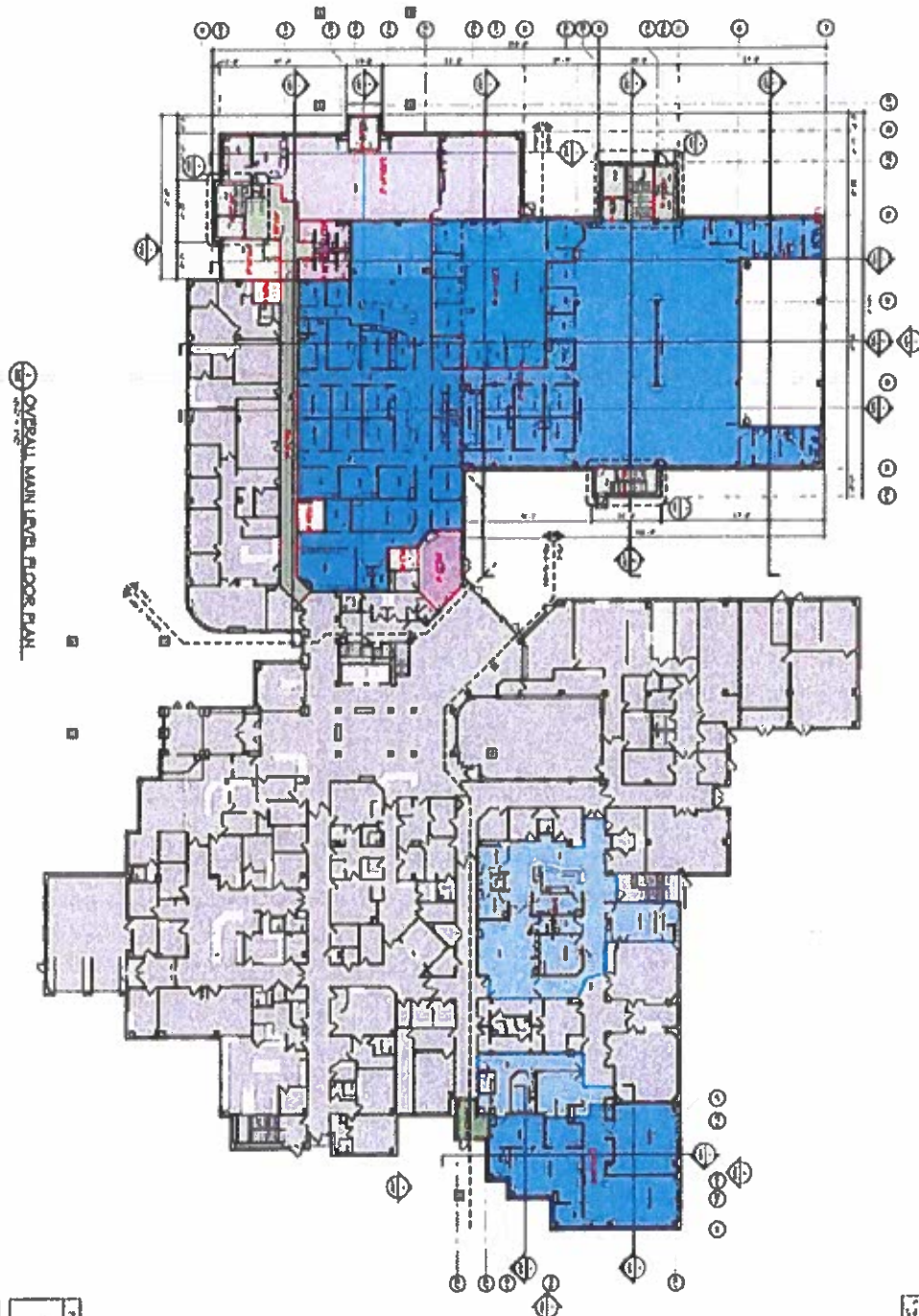
NO.	DESCRIPTION	DATE	BY	CHECKED BY
1	AD-01			

MIDWEST MEDICAL CENTER
MIDWEST MEDICAL CENTER EXPANSION
SALFORD, MN

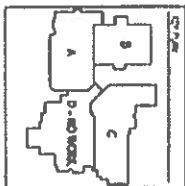








101 OVERALL MAIN LEVEL FLOOR PLAN

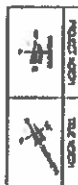


GENERAL NOTES:
1. ALL WORK SHALL BE IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES AND STANDARDS.
2. ALL MATERIALS AND WORKMANSHIP SHALL BE SUBJECT TO INSPECTION AND APPROVAL BY THE LOCAL BUILDING DEPARTMENT.
3. ALL DIMENSIONS SHALL BE GIVEN IN FEET AND INCHES.
4. ALL ROOMS SHALL BE IDENTIFIED BY NUMBER AND NAME.
5. ALL CORRIDORS SHALL BE IDENTIFIED BY NUMBER AND NAME.
6. ALL STAIRS SHALL BE IDENTIFIED BY NUMBER AND NAME.
7. ALL ELEVATORS SHALL BE IDENTIFIED BY NUMBER AND NAME.
8. ALL MECHANICAL ROOMS SHALL BE IDENTIFIED BY NUMBER AND NAME.
9. ALL ELECTRICAL ROOMS SHALL BE IDENTIFIED BY NUMBER AND NAME.
10. ALL TELEPHONE ROOMS SHALL BE IDENTIFIED BY NUMBER AND NAME.
11. ALL JANUATORIES SHALL BE IDENTIFIED BY NUMBER AND NAME.
12. ALL RESTROOMS SHALL BE IDENTIFIED BY NUMBER AND NAME.
13. ALL KITCHENS SHALL BE IDENTIFIED BY NUMBER AND NAME.
14. ALL DINING ROOMS SHALL BE IDENTIFIED BY NUMBER AND NAME.
15. ALL CAFETERIAS SHALL BE IDENTIFIED BY NUMBER AND NAME.
16. ALL LUNGEON ROOMS SHALL BE IDENTIFIED BY NUMBER AND NAME.
17. ALL WAITING AREAS SHALL BE IDENTIFIED BY NUMBER AND NAME.
18. ALL OFFICES SHALL BE IDENTIFIED BY NUMBER AND NAME.
19. ALL CONFERENCE ROOMS SHALL BE IDENTIFIED BY NUMBER AND NAME.
20. ALL BOARD ROOMS SHALL BE IDENTIFIED BY NUMBER AND NAME.
21. ALL STUDY ROOMS SHALL BE IDENTIFIED BY NUMBER AND NAME.
22. ALL READING ROOMS SHALL BE IDENTIFIED BY NUMBER AND NAME.
23. ALL WRITING ROOMS SHALL BE IDENTIFIED BY NUMBER AND NAME.
24. ALL STORAGE ROOMS SHALL BE IDENTIFIED BY NUMBER AND NAME.
25. ALL LOCKER ROOMS SHALL BE IDENTIFIED BY NUMBER AND NAME.
26. ALL SHOWERS SHALL BE IDENTIFIED BY NUMBER AND NAME.
27. ALL BATHS SHALL BE IDENTIFIED BY NUMBER AND NAME.
28. ALL HALLS SHALL BE IDENTIFIED BY NUMBER AND NAME.
29. ALL ENTRANCES SHALL BE IDENTIFIED BY NUMBER AND NAME.
30. ALL EXITS SHALL BE IDENTIFIED BY NUMBER AND NAME.
31. ALL STAIRWELLS SHALL BE IDENTIFIED BY NUMBER AND NAME.
32. ALL ELEVATOR SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
33. ALL MECHANICAL SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
34. ALL ELECTRICAL SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
35. ALL TELEPHONE SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
36. ALL JANUATOR SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
37. ALL RESTROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
38. ALL KITCHEN SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
39. ALL DINING ROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
40. ALL CAFETERIA SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
41. ALL LUNGEON ROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
42. ALL WAITING AREA SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
43. ALL OFFICE SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
44. ALL CONFERENCE ROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
45. ALL BOARD ROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
46. ALL STUDY ROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
47. ALL READING ROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
48. ALL WRITING ROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
49. ALL STORAGE ROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
50. ALL LOCKER ROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
51. ALL SHOWERS SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
52. ALL BATHS SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
53. ALL HALLS SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
54. ALL ENTRANCES SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
55. ALL EXITS SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
56. ALL STAIRWELLS SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
57. ALL ELEVATOR SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
58. ALL MECHANICAL SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
59. ALL ELECTRICAL SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
60. ALL TELEPHONE SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
61. ALL JANUATOR SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
62. ALL RESTROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
63. ALL KITCHEN SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
64. ALL DINING ROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
65. ALL CAFETERIA SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
66. ALL LUNGEON ROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
67. ALL WAITING AREA SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
68. ALL OFFICE SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
69. ALL CONFERENCE ROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
70. ALL BOARD ROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
71. ALL STUDY ROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
72. ALL READING ROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
73. ALL WRITING ROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
74. ALL STORAGE ROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
75. ALL LOCKER ROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
76. ALL SHOWERS SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
77. ALL BATHS SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
78. ALL HALLS SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
79. ALL ENTRANCES SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
80. ALL EXITS SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
81. ALL STAIRWELLS SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
82. ALL ELEVATOR SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
83. ALL MECHANICAL SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
84. ALL ELECTRICAL SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
85. ALL TELEPHONE SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
86. ALL JANUATOR SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
87. ALL RESTROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
88. ALL KITCHEN SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
89. ALL DINING ROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
90. ALL CAFETERIA SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
91. ALL LUNGEON ROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
92. ALL WAITING AREA SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
93. ALL OFFICE SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
94. ALL CONFERENCE ROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
95. ALL BOARD ROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
96. ALL STUDY ROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
97. ALL READING ROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
98. ALL WRITING ROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
99. ALL STORAGE ROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.
100. ALL LOCKER ROOM SHAFTS SHALL BE IDENTIFIED BY NUMBER AND NAME.

NO.	DATE	BY	CHKD.	DESCRIPTION
1	10/1/01	JM	JS	ISSUED FOR CONSTRUCTION

MIDWEST MEDICAL CENTER
MIDWEST MEDICAL CENTER EXPANSION
PLA. 10/01





QUESTIONS

1. What is the purpose of the study?
2. What is the research design?
3. What is the sample size and composition?
4. What are the independent and dependent variables?
5. What are the results of the study?
6. What are the conclusions of the study?
7. What are the limitations of the study?
8. What are the implications of the study?

Intentionally Blank

ATTACHMENT 11

Background of the Applicant

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

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

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

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

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

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

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

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

- a. *A certified listing of any adverse action taken against any facility owned and/or operated by the applicant, directly or indirectly, during the three years prior to the filing of the application.***
- b. *A certified listing of each applicant, identifying those individuals that have been cited, arrested, taken into custody, charged with, indicted, convicted, or tried for, or pled guilty to the commission of any felony or misdemeanor or violation of the law, except for minor parking violations; or the subject of any juvenile delinquency or youthful offender proceeding. Unless expunged, provide details about the conviction, and submit any police or court records regarding any matters disclosed.***
- c. *A certified and detailed listing of each applicant or person charged with fraudulent conduct or any act involving moral turpitude.***
- d. *A certified listing of each applicant with one or more unsatisfied judgements against him or her.***

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

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

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

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

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

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

Midwestern Consortium
Division of Survey and Certification



CMS Certification Number (CCN): 14-8511

February 18, 2011
(Via Certified Mail)

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

Dear Ms. Connor:

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

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

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

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

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

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

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

Page 2
Keri Connor

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

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

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

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

Sincerely,

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

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



ILLINOIS DEPARTMENT OF
PUBLIC HEALTH

HF 129044

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

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

Sameer Vohra, MD,JD,MA
Director

Issued under the authority of
the Illinois Department of
Public Health

EXPIRATION DATE 12/04/2024	CATEGORY	IA NUMBER 0005488
Critical Access Hospital		
Effective: 12/05/2023		

Midwest Medical Center
1 Medical Center Dr
Galena, IL 61036

The face of this license has a colored background • Printed by Authority of the State of Illinois • P.O. #4422001 10A 3/22



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.

DR. SAMEER VOHRA
DIRECTOR OF IDPH

Issued under the authority of
the Illinois Department of
Public Health

EXPIRATION DATE	CATEGORY	ID. NUMBER
10/29/24		5100612
Issued: 10/29/23 CATEGORY:		
ASSISTED LIVING LICENSE		
Alzheimer Units	Regular Units	24
Floating Units	Total Units	24

STATUS:

LICENSE BUSINESS ADDRESS:

GALENA STAUSS ASSISTED LIVING
200 Altenburg Dr
Galena IL 61036

The face of this license has a colored background. • Printed by Authority of the State of Illinois • P.O. #4422001 10M 3/22

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.

Dr. Sameer Vohra
Director

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

12/05/2024	0049718
UNRESTRICTED	
Long-Term Care License	
Skilled 57	
57 Total Beds	

BUSINESS ADDRESS
LICENSEE

Midwest Medical Center

Galena Stauss Nursing Home
215 Summit Street
Galena, IL 61036

EFFECTIVE DATE: 12/06/2023

The face of this license has a colored background. Printed by Authority of the State of Illinois • 2/16



midwest MEDICAL CENTER

September 19, 2024

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

Re: No Adverse Actions/Authorized Access to Information

Dear Ms. Savage:

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

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

If you have any questions, please let me know,

Sincerely,

Tracy L. Bauer
CEO and President
Midwest Medical Center and
Midwest Medical Foundation

Subscribed and sworn to before me this 19th day of September, 2024.

Signature of Notary Public

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

Midwest Health Clinic
1 Medical Center Drive, Galena, IL 61036
117 N. Main Street, Elizabeth, IL 61028
(815) 776-7301 / (815) 458-2238
Page 57

Midwest Senior Care
215 Summit Street, Galena, IL 61036
(815) 776-7254

Attachment 11

ATTACHMENT 12

Purpose of Project

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

Midwest Medical Center's primary purpose is to provide healthcare services to the residents of the Jo Daviess County and the surrounding area. Midwest Medical Center is seeking, through this project, to improve the overall experience for patients and to allow future growth in our surgical department, which in turn will improve the accessibility of those needing healthcare services for the people of Galena.

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

The proposed design for expansion reconfigures existing space to accommodate additional pre/post rooms, new procedure room, new endoscopy room along with an additional operating room. The design also focuses on improving central processing, PACU, expanding clean storage, and equipment storage. The surgery department is designed to be remodeled in multiple phases to allow the current surgery department to stay open during the entire phase of construction in attempt to keep up with current caseload demand. The newly renovated surgery suite will increase in size from 7,615 square feet to an approximate overall square footage of 12,728 square feet.

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

The Planning Area for the project is I-2.

The primary service area (PSA) is Galena, Illinois, zip code 61036. The secondary service area (SSA) is defined as Elizabeth (61028), Scales Mound (61075), East Dubuque (61025), Stockton (61085), Hanover (61041) and Apple River (61001), Illinois. Both the PSA and SSA fall within the Planning Area. For CY2022 and CY 2023, approximately 48.3% and 49.2% of the Hospital's discharges came from the PSA, respectively, and 34.7% and 34.0% came from the SSA, respectively. In total, 83% and 83.2% of the Hospital's discharges came from the total service area (PSA + SSA), respectively.

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

Midwest Medical Center has experienced tremendous growth in the past two years in our surgery department. MMC has brought on several new surgeons and quickly realized the current space is not adequate to sustain future growth. Surgical cases have grown from 582 cases in 2022 to a forecasted caseload of 800 for fiscal year end 2024. The current equipment storage room is undersized and is located outside of the restricted corridor, which makes it difficult to access since it is not in close proximity to the operating rooms. The current sterile storage room is at capacity and is difficult to navigate for flow of supplies and access. The nurse's station configuration has poor sight lines made for a difficult workflow, visibility and patient access. MMC currently has two operating rooms of different sizes, which proves difficult at times when scheduling cases that demand the larger room as well as four pre/post rooms, which fills rather quickly. The current endoscopy room does not meet minimum facility design guideline requirements. Decontamination and central processing are at capacity and are not adequate to accommodate new equipment requirements. PACU is also small in its current state and will not sustain any future growth.

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

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

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

The modernization and expansion project will improve the overall experience for patients of Midwest Medical Center. The surgical expansion and renovation of existing space will alleviate space constraints and design inefficiencies at the hospital that currently impede the patient experience and the ability to grow services. The surgical expansion will support future growth in that department.

Adding an additional operating room will allow more cases to be completed in a timely manner, which will improve the overall patient experience. A new procedure room will have direct access to a toilet room, which allows for additional flexibility for various types of procedures to be performed. The endoscopy room will meet facility design requirements and include scope processing, which will free up space needed in the decontamination room. The relocation and expansion of the size of the decontamination and central processing rooms will better accommodate current needs as well as allow for better workflow and increases in future volume. The new equipment room is located closer to the operating rooms, allows for adequate storage and is sized to accommodate future growth. The new sterile storage room will allow for additional storage with adequate space as well as having two separate access points making a leaner workflow process. The proposed design for the nurses station opens up the current space to allow for a linear flow and unobstructed sightlines. The relocation of the endoscopy procedure room, which is currently located in recovery space, allows four additional pre/post rooms with direct access to patient toilet rooms. The relocated PACU allows for patient privacy as well as an additional recovery bay. The PACU will have direct access to a patient toilet room.

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

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

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

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

In fiscal year 2024, MMC has extended employment agreements to one full time orthopedic surgeon, one full time urologist, one full time rheumatologist and one full time gynecologist. The orthopedic surgeon is already busy seeing patients and performing surgeries. Since January 2024, our new orthopedic surgeon has performed 90 surgeries and seen 585 patients in clinic. The other providers recently started and are just starting to build their practice.

ATTACHMENT 13

Alternatives

Alternative #1 – Status Quo

When the original expansion project was going through the budgeting process, costs came in significantly higher than anticipated. Therefore, the surgery expansion portion of that original budget was removed. MMC had two part-time orthopedic surgeons with other surgeons rotating on a monthly basis. At that time, surgery volumes were steady, but not increasing at a drastic rate.

Alternative #2 – Surgery Expansion

FY 2024, MMC has added several key specialty providers that will utilize or are already utilizing the surgical suite. Surgical volumes are increasing each month as each new provider is added to the employment roster. The new surgery expansion is remodeling 6,660 square feet and adding 5,850 square feet. Costs came in higher than anticipated so MMC went through several rounds of budgeting and was able to secure the entire project at \$10,350,000. MMC looked at not completing the third Operating Room as well as not putting in an exit to the outside for patients, but those costs were minimal (~\$100K) when comparing it to the entire project.

ATTACHMENT 14

Size of Project

The proposed design for expansion reconfigures existing space to accommodate additional pre/post rooms, new procedure room, new endoscopy room along with an additional operating room. The design also focuses on improving central processing, PACU, expanding clean storage, and equipment storage. The surgery department is designed to be remodeled in multiple phases to allow the current surgery department to stay open during the entire phase of construction in attempt to keep up with current caseload demand. The newly renovated surgery suite will increase in size from 7,615 square feet to an approximate overall square footage of 12,728 square feet.

Summary of methodology used in determining design of the proposed surgery department expansion:

- **Operating Room:** The proposed operating room size was determined by matching existing operating room sizes. The existing rooms are adequately sized for current needs and are large enough to accommodate potential future technologies or other types of surgical procedures that could be potentially performed in these rooms.
- **Surgical Procedure Room:** With the increase in the number of surgical cases, the feasibility of scheduling minor procedures within the operating rooms has become increasingly difficult to accommodate. The Procedure Room is located to have direct access to a Toilet Room which will allow for additional flexibility for types of procedure to be performed.
- **Endoscopy Procedure Room:** The procedure room needs to be relocated since the current location doesn't meet minimum facility design guideline requirements. In addition to the room being undersized, the procedure room also needs to be relocated to provide additional space for Pre-Post Rooms. An existing storage room and redundant janitor closet are intending to be modified to accommodate the proposed relocated procedure room along with decontamination and clean work areas to have direct adjacency. Scope Processing will now be located directly adjacent to the procedure room which will free up space needed for Decontam.
- **Decontam and Central Processing:** The current size and configuration of these rooms are at capacity and aren't adequate to accommodate new equipment requirements. The relocation and expansion of the size of these rooms will better accommodate current needs as well as allow for better workflow and increases in future volume.
- **Equipment Storage:** The current equipment storage room is undersized and is located outside of the restricted corridor which makes it difficult to access since it is not in close proximity to the Operating Rooms. The new equipment room is located closer to the Operating Rooms, allows for adequate storage, and is sized to accommodate additional equipment the additional OR.
- **Sterile Storage:** The current room size is at capacity and is difficult navigate for flow of supplies and access. The new Sterile Storage Room will allow for additional storage with adequate space as well as having two separate access points making for a leaner workflow process.

- **Nurse Station:** Configuration and poor sight lines of the existing Nurse Station made for difficult workflow, visibility, and patient access. The proposed design opens up the current space to allow for a linear flow and unobstructed sightlines.
- **Pre- and Post- Procedure Patient Care:** Additional Pre-Post patient care stations are needed to accommodate the increased and anticipated volume of cases. The relocation of the Endoscopy Procedure Room, which is currently located in recovery space, allows for four additional Pre-Post rooms with direct access to a patient toilet room.

Phase 1 Post Anesthetic Care Unit: Additional recovery spaces are needed to accommodate the increased and anticipated volume of cases. The relocated PACU allows for patient privacy as well as an additional recovery bay. The PACU will have direct access to a patient toilet room.

1. No discrepancies. See table below:

SIZE OF PROJECT				
DEPARTMENT/SERVICE	PROPOSED BGSF/DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD ?
Surgical Operating Room (Class C)	644	2750	Under 2,106	Yes

ATTACHMENT 31

Clinical Services Other Than Categories of Service

1. Applicants proposing to establish, expand and/or modernize Clinical Service Areas Other than categories of service must submit the following information:
2. Indicate changes by Service: Indicate # of key room changes by action(s):

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

3. See below.

Service to the Planning Area Residents

The Planning Area for the project is I-2.

The primary service area (PSA) is Galena, Illinois, zip code 61036. The secondary service area (SSA) is defined as Elizabeth (61028), Scales Mound (61075), East Dubuque (61025), Stockton (61085), Hanover (61041) and Apple River (61001), Illinois. Both the PSA and SSA fall within the Planning Area. For CY2022 and CY 2023, approximately 48.3% and 49.2% of the Hospital's discharges came from the PSA, respectively, and 34.7% and 34.0% came from the SSA, respectively. In total, 83% and 83.2% of the Hospital's discharges came from the total service area (PSA + SSA), respectively.

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

Service Modernization – Necessary Expansion

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

The Medical Center's Historical and Forecasted Utilization Statistics

Surgery Department

The proposed design for expansion reconfigures existing space to accommodate additional pre/post rooms, new procedure room, new endoscopy room along with an additional operating room. The design also focuses on improving central processing, PACU, expanding clean storage, and equipment storage. The surgery department is designed to be remodeled in multiple phases to allow the current surgery department to stay open during the entire phase of construction in attempt to keep up with current caseload demand. The newly renovated surgery suite will increase in size from 7,615 square feet to an approximate overall square footage of 12,728 square feet.

Historical and Forecasted Utilization Statistics

	Historical					Forecasted		
	2019	2020	2021	2022	2023	2024	2025	2026
Surgery cases	415	454	554	582	678	800	1015	1043

Utilization rates for surgical and other outpatient services experiences significant fluctuations in historical years 2019 and 2021 related to the COVID-19 pandemic and recruitment of additional surgical providers. Management assumes that surgical volume will continue to increase throughout the forecast period due to surgical provider recruitment. In historical year 2020, management hired one part-time 0.6 FTE orthopedic surgeon and increased the FTE coverage of another contracted orthopedic surgeon to 0.5 FTE, which significantly increased surgery visits from historical years 2020 to 2022. In 2022, management hired one full time Podiatrist and in January 2024 hired one full time orthopedic surgeon. In July 2024 a full time rheumatologist started, in August 2024, a full time urologist started and in September 2024, a full time gynecologist started. All of these providers are expected to have cases in the operating room, except for the rheumatologist. The expansion of the clinic and rehab included an infusion bay for patients, which is where the rheumatologist will spend a majority of their time.

ATTACHMENT 34

Availability of Funds

Sources of funds for the project are as follows:

USDA Direct Loan	\$29,400,000
USDA Guaranteed Loan	\$5,000,000
Equity Contribution	\$11,100,000
Total sources of funds	\$45,550,000

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

The USDA Direct Loan proceeds are finance the construction loan after the project is completed, assumed to be at the end of April 2025. Management anticipates it to take 60 days after construction completion for the inception of the USDA Direct Loan. Monthly principal and interest payments are forecasted to begin July 1, 2025. The USDA Direct Loan was awarded at an interest rate of 3.50% amortized over 35 years with final maturity in 2060.

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

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

402872

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

**RHSP FEE 9.00
RECORDING FEE 63.00**

THIS DOCUMENT WAS ELECTRONICALLY RECORDED

[Space Above is for Recording Information]

INTERCREDITOR / PARITY AGREEMENT

By and Between

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

and

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

And

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

Dated as of April 25, 2019

INTERCREDITOR PARITY AGREEMENT

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

RECITALS

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 1. Shared Collateral.

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

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

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

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

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

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

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

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

Section 2. Default

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

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

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

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

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

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

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

Section 3. **General Coordination.**

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

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

- (i) any act or failure to act on the part of the co-Issuers;
- (ii) any extension or indulgence in respect of, or any other change in the time, manner or place of, any payment or prepayment of any of the Bonds, the Direct Loan or any part of either financing;
- (iii) any amendment, restatement, modification or waiver of, or addition or supplement to, or deletion from, or compromise, release, consent or other action in respect of, any of the terms of the Bonds, the Direct Loan, or of any of the documents relating to such financings;
- (iv) any exercise or non-exercise by Servicer or USDA of any right, power, privilege or remedy under or in respect of the Bonds, the Direct Loan, or as applicable, or under this Agreement, or any waiver of any such right, power, privilege or remedy or of any event of default or default in respect of the Bonds, the Direct Loan, as applicable, or this Agreement, or any receipt by any holder of the Bonds, the Direct Loan, or any other person acting on behalf of such holder or holders, of any security for, or guaranty of, or any failure by any such person to perfect or enforce a security interest in or guaranty of, or any release by any such person of any security for, or guaranty of, the payment of the Bonds or the Direct Loan;
- (v) any merger or consolidation of the co-Issuers into or with any other entity, or any sale, lease or transfer of any or all of the assets of the co-Issuers to any other entity or person;
- (vi) the absence of any notice to, or knowledge by, any party of the existence or occurrence of any of the matters or events set forth in the foregoing subdivisions (i) through (v);
- (vii) any legal proceedings affecting the co-Issuers; or

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

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

Section 4. Limitations on Actions by Parties.

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

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

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

Section 6. Miscellaneous.

6.01 Notices and Other Communications.

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

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

- (i) If to Servicer: Compeer Financial
1921 Premier Drive
Mankato, MN 56001
Attn: Mission Financing
507-344-5088 (telecopy)
- (ii) If to USDA: USDA Rural Development
312 E. Backbone Road, Suite E
Princeton, IL 61356
Attn: Community Programs
855-833-9903 (telecopy)
- (iii) If to co-Issuers: Midwest Medical Foundation & Midwest Medical Center
One Medical Center Drive
Galena, IL 61036
Attn: Chief Executive Officer
815-777-2560 (telecopy)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

COMPEER FINANCIAL, FLCA

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

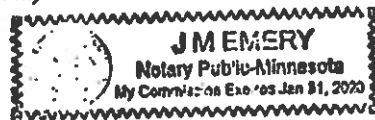
ACKNOWLEDGMENT

STATE OF MINNESOTA)
)
COUNTY OF BLUE EARTH)

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

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

(Affix Seal)



J. M. Emery
Notary Public for Minnesota
My Commission Expires: 1-31-2020

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

RECORD AND RETURN TO:

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

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

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

By: Loral Hinzelman
Name: Loral Hinzelman
Title: Area Specialist

ACKNOWLEDGMENT

STATE OF ILLINOIS)
)
COUNTY OF JO DAVIES)

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

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



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

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

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

MIDWEST MEDICAL FOUNDATION

By: Tracy A. Bauer
Name: Tracy Bauer
Title: President/CEO

MIDWEST MEDICAL CENTER

By: Tracy A. Bauer
Name: Tracy Bauer
Title: President/CEO

ACKNOWLEDGMENT

STATE OF ILLINOIS)
)
COUNTY OF JO DAVIESS)

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

Witness my hand and seal, this 2nd day of April, 2019.



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

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

EXHIBIT A

REAL ESTATE LEGAL DESCRIPTION

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

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

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

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

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

EXHIBIT B

SHARED COLLATERAL - PERSONAL PROPERTY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



Midwest Medical Galena, IL

Commitment Letter / Term Sheet

Additional Construction Financing for Private Financing Component

July 12, 2024

Compeer Financial, FLCA ("Compeer") is pleased to provide Midwest Medical Foundation ("Owner" or "Bond Issuer") with the following financing commitment letter.

The commitment is subject to:

- An Owner and USDA executed Letter of Conditions and Obligation of Funds, acceptable to Compeer, for up to \$8.65 million of additional USDA Direct loan(s) for permanent financing on a portion of the Project.
- No material adverse change in the financial position of Owner that would impact USDA's ability to provide the USDA Guarantee or Direct Loan, prior to issuance and purchase of the Bonds, as determined by Compeer and/or USDA from future updated financial statements and any other reasonable documentation requested.
- Bonds to be issued no later than January 1, 2025, unless this letter is extended in writing.
- Compeer having regulatory authority to purchase the Bonds at time of issuance.
- Any other terms and conditions outlined in this document.

The terms and conditions are below:

Proposed Project: Owner will be expanding and remodeling the existing hospital in Galena, IL, with the additional \$8.65 million being used for the surgical department expansion & renovation cost overrun portion of the project.

Estimated sources and uses of Project funds are below:

Sources of Cash		Uses of Cash	
Interim Financing (Construction) / USDA Direct Loan (Permanent)	\$8,650,000	Construction Costs	\$8,781,149
		Architectural & Design	\$651,917
FF&E from Exist. Direct Loan	\$300,000	FF&E	\$300,000
Capt'l Interest from Exist. Direct Loan	\$400,000	Contingency within Construction Contract	\$216,934
Excess Contingency from Exist. Construction Contract	\$1,000,000	Capitalized Construction Interest	\$400,000
Total	\$10,350,000	Total	\$10,350,000

<u>Bond Issuer / Borrower:</u>	Midwest Medical Foundation ("MMF"), an Illinois non-profit corporation, will serve as the primary obligor and Bond Issuer.
<u>Co-Issuer / Co-Borrower:</u>	Midwest Medical Center ("MMC"), an Illinois non-profit corporation, will serve as a co-Issuer and co-obligor.
<u>Debt Financing Instrument:</u>	Bond Issuers will issue unrated taxable Bonds to be purchased directly by Accredited Investors under a private sale process.
<u>Potential Investors:</u>	Compeer is committed to purchasing 100% of the bonds issued. However, Compeer is also agreeable to including Apple River State Bank, who is a bondholder in the initial financing.
<u>The Bonds:</u>	
<u>Interim Funding:</u>	Up to \$8,650,000 of "Interim Funding" bonds to pay for costs associated with the Project. These bonds are for the construction period only, to be repaid with USDA Direct Loan proceeds at Project completion. • A variable rate of interest will be applicable to the bonds. • The bonds will be draw-down allowing for multiple advances of bond proceeds on an as-needed basis (with a minimum of \$50,000 initial advanced at closing). • Total term will be the same as the existing interim construction bonds, with a 1/1/2026 maturity date, with the ability to repay earlier without penalty when the USDA Direct Loan closes. • Monthly interest only payments will be made until maturity.
<u>Bond Servicer:</u>	Compeer will serve as the Servicer of the bonds and be the primary contact for reviewing construction advances, compliance materials, and servicing.
<u>Bond Trustee:</u>	U.S. Bank Trust Company, National Association will hold any required depository accounts tied to the Bonds; as well as bill, collect, and distribute payments to Bondholders. Trustee will also participate in certain administrative and servicing functions to protect the interests of all Bondholders. Any additional cost of Trustee services for this additional bond issuance are the responsibility of the Bond Issuers, which if any, are anticipated to be minimal.
<u>Interest Rates & Structure:</u>	<u>See Attached Exhibit A</u>
<u>Bond Issuance Fees:</u>	Any costs of issuance incurred for outside legal document preparation or review, title insurance premiums, collateral filing fees, trustee services, etc. will be the responsibility of the Bond Issuers. It is expected that the existing 2023 bond documents will be amended to issue these new interim financing bonds.
<u>Construction Monitoring:</u>	Regular inspections and reports from a qualified independent 3 rd party outside of the Project Architect and Contractor are required per USDA regulations. USDA approval requirements must be adhered to, with cost of construction monitoring at Owners expense.

Security / Collateral:

Collateral for the Bonds includes:

1. A new, or amended Mortgage, Security Agreement, Fixture Financing Statement, and Assignment of Leases and Rents on the hospital site owned by Midwest Medical Center.
2. A new, or amended Mortgage, Security Agreement, Fixture Financing Statement, and Assignment of Leases and Rents on the senior living site owned by Midwest Medical Center (minus any portions of that site agreed to be released for transfer to other parties in the previous financing arrangement).
3. Revised Security Agreement and UCC-1 Filing on all personal property collateral for Midwest Medical Foundation.
4. Revised Security Agreement and UCC-1 Filing on all personal property collateral for Midwest Medical Center.

An acceptable Inter-Creditor Parity Agreement will be required during the construction phase so that the Bonds are in a Parity 1st lien position with the existing USDA Guaranteed Bonds, the existing Interim Construction Bonds and the existing USDA Direct Loan.

To originate the new USDA Direct Loan post-construction, an acceptable Inter-Creditor Parity Agreement will be required so that the existing USDA Guaranteed Bonds and existing USDA Direct Loan are in a Parity 1st lien position with the new USDA Guaranteed Bonds and new USDA Direct Loan(s).

Environmental:

The site(s) must be considered acceptable security for the USDA and Compeer. No additional documentation is expected, but if USDA requires additional information it must meet USDA and Compeer approval.

Insurance:

The bond documentation will include a requirement for property and casualty coverage on existing buildings, builders risk insurance on new construction, general liability insurance, fidelity or employee theft/crime coverage per USDA requirements, workmen's compensation coverage, and any other customary insurance requirements for transactions of this type or otherwise required by USDA.

Title insurance equivalent to the mortgage amount(s) in favor of the Trustee and Servicer as co-Mortgagor's is required.

Financial Covenants:

The new Bonds will be incorporated into revised versions of the existing 2023 bond documents. Existing financial covenants and financial reporting covenants will apply.

Construction:

- The new construction contract and/or Change Order to the existing contract for the cost overrun must meet USDA and Servicer approval, as well as have a Guaranteed Maximum Price or Fixed Price.
- Construction Manager or Contractor(s) will be required to carry payment & performance bonds for the amount of the project costs associated with their contract, with an insurer acceptable to USDA.
- Assignments of the construction contract(s) and architect's agreement to the Servicer will be required as additional security.
- Compeer will continue to act as the Disbursing Agent to disburse Project funds to construction related vendors and collect lien waivers for these expenses.

- Construction expenses will be approved per the typical USDA payment approval process and procedures.
- Once the USDA direct loan has closed that would pay off these new interim construction bonds and if, we also need to continue to perform any construction draw disbursements, collection of lien waivers, etc. after the USDA direct loan has closed, we will charge \$100 per occurrence, and will bill the Bond Issuer for the total due at the end of the construction.
- All USDA rules regarding construction must be followed, including guidance on construction and architect's contracts, forms for pay applications, approval of Change Orders, etc.

USDA Financing Approvals:

In addition to the conditions set forth herein, the financing shall also be conditioned upon the completion of all terms and conditions set forth in any Conditional Commitment and the Letter of Conditions approval and Loan Closing Instructions for the USDA Direct Loan.

Please contact me if you have any questions or comments related to this letter. I appreciate the opportunity and hope it meets your financing needs. Thank you!

Sincerely,



Todd G. Kampa, Senior Financing Officer
Compeer Financial

320-345-0120
Todd.kampa@compeer.com

EXHIBIT A

Interest Rate Options as of July 12, 2024

Interim Funding Bonds

(Construction Only with USDA Take-Out)

Bond Funding:

Bond proceeds will be advanced on an as needed basis ("draw-down") for Project expenses, however a minimum of \$50,000 must be advanced at bond issuance per legal requirements. Compeer, as Servicer of the Bonds, will coordinate the advance requests with all Bondholders to ensure that funds requested by the Bond Issuer are advanced timely for Project expenses.

Variable Interest Rate:

The bonds will accrue interest on the funded portion only using the Prime Rate as published in the Wall Street Journal minus 2.00%, with a minimum interest rate floor of 2.25%. There will be no fees on the unused portion of the funding commitment.

Bond Term	Rate Changes	Current Prime Rate	Current Interest Rate
Matures 1/1/26	As WSJ Prime is Adjusted	8.50%	6.50%

Prepayment Penalties:

None, as the bonds are expected to be paid off by Direct Loan proceeds prior to maturity of the Bonds.

COMMITMENT LETTER / TERM SHEET ACCEPTANCE:

To accept this Commitment Letter / Term Sheet, along with its terms and conditions, please have an authorized signor for the Bond Issuers sign the acceptance letter and email a copy to todd.kampa@compeer.com.

This Commitment Letter / Term Sheet expires at 4pm on September 15, 2024. Requests for extensions must be approved by Compeer in writing.

Thank you for choosing Compeer Financial to meet your financing needs. We look forward to working with your organization on this important project.

This Commitment Letter / Term Sheet is accepted and agreed to this _____ day of _____, 2024.

Bond Issuers: Midwest Medical Foundation & Midwest Medical Center

By: _____ (Signature)

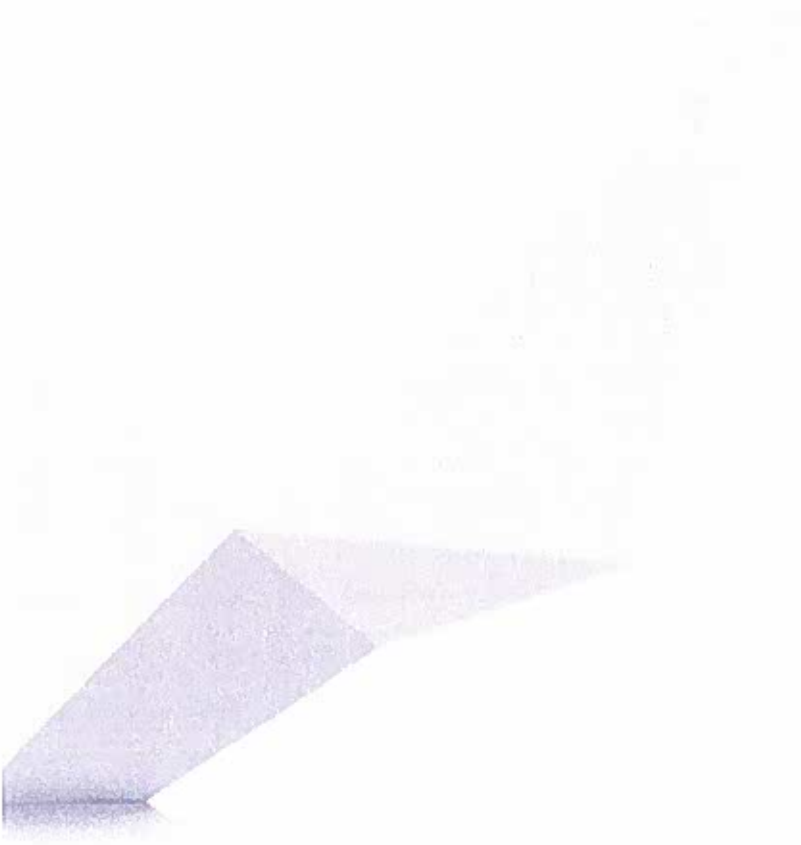
By: _____ (Printed Name)

Title: _____

Midwest Medical Foundation and Affiliate

Consolidated Financial Statements and
Supplementary Information

Years Ended September 30, 2022 and 2021



WIPFLI

Midwest Medical Foundation and Affiliate

Years Ended September 30, 2022 and 2021

Table of Contents

Independent Auditor's Report.....	1
Consolidated Financial Statements	
Consolidated Balance Sheets.....	4
Consolidated Statements of Operations	6
Consolidated Statements of Changes in Net Assets (Deficit).....	7
Consolidated Statements of Cash Flows.....	8
Notes to Consolidated Financial Statements.....	10
Supplementary Consolidating Information	
Consolidating Balance Sheets.....	32
Consolidating Statements of Operations	34
Consolidating Statements of Changes in Net Assets (Deficit).....	35
Compliance	
Schedule of Expenditures of Federal Awards.....	37
Notes to Schedule of Expenditures of Federal Awards.....	38
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	39
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by Uniform Guidance.....	41
Schedule of Findings and Questioned Costs.....	44
Schedule of Prior Year Findings and Questioned Costs.....	48

Independent Auditor's Report

Board of Directors
Midwest Medical Foundation and Affiliate
Galena, Illinois

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Midwest Medical Foundation and Affiliate (the "Organization"), which comprise the consolidated balance sheets as of September 30, 2022 and 2021, and the related consolidated statements of operations, 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 referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization 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 GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

Eau Claire, Wisconsin

January 19, 2023

Midwest Medical Foundation and Affiliate

Consolidated Balance Sheets

<i>September 30,</i>	2022	2021
ASSETS		
Current assets:		
Cash	\$ 3,223,898	\$ 5,130,329
Patient and resident receivables - Net	4,535,923	4,440,760
Other receivables	283,526	350,119
Inventories	488,014	476,463
Prepaid expenses	289,969	208,734
Total current assets	8,821,330	10,606,405
Assets limited as to use:		
Board designated for capital improvements	13,022,306	9,472,486
Restricted for medical scholarships	1,599,422	1,577,132
Total assets limited as to use	14,621,728	11,049,618
Property and equipment - Net	19,987,298	20,729,844
Other assets	25,000	2,500
Total assets	\$ 43,455,356	\$ 42,388,367

Midwest Medical Foundation and Affiliate

Consolidated Balance Sheets (Continued)

September 30,	2022	2021
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt and capital lease obligations	\$ 1,066,941	\$ 1,119,416
Accounts payable	1,098,953	930,294
Accrued expenses:		
Salaries and wages	717,025	661,011
Vacation	425,353	411,761
Amounts payable to third-party reimbursement programs	250,000	550,000
Security deposits	108,715	95,786
Deferred revenue	17,614	19,162
Total current liabilities	3,684,601	3,787,430
Long-term debt and capital lease obligations - Less current portion	33,681,703	34,743,372
Total liabilities	37,366,304	38,530,802
Net assets:		
Without donor restrictions	4,489,630	2,280,433
With donor restrictions	1,599,422	1,577,132
Total net assets	6,089,052	3,857,565
Total liabilities and net assets	\$ 43,455,356	\$ 42,388,367

See accompanying notes to consolidated financial statements.

Midwest Medical Foundation and Affiliate

Consolidated Statements of Operations

<i>Years Ended September 30,</i>	2022	2021
Revenue:		
Net patient and resident service revenue	\$ 31,028,678	\$ 28,047,792
Other operating revenue	3,681,667	3,706,912
Total revenue	34,710,345	31,754,704
Expenses:		
Salaries and wages	13,745,614	11,533,488
Employee benefits	3,189,990	2,788,153
Supplies and other expenses	12,350,064	10,841,225
Depreciation	2,259,338	2,394,839
Interest	1,305,577	1,347,377
Total expenses	32,850,583	28,905,082
Income from operations	1,859,762	2,849,622
Other income (expense):		
Contributions	98,722	74,685
Interest income	262,307	224,732
Rental income	18,130	18,795
Rental expense, including depreciation expense	(28,844)	(36,061)
Loss on disposal and sale of property and equipment	(880)	(37,964)
Gain on forgiveness of long-term debt	-	2,398,100
Total other income - Net	349,435	2,642,287
Revenue in excess of expenses	\$ 2,209,197	\$ 5,491,909

See accompanying notes to consolidated financial statements.

Midwest Medical Foundation and Affiliate

Consolidated Statements of Changes in Net Assets (Deficit)

<i>Years Ended September 30,</i>	2022	2021
Net assets (deficit) without donor restrictions:		
Revenue in excess of expenses	\$ 2,209,197	\$ 5,491,909
Net assets with donor restrictions:		
Interest income	26,013	25,284
Loans forgiven	(3,723)	(7,241)
Increase in net assets with donor restrictions	22,290	18,043
Change in net assets (deficit)	2,231,487	5,509,952
Net assets (deficit), beginning	3,857,565	(1,652,387)
Net assets, end	\$ 6,089,052	\$ 3,857,565

See accompanying notes to consolidated financial statements.

Midwest Medical Foundation and Affiliate

Consolidated Statements of Cash Flows

Years Ended September 30,	2022	2021
Increase (decrease) in cash:		
Cash flows from operating activities:		
Change in net assets	\$ 2,231,487	\$ 5,509,952
Adjustments to reconcile change in net deficit to net cash from operating activities:		
Depreciation	2,288,182	2,430,900
Amortization	10,311	10,311
Loss on disposal and sale of assets	880	37,964
Gain on forgiveness of long-term debt	-	(2,398,100)
Restricted contributions and investment income	(26,013)	(25,284)
Changes in operating assets and liabilities:		
Patient and resident receivables	(95,163)	(675,404)
Other receivables	66,593	(121,704)
Inventories	(11,551)	(82,595)
Prepaid expenses	(81,235)	(57,832)
Accounts payable	168,659	(36,049)
Accrued expenses	69,606	(26,953)
Amounts payable to third-party reimbursement programs	(300,000)	250,000
Security deposits	12,929	11,083
Deferred revenue	(1,548)	(1,139,811)
Total adjustments	2,101,650	(1,823,474)
Net cash from operating activities	4,333,137	3,686,478
Cash flows from investing activities:		
Purchases of property and equipment	(1,547,641)	(953,620)
Proceeds from sale of property and equipment	1,125	65,717
Increase in assets limited as to use	(3,572,110)	(6,880,250)
(Increase) decrease in other assets	(22,500)	4,062
Net cash from investing activities	(5,141,126)	(7,764,091)
Cash flows from financing activities:		
Payments of principal on long-term debt and capital lease obligations	(1,124,455)	(1,060,357)
Restricted contributions and interest income	26,013	25,284
Net cash from financing activities	(1,098,442)	(1,035,073)
Change in in cash	(1,906,431)	(5,112,686)
Cash at beginning of year	5,130,329	10,243,015
Cash at end of year	\$ 3,223,898	\$ 5,130,329

Midwest Health Foundation and Affiliate

Consolidated Statements of Cash Flows (Continued)

<i>Years Ended September 30,</i>	2022	2021
Supplemental cash flow information:		
Cash paid during the year for interest	\$ 1,295,266	\$ 1,337,066

See accompanying notes to consolidated financial statements.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

The Entity

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

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

Principles of Consolidation

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

Financial Statement Presentation

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

Use of Estimates in Preparation of Consolidated Financial Statements

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Patient and Resident Receivables and Credit Policy

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

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

Inventories

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

Assets Limited as to Use and Investment Income

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

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

Fair Value Measurements

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

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property, Equipment, and Depreciation

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

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

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

Impairment of Long-Lived Assets

The Organization evaluates the recoverability of its long-lived assets, which consist primarily of property and equipment with estimated useful lives, whenever events or changes in circumstance indicate that the carrying value may not be recoverable. If the recoverability of these assets is unlikely because of the existence of factors indicating impairment, an impairment analysis is performed using a projected undiscounted cash flow method. Management must make assumptions regarding estimated future cash flows and other factors to determine the fair value of these respective assets. If the carrying amounts of the assets exceed their respective fair values, the carrying value of the underlying assets would be adjusted to fair value and an impairment loss would be recognized. During 2022 and 2021, the Organization determined that no evaluations of recoverability were necessary.

Asset Retirement Obligation

The Organization accounts for the fair value of legal obligations associated with long-lived asset retirement in accordance with the asset retirement and environmental obligations accounting guidance. Management has considered this accounting guidance, specifically as it relates to its legal obligation to perform asset retirement activities, such as asbestos removal, on its existing properties. Management of the Organization believes that any potential liability related to asset retirement obligations would not be significant. As a result, no liability related to these retirement activities has been recognized as of September 30, 2022 and 2021.

Security Deposits

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

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Revenue

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

Net Assets

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

Revenue in Excess of Expenses

The consolidated statements of operations and consolidated statements of changes in net deficit include the classification revenue in excess of expenses, which is considered the operating indicator. Changes in unrestricted net assets (deficit) which are excluded from the operating indicator would include contributions for property and equipment. The Organization did not have any activity in 2022 and 2021 requiring exclusion from the operating indicator.

Net Patient and Resident Service Revenue

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

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

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient and Resident Service Revenue (Continued)

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

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

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

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

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

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient and Resident Service Revenue (Continued)

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

Hospital Services:

- **Medicare:** The Organization is designated as a critical access hospital (CAH). As such, all inpatient, swing bed, and outpatient hospital services are paid based on a cost-reimbursement methodology, except for certain types of laboratory, radiology, and professional services provided to Medicare beneficiaries, which are reimbursed on prospectively determined fee schedules.
- **Medicaid:** Hospital services rendered to Illinois Public Aid beneficiaries are paid at prospectively determined rates based on a patient classification system. These rates are not subject to retroactive adjustment; however, in order to receive proper reimbursement, the Organization must file a cost report annually with the State of Illinois.

On November 21, 2006, the Centers for Medicare & Medicaid Services (CMS) approved state of Illinois (the "State") legislation for a Medicaid Hospital Assessment Program (the "Program"). The Program was extended through June 30, 2019, and a redesigned program has been approved and extended through June 30, 2024. Under the Program, the Hospital receives additional Medicaid reimbursement from the State. Additional funding and reimbursement, through sharing in cost savings in the Medicaid program, was also available and distributed to participating hospitals through the development by the State of an Accountable Care Entity ("ACE") which started in 2017. Total additional enhanced reimbursement above the standard amounts paid by the Medicaid program for patient care services recognized by the Organization relating to the Program amounted to \$826,807 and \$673,127 during 2022 and 2021, respectively, and is included in net patient and resident service revenue in the accompanying consolidated statements of operations. During 2022 and 2021, the Hospital incurred expense of \$292,201 and \$319,316, respectively, related to amounts paid to the state of Illinois for participation in the Program, and these amounts are included in supplies and other expenses in the accompanying consolidated statements of operations.

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

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient and Resident Service Revenue (Continued)

Clinics

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

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

Nursing Home

- **Medicare:** The Organization's reimbursement under the Medicare program for Part A services is based on a prospective payment system (PPS). Payments for services rendered vary according to a resident classification system (RUGs IV or PDPM) that is based on an MDS of diagnostic and other information. Medicare pays the Organization for Part B services based on predetermined fee schedules.
- **Medicaid:** Nursing home resident care services rendered to Medicaid beneficiaries are reimbursed based on a schedule of prospectively determined daily rates determined by Illinois' Medicaid and Family Care programs. A rate is assigned to each nursing home resident based on the resident's ability to perform certain activities of daily living and on certain other clinical factors.

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

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

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient and Resident Service Revenue (Continued)

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

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

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

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended September 30, 2022 and 2021, was not significant.

Consistent with the Organization's mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Organization expects to collect based on its collection history with those patients. The Organization's policy provides for approximately 10% discounts from established charges to uninsured patients for making prompt pay for services rendered, and after this initial discount, further discounts are available for patients that qualify through the hospital's charity care or financial assistance policy. The uninsured prompt pay discount percentage remained consistent in 2022 or 2021.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient and Resident Service Revenue (Continued)

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

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

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

Charity Care

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

Contributions and Donor-Restricted Gifts

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated financial statements as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes

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

Advertising Costs

Advertising costs are expensed as incurred.

Real Estate Taxes

The State of Illinois previously enacted legislation that clarifies when hospitals are eligible to receive exemption from property tax requirements. As part of the legislation, hospitals, including the Organization, must submit to the State of Illinois annual property tax exemption applications, which include information on the amount of benefits provided to low-income, charity care, and Illinois Public Aid (Medicaid) beneficiaries. As of September 30, 2022, the majority of the real estate of the Organization has been granted property tax exemption by the State of Illinois.

New Accounting Pronouncement

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

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

Subsequent Events

Subsequent events have been evaluated through January 19, 2023, which is the date the consolidated financial statements were available to be issued.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 2: COVID-19

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

The federal and state governments, as well as other agencies, have been assisting many healthcare organizations to prevent significant financial constraints by providing supplemental payment programs in the forms of distributions which are intended to help in offsetting lost revenues as well as the cost of staffing, supplies, and equipment from treating patients impacted by or preparing for the pandemic's healthcare needs.

Through September 30, 2022, the Organization received approximately \$6,349,000 in funding from these programs between 2022, 2021, and 2020. The Organization recognized approximately \$1,225,000 and \$1,544,000 as a component of other operating revenue based on the current terms and conditions of the programs in the accompanying consolidated statements of operations and changes in net assets during the years ended September 30, 2022 and 2021, respectively. The Organization had previously recognized approximately \$3,580,000 as other operating revenue based on the terms and conditions of the program during the year ended September 30, 2020. Funding was received from multiple sources, including but not limited to approximately \$5,648,000 of provider relief funds from the U.S. Department of Health and Human Services ("HHS") Coronavirus Aid, Relief, and Economic Security ("CARES") and American Rescue Plan ("ARP") Acts and \$701,000 in other funding from the State of Illinois and other sources received related to COVID-19 assistance.

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

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

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 3: Liquidity and Availability of Financial Assets

The Organization does not have a formal liquidity policy but generally strives to maintain financial assets in liquid form such as cash and cash equivalents for at least approximately three to six months of operating expenses. Other funds, included in assets limited as to use in the accompanying consolidated balance sheets, are considered available for operational or capital needs, except for investments with restrictive redemption requirements. Occasionally, the Board of Directors designates a portion of operating surplus to be appropriated at its discretion for future operational initiatives and capital expenditures. These funds, at the discretion of the Board of Directors, could be released immediately or sold and redeemed prior to their maturity and are not considered available under the Organization's general liquidity management. At September 30, 2022 and 2021, the balance of these funds was \$13,022,306 and \$9,472,486.

Financial assets available for general expenditures, such as operating expenses, purchases of property and equipment, and scheduled debt service payments, within one year of the consolidated balance sheet date, comprise the following at September 30, 2022 and 2021:

	2022	2021
Cash	\$ 3,223,898	\$ 5,130,329
Patient and resident receivables - Net	4,535,923	4,440,760
Other receivables	283,526	350,119
Total	\$ 8,043,347	\$ 9,921,208

Note 4: Investments and Assets Limited as to Use

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

	2022	2021
Board designated for capital improvements:		
Money market funds	\$ 73,397	\$ 100,152
Repurchase agreements	12,948,249	9,371,674
Notes receivable	660	660
Total Board designated for capital improvements	13,022,306	9,472,486
Restricted for medical scholarships:		
Cash	100	100
Repurchase agreement	1,404,719	1,378,484
Notes receivable	194,603	198,548
Total restricted for medical scholarships	1,599,422	1,577,132
Total assets limited as to use	\$ 14,621,728	\$ 11,049,618

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 5: Fair Value Measurements

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

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

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

Information regarding assets measured at fair value on a recurring basis, which are also included the breakdown of assets limited as to use in Note 4, as of September 30 is as follows:

2022	Level 1	Level 2	Level 3	Total Assets at Fair Value
Assets:				
Money market funds	\$ -	\$ 73,397	\$ -	\$ 73,397
Repurchase agreement	-	14,352,968	-	14,352,968
Total	\$ -	\$ 14,426,365	\$ -	\$ 14,426,365

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

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 6: Property and Equipment - Net

Property and equipment consisted of the following at September 30:

	2022	2021
Land	\$ 448,597	\$ 448,597
Land improvements	4,011,958	3,994,943
Buildings	38,940,522	38,871,457
Major movable equipment	12,318,958	11,682,490
Total property and equipment	55,720,035	54,997,487
Less - Accumulated depreciation	36,825,195	34,495,342
Net depreciated value	18,894,840	\$ 20,502,145
Construction in progress	1,052,792	227,699
Property and equipment - Net	\$ 19,947,632	\$ 20,729,844

Construction in progress at September 30, 2022, primarily represents preliminary design and planning costs for a hospital expansion and renovation project, along with a turn-lane road access improvement project. These projects have been approved by the Organization's Board of Directors during 2022; however, are pending final regulatory and financing approval before signing commitments for construction. The projects would be financed primarily with a combination of investment reserves of the Organization and debt financing through the U.S. Department of Agriculture ("USDA"), if approved. If all approvals are received, the Organization anticipated the projects to commence in 2023 and be completed and placed into service by 2025. The estimated cost of these proposed projects is approximately \$37,500,000.

The cost of equipment under capital lease obligations, which is included in major movable equipment, was \$1,965,737 and \$2,174,485 at September 30, 2022 and 2021, respectively, and the related accumulated amortization was \$1,263,130 and \$1,088,701 at September 30, 2022 and 2021, respectively.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 7: Long-Term Debt and Capital Lease Obligations

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

	2022	2021
United States Department of Agriculture (USDA), Rural Development, Direct Loans dated April 25, 2019, bearing interest at 3.5%. The loans are payable in monthly installments of principal and interest of \$151,140 with a final payment due April 25, 2049. Interest only payments of \$96,250 per month were due on the loans through April 25, 2020.	\$ 31,344,275	\$ 32,047,581
Secured Rural America Bonds, Series 2019A, dated April 25, 2019, bearing interest at 5.5%. The bonds are payable in monthly installments of principal and interest of \$17,049 starting June 1, 2019, through May 1, 2049. Guaranteed by USDA, Rural Development based on specific conditional terms.	2,854,874	2,901,060
Capital lease obligations with imputed interest rates ranging from 2.99% to 5.50%, collateralized by leased equipment, payable in monthly installment payments as required in various agreements.	823,589	1,198,552
Totals	35,022,738	36,147,193
Less - Current portion	1,066,941	1,119,416
Less - Unamortized debt issuance costs	274,094	284,405
Long-term portion	\$ 33,681,703	\$ 34,743,372

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

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 7: Long-Term Debt and Capital Lease Obligations (Continued)

Scheduled principal payments on long-term debt and capital lease obligations at September 30, 2022, including current maturities, are summarized as follows:

	Long-Term Debt	Capital Lease Obligations
2023	\$ 777,130	\$ 311,940
2024	805,787	156,670
2025	835,521	151,046
2026	866,373	115,740
2027	898,386	152,270
Thereafter	30,015,952	-
	<u>\$ 34,199,149</u>	887,666
Less - Amounts representing interest on capital lease obligations		<u>64,077</u>
		<u>\$ 823,589</u>

Note 8: Net Assets With Donor Restrictions and Endowments

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

	2022	2021
Donor restricted, including interest income, for medical education and scholarships	\$ 1,252,063	\$ 1,235,703
Donor restricted to be maintained in perpetuity, with interest income expendable, for medical education scholarships and loans	347,359	341,429
Total donor restricted funds	<u>\$ 1,599,422</u>	<u>\$ 1,577,132</u>

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 8: Net Assets With Donor Restrictions and Endowments (Continued)

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

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

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

	2022		
	Donor Restricted Subject to Appropriations	Donor Restricted to be Held in Perpetuity	Total
Endowment net assets at beginning of year	\$ 142,780	\$ 198,649	\$ 341,429
Interest income	5,930	-	5,930
Total	\$ 148,710	\$ 198,649	\$ 347,359

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

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 9: Net Patient and Resident Service Revenue

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

	2022	2021
Service lines:		
Hospital services	\$ 25,915,478	\$ 23,795,400
Clinic services	2,129,956	1,969,800
Nursing home services	2,983,244	2,282,592
Totals	\$ 31,028,678	\$ 28,047,792

Net patient and resident service revenue by payor consisted of the following for the year ended September 30:

	2022	2021
Medicare and Medicare Advantage plans	\$ 15,694,375	\$ 14,379,352
Medicaid and Medicaid HMO plans	4,318,160	4,175,311
Other third-party payors	8,981,471	7,431,804
Uninsured patients	2,034,672	2,061,325
Totals	\$ 31,028,678	\$ 28,047,792

Note 10: Charity Care

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

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

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 10: Charity Care (Continued)

The estimated cost of providing care to patients under the Organization's financial assistance policy was approximately \$196,000 and \$224,000 in 2022 and 2021, respectively. The cost was calculated by multiplying the ratio of cost to gross charges for the Organization times the gross uncompensated charges associated with providing the charity care.

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

Note 11: Operating Leases

The Organization has entered into operating lease agreements for equipment and a clinic building with unrelated parties. Rental and lease expense under all operating leases totaled approximately \$32,400 and \$30,500 in 2022 and 2021, respectively.

Note 12: Retirement Plan

The Organization sponsors a defined contribution retirement plan for substantially all its employees. The Organization contributed up to 4% of the participating employees' eligible compensation based on a matching formula. The total retirement plan expense for the years ended September 30, 2022 and 2021, was \$399,271 and \$313,855, respectively.

Note 13: Malpractice Insurance

For the years 2022 and 2021, the Organization participated in a risk pooling insurance program known as the Illinois Provider Trust to provide professional and general medical liability coverage. The risk pool is a self-funded insurance pool made up of over 40 member hospitals in Illinois and coverage is maintained through the pool and reinsurance agreements for comprehensive general and hospital professional liability coverage of up to \$3,000,000 per claim and in the aggregate to January 1, 2023. As of September 30, 2022 and 2021, management was unaware of any known claims of material amounts that would require reason to report a contingent loss on the consolidated balance sheets; thus no amount is recorded in the September 30, 2022 and 2021, consolidated balance sheets for unasserted claims.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 14: Concentration of Credit Risk

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

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

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

	2022	2021
Medicare	33 %	36 %
Medicaid	15 %	19 %
Commercial insurance	38 %	31 %
Patients and residents	14 %	14 %
Total	100 %	100 %

The Organization maintains depository relationships with area financial institutions that are Federal Deposit Insurance Corporation (FDIC) insured institutions. The Organization maintains cash in accounts at these institutions which are insured by the FDIC up to \$250,000. Operating cash needs often require that amounts on hand exceed FDIC limits. At September 30, 2022, the Organization had deposits at area financial institutions in excess of FDIC limits, and in order to limit its credit risk with respect to these deposits, the Organization has executed repurchase agreements with the financial institutions to provide for additional collateral on the majority of the amounts above the standard FDIC-insured limits. At September 30, 2022, there were no deposits in excess of the additional collateral pledged by the financial institutions through the repurchase agreements on the Organization's deposits.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 15: Functional Expenses

The Organization provides general healthcare services to residents within its geographic location. The accompanying consolidated statements of operations present certain expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis. Employee benefits are allocated based on factors of either salary expense or actual employee expense. Overhead costs that include things such as professional services, office expenses, information technology, insurance, and other similar expenses are allocated on a variety of factors including revenues and departmental expense. Costs related to building and equipment usage include depreciation and interest and are allocated on a square footage or direct assignment basis. Expenses related to providing these services for the years ended September 30, 2022 and 2021, are as follows:

	2022			2021		
	Healthcare Services	General Administrative	Total	Healthcare Services	General Administrative	Total
Salaries and wages	\$ 11,949,428	\$ 1,796,186	\$ 13,745,614	\$ 9,914,151	\$ 1,619,337	\$ 11,533,488
Employee benefits	2,684,722	505,268	3,189,990	2,351,203	436,950	2,788,153
Supplies and other expenses	9,900,646	2,449,418	12,350,064	8,613,263	2,227,962	10,841,225
Depreciation	1,846,716	412,622	2,259,338	2,038,477	356,362	2,394,839
Interest	1,067,140	238,437	1,305,577	1,146,881	200,496	1,347,377
	<u>\$ 27,448,652</u>	<u>\$ 5,401,931</u>	<u>\$ 32,850,583</u>	<u>\$ 24,063,975</u>	<u>\$ 4,841,107</u>	<u>\$ 28,905,082</u>

Supplementary Consolidating Information

Midwest Medical Foundation and Affiliate

Consolidating Balance Sheets

<i>September 30,</i>	Midwest Medical Center	Midwest Medical Foundation	Consolidated Totals 2022	Comparative Totals 2021
ASSETS				
Current assets:				
Cash	\$ 3,205,418	\$ 18,480	\$ 3,223,898	\$ 5,130,329
Patient and resident receivables - Net	4,535,923	-	4,535,923	4,440,760
Other receivables	283,526	-	283,526	350,119
Inventories	474,073	13,941	488,014	476,463
Prepaid expenses	289,969		289,969	208,734
Total current assets	8,788,909	32,421	8,821,330	10,606,405
Assets limited as to use:				
Board designated for capital improvements	13,022,306	-	13,022,306	9,472,486
Restricted for medical scholarships	1,599,422	-	1,599,422	1,577,132
Total assets limited as to use	14,621,728	-	14,621,728	11,049,618
Property and equipment - Net	19,987,298	-	19,987,298	20,729,844
Other assets	25,000	-	25,000	2,500
Total assets	\$ 43,422,935	\$ 32,421	\$ 43,455,356	\$ 42,388,367

Midwest Medical Foundation and Affiliate

Consolidating Balance Sheets (Continued)

September 30,	Midwest Medical Center	Midwest Medical Foundation	Consolidated Totals 2022	Comparative Totals 2021
LIABILITIES AND NET ASSETS				
Current liabilities:				
Current portion of long-term debt and capital lease obligations	\$ 1,066,941	\$ -	\$ 1,066,941	\$ 1,119,416
Accounts payable	1,098,953	-	1,098,953	930,294
Accrued expenses:				
Salaries and wages	717,025	-	717,025	661,011
Vacation	425,353	-	425,353	411,761
Amounts payable to third-party reimbursement programs	250,000	-	250,000	550,000
Security deposits	108,715	-	108,715	95,786
Deferred revenue	17,614	-	17,614	19,162
Total current liabilities	3,684,601	-	3,684,601	3,787,430
Long-term debt and capital lease obligations - Less current portion	33,681,703	-	33,681,703	34,743,372
Total liabilities	37,366,304	-	37,366,304	38,530,802
Net assets:				
Without donor restrictions	4,457,209	32,421	4,489,630	2,280,433
With donor restrictions	1,599,422	-	1,599,422	1,577,132
Total net assets	6,056,631	32,421	6,089,052	3,857,565
Total liabilities and net assets	\$ 43,422,935	\$ 32,421	\$ 43,455,356	\$ 42,388,367

See Independent Auditor's Report.

Midwest Medical Foundation and Affiliate

Consolidating Statements of Operations

<i>Years Ended September 30,</i>	Midwest Medical Center	Midwest Medical Foundation	Consolidated Totals 2022	Comparative Totals 2021
Revenue:				
Net patient and resident service revenue	\$ 31,028,678	-	31,028,678	28,047,792
Other operating revenue	3,681,667	-	3,681,667	3,706,912
Total revenue	34,710,345	-	34,710,345	31,754,704
Expenses:				
Salaries and wages	\$ 13,745,614	-	13,745,614	11,533,488
Employee benefits	3,189,990	-	3,189,990	2,788,153
Supplies and other expenses	\$ 12,350,064	-	12,350,064	10,841,225
Depreciation	2,259,338	-	2,259,338	2,394,839
Interest	1,305,577	-	1,305,577	1,347,377
Total expenses	32,850,583	-	32,850,583	28,905,082
Income from operations	1,859,762	-	1,859,762	2,849,622
Other income (expense):				
Contributions - Net	106,496	(7,774)	98,722	74,685
Interest Income	262,307	-	262,307	224,732
Rental income	18,130	-	18,130	18,795
Rental expense, including depreciation expense	(28,844)	-	(28,844)	(36,061)
Loss on disposal and sale of property and equipment	(880)	-	(880)	(37,964)
Gain on forgiveness of long-term debt	-	-	-	2,398,100
Total other income - Net	357,209	(7,774)	349,435	2,642,287
Revenue in excess (deficiency) of expenses	\$ 2,216,971	\$ (7,774)	\$ 2,209,197	\$ 5,491,909

See Independent Auditor's Report.

Midwest Medical Foundation and Affiliate

Consolidating Statements of Changes in Net Assets (Deficit)

<i>Years Ended September 30,</i>	Midwest Medical Center	Midwest Medical Foundation	Consolidated Totals 2022	Comparative Totals 2021
Net assets (deficit) without donor restrictions:				
Revenue in excess (deficiency) of expenses	\$ 2,216,971	\$ (7,774)	\$ 2,209,197	\$ 5,491,909
Net assets with donor restrictions:				
Interest income	26,013	-	26,013	25,284
Loans forgiven	(3,723)	-	(3,723)	(7,241)
Increase in net assets with donor restrictions	22,290	-	22,290	18,043
Change in net assets (deficit)	2,239,261	(7,774)	2,231,487	5,509,952
Net assets (deficit), beginning	3,817,370	40,195	3,857,565	(1,652,387)
Net assets, end	\$ 6,056,631	\$ 32,421	\$ 6,089,052	\$ 3,857,565

See Independent Auditor's Report.

Compliance

Midwest Medical Foundation and Affiliate

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2022

Federal Grantor/Program Title	Contract Number	Entity Passed Through	Federal Assistance Listing Number	Grantor's Time Period	Federal Expenditures
U.S. Department of Agriculture:					
Community Facilities Loans and Grants - USDA Direct Loan	N/A	Direct	10.766	October 1, 2021 to September 30, 2022	\$ 32,047,581
Community Facilities Loans and Grants - USDA Guaranteed	N/A	Direct	10.766	October 1, 2021 to September 30, 2022	2,901,060
Total U.S. Department of Housing and Urban Development					34,948,641
U.S. Department of Health and Human Services:					
COVID 19 - Provider Relief Funds	N/A	Direct	93.498	October 1, 2021 to September 30, 2022	150,388
Medicare Rural Hospital Flexibility Program (FLEX)	N/A	Illinois Critical Access Hospital Network	93.912	October 1, 2021 to September 30, 2022	5,000
Small Rural Hospital Improvement Program (SHIP)	3691A	Illinois Critical Access Hospital Network	93.301	October 1, 2021 to September 30, 2022	206,337
Small Rural Hospital Improvement Program (SHIP)	3640A	Illinois Critical Access Hospital Network	93.301	October 1, 2021 to September 30, 2022	11,722
Total U.S. Department of Health and Human Services					373,447
Total expenditures of federal awards					\$ 35,322,088

Midwest Medical Foundation and Affiliate

Notes to Schedule of Expenditures of Federal Awards

Year Ended September 30, 2022

Note 1: Basis of Presentation

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

Note 2: Summary of Significant Accounting Policies

With the exception of expenditures related to the Provider Relief Fund (PRF), expenditures on the Schedule are reported on the accrual basis of accounting and are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The PRF is not subject to cost principles requirements contained in the Uniform Guidance. Expenditures reported on the Schedule for PRF are based on the PRF period of availability, terms and conditions of the PRF program, and amounts reported in the PRF portal for the reporting periods 2 and 3.

Note 3: Indirect Cost

Midwest Medical Foundation and Affiliate has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Subrecipients

Midwest Medical Foundation and Affiliate passed no federal awards through to subrecipients.

Note 5: Balance of Outstanding Loans

The loan balances outstanding at the beginning of the year are included in the federal expenditures presented in the Schedule. There were no new loans received during the year ended September 30, 2022. The balance reported below represents the outstanding and guaranteed outstanding balances as of the year ended September 30, 2022:

Program Title	Federal CFDA Number	Amount Outstanding
Community Facilities Loans and Grants	10.766	\$34,199,149

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Midwest Medical Foundation and Affiliate
Galena, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Midwest Medical Foundation and Affiliate (the "Organization"), as of and for the year ended September 30, 2022 and the related notes to the consolidated financial statements, which collectively comprise the Organization's basic consolidated financial statements, and have issued our report thereon dated January 19, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, schedule of findings and questioned costs as Items 2022-001 and 2022-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

Midwest Medical Foundation and Affiliate's Response to Findings

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

Purpose of This Report

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

Wipfli LLP

Wipfli LLP

Eau Claire, Wisconsin
January 19, 2023

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Midwest Medical Foundation and Affiliate
Galena, Illinois

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Midwest Medical Foundation and Affiliate's (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2022. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2022.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibility for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Wipfli LLP

Wipfli LLP

Eau Claire, Wisconsin

January 19, 2023

Midwest Medical Foundation and Affiliate

Schedule of Findings and Questioned Costs

Year Ended September 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness identified?

☐ yes ☒ no

Significant deficiency(ies) identified?

☒ yes ☐ none reported

Noncompliance material to the financial statements?

☐ yes ☒ no

Federal Awards

Internal control over compliance:

Material weakness identified?

☐ yes ☒ no

Significant deficiency(ies) identified?

☐ yes ☒ none reported

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

Unmodified

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

☐ yes ☒ no

Identification of major federal programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
10.766	Community Facilities Loans and Grants

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

\$750,000

Auditee qualified as a low-risk auditee?

☐ yes ☒ no

Midwest Health Foundation and Affiliate

Schedule of Findings and Questioned Costs

Year Ended September 30, 2022

Section II - Financial Statement Findings

2022-001 Financial Accounting and Reporting

Condition – The Organization’s internal control over financial reporting does not end at the general ledger, but extends to the consolidated financial statements and notes. As part of our professional services for the year ended September 30, 2022, we were requested to draft the consolidated financial statements and accompanying notes to the consolidated financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Because the Organization relies on Wipfli LLP to provide the necessary understanding of current accounting and disclosure principles in the preparation of the consolidated financial statements and notes, completeness of financial reporting could be negatively impacted as external auditors do not have the same comprehensive understanding of the Organization as internal staff.

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

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

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

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

Midwest Health Foundation and Affiliate

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2022

Section II - Financial Statement Findings (Continued)

2022-002 Segregation of Duties

Condition – Segregation of duties provides stronger internal controls by not allowing one person to have control and responsibility over a complete accounting system (cash receipts, cash disbursements, payroll and purchasing, receiving, and accounts payable). It was noted that certain individuals in the Organization have significant responsibilities or access within the information systems to many of the financial accounting cycles such as accounts payable, payroll, financial accounting, and reporting, which creates a concern over segregation of duties. Due to the small staff size in the accounting departments, a lack of segregation of duties exists. Some of the lack of segregation of duties also is noted when an employee is out on a leave of absence or extended leave and back-up staff often have overlapping access, oversight, or duties surrounding these processes and procedures.

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

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

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

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

Section III - Federal Award Findings and Questioned Costs

None reported

Midwest Medical Foundation and Affiliate

Schedule of Prior Year Findings and Questioned Costs

Year Ended September 30, 2021

Section II – Financial Statement Findings

2021-001 Segregation of Duties

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

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

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

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

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

Midwest Medical Foundation and Affiliate

Schedule of Prior Year Findings and Questioned Costs (Continued)

Year Ended September 30, 2021

Section III - Major Federal Award Program Findings and Questioned Costs

Finding 2021-002

Program Name/CFDA Title: Provider Relief Fund

Federal Assistance Listing Number: 93.498

Federal Agency: U.S. Department of Health and Human Services

Type of Finding: Noncompliance, Significant Deficiency

Compliance Requirement: Allowable Costs

- Condition:** Midwest Medical Foundation and Affiliate did not meet its requirements to use the funds to prevent, prepare for, and respond to coronavirus and that the payment shall reimburse the recipient only for health care related expenses or lost revenues that are attributable to coronavirus.
- Criteria:** The Provider Relief Funds were provided under the Coronavirus Aid, Relief, and Economic Security Act (Pub. L. No. 116-136, 134 Stat. 563) and are to be used to prevent, prepare for, and respond to coronavirus and that the funds shall reimburse the recipient only for health care related expenses or lost revenues that are attributable to coronavirus.
- Context:** During the audit, it was determined that there were a number of expenditures claimed as allowance COVID expenses without deducting for cost-reimbursement received from the Medicare program for items used in operations and also included on the submission of expenses to the Health Resources and Services Agency (HRSA). The full amount of these expenditures are not an allowable COVID expense under the Department of Health and Human Services guidelines for the use of Provider Relief Funds until after other applicable payor sources, such as Medicare program cost-reimbursement for being a Critical Access Hospital and Rural Health Clinic are accounted for. In addition, there are a number of expenses with the submission of allowable expenses to HRSA which were not newly incurred items which were only attributable to the COVID pandemic or a cause to incurred for the COVID pandemic, including employee benefit costs which were previously paid for by the organization. These are also not an allowable COVID expense under the Department of Health and Human Services guidelines for the use of Provider Relief Funds. It was also noted during the audit that no interest income was included for funds not expended or until the point expended as a reported item within the submission of expenses to HRSA. However, in review of these items, it was noted that amount of lost revenue which would have been applicable in calendar year 2020 compared to calendar 2019 was not properly reported in the portal for quarters which contained lost revenue. The net of all of these items would have resulted in no recoupment by HRSA related to allowable COVID expenses, but the reporting categories and tracking by management should be updated.

Midwest Medical Foundation and Affiliate

Schedule of Prior Year Findings and Questioned Costs (Continued)

Year Ended September 30, 2021

Section III - Major Federal Award Program Findings and Questioned Costs (Continued)

Cause: Management oversight.

Effect: Midwest Medical Foundation and Affiliate was not in compliance with federal regulations and guidelines surrounding the use of the Provider Relief Funds.

Recommendation: We recommended that management review all the submitted expenses and lost revenue amounts for allowability under the criteria provided by the Department of Health and Human Services, and work with HRSA to potentially reopen its reporting portal as this could impact the ability to claim future expenses and/or lost revenues related to future Provider Relief Fund amounts received.

View of Responsible Officials / Current Status: Management received direction from HRSA to update its documentation as well as update its internal records to reflect allowable costs under the program. Management will report the updates on the upcoming Provider Relief Funding Phase IV reporting which will be completed when the online portal is opened by HRSA between January 1, 2023 and March 31, 2023. Management has also developed a more detailed expense log and review those against current terms and conditions prior to any future portal submissions prior to final submission.

Finding 2021-003
Program Name/CFDA Title: Provider Relief Fund
Federal Assistance Listing Number: 93.498
Federal Agency: U.S. Department of Health and Human Services
Type of Finding: Noncompliance, Significant Deficiency
Compliance Requirement: Required Reporting

Condition: Midwest Medical Foundation and Affiliate did not properly report its allowable and unreimbursed expenses for reporting of funds in the HRSA portal for how it used the funds only for health care related expenses or lost revenues that are attributable to coronavirus.

Criteria: The Provider Relief Funds were provided under the Coronavirus Aid, Relief, and Economic Security Act (Pub. L. No. 116-136, 134 Stat. 563) and are to be used to prevent, prepare for, and respond to coronavirus and that the funds shall reimburse the recipient only for health care related expenses or lost revenues that are attributable to coronavirus. There is also required reporting which is required to HRSA that management of each receiving entity must attest to their expenditures or lost revenues only being related to coronavirus under the terms and conditions of the program.

Midwest Medical Foundation and Affiliate

Schedule of Prior Year Findings and Questioned Costs (Continued)

Year Ended September 30, 2021

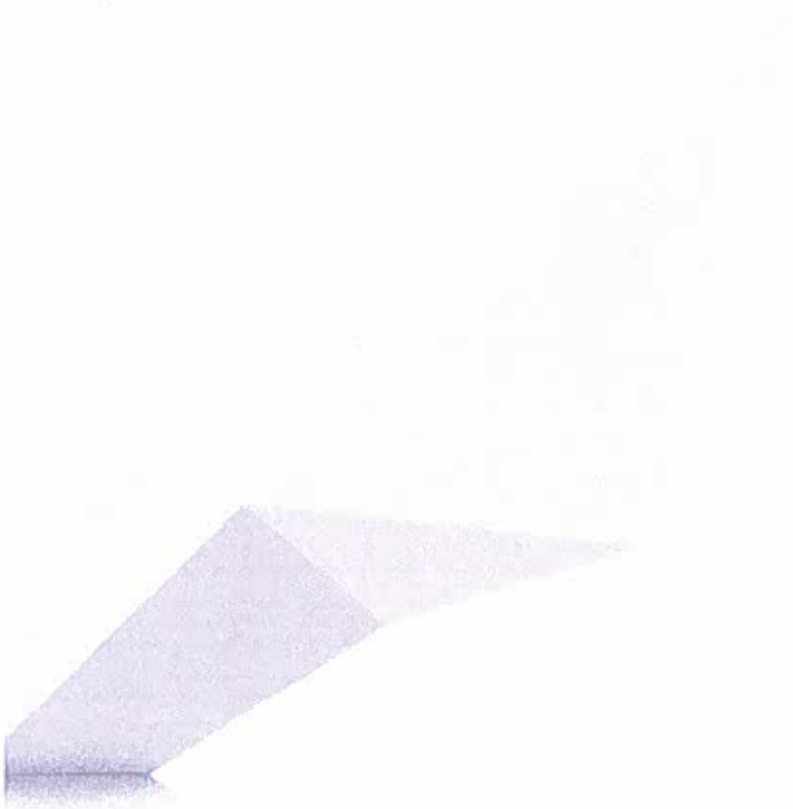
Section III - Major Federal Award Program Findings and Questioned Costs (Continued)

Context:	During the audit, it was determined that there were a number of expenses, as noted in Finding 2021-002, which should have been recategorized, had another amounts reported, or additional lost revenue to be reported to arrive at the same or a similar total to the funds received by the organization for Provider Relief Funds. It was also noted during the audit that the unreimbursed expenses related to the coronavirus as reported in the required reporting to HRSA included all other operating expenses of the organization and this should be only expenses which were newly attributable or required because of the coronavirus. Although the unreimbursed expenses do not have an impact on the Provider Relief Funds received, it is still considered to not be properly reported in line with the terms and conditions of the Provider Relief Funds.
Cause:	Management oversight.
Effect:	Midwest Medical Foundation and Affiliate was not in compliance with federal regulations and guidelines surrounding the use of the Provider Relief Funds.
Recommendation:	We recommended that management review all the submitted expenses and lost revenue amounts for allowability under the criteria provided by the Department of Health and Human Services, and work with HRSA to potentially reopen its reporting portal as this could impact the ability to claim future expenses and/or lost revenues related to future Provider Relief Fund amounts received similar to the recommendation in Finding 2021-002.
View of Responsible Officials / Current Status:	Management received direction from HRSA to update its documentation as well as update its internal records to reflect allowable costs under the program. Management will report the updates on the upcoming Provider Relief Funding Phase IV reporting which will be completed when the online portal is opened by HRSA between January 1, 2023 and March 31, 2023. Management has also developed a more detailed expense log and review those against current terms and conditions prior to any future portal submissions prior to final submission.

Midwest Medical Foundation and Affiliate

Consolidated Financial Statements and
Supplementary Information

Years Ended September 30, 2023 and 2022



WIPFLI

Midwest Medical Foundation and Affiliate

Years Ended September 30, 2023 and 2022

Table of Contents

Independent Auditor's Report.....	1
Consolidated Financial Statements	
Consolidated Balance Sheets.....	4
Consolidated Statements of Operations	6
Consolidated Statements of Changes in Net Assets.....	7
Consolidated Statements of Cash Flows.....	8
Notes to Consolidated Financial Statements.....	10
Supplementary Consolidating Information	
Consolidating Balance Sheets.....	36
Consolidating Statements of Operations	38
Consolidating Statements of Changes in Net Assets.....	39
Compliance	
Schedule of Expenditures of Federal Awards.....	41
Notes to Schedule of Expenditures of Federal Awards.....	42
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	43
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by Uniform Guidance.....	45
Schedule of Findings and Questioned Costs.....	48
Schedule of Prior Year Findings and Questioned Costs.....	51

Independent Auditor's Report

Board of Directors
Midwest Medical Foundation and Affiliate
Galena, Illinois

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Midwest Medical Foundation and Affiliate (the "Organization"), which comprise the consolidated balance sheets as of September 30, 2023 and 2022, and the related consolidated statements of operations, 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 referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization 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 GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2024 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP
Eau Claire, Wisconsin
February 19, 2024

Midwest Medical Foundation and Affiliate

Consolidated Balance Sheets

September 30,	2023	2022
ASSETS		
Current assets:		
Cash	\$ 2,660,323	\$ 3,223,898
Patient and resident receivables - Net	4,978,449	4,535,923
Other receivables	109,184	283,526
Inventories	495,563	488,014
Prepaid expenses	345,903	289,969
Total current assets	8,589,422	8,821,330
Assets limited as to use:		
Board designated for capital improvements	6,450,255	13,022,306
Restricted for medical scholarships	1,649,543	1,599,422
Funds held under bond trust indentures	9,321,158	-
Total assets limited as to use	17,420,956	14,621,728
Property and equipment - Net	23,638,337	19,987,298
Other assets	25,000	25,000
Total assets	\$ 49,673,715	\$ 43,455,356

Midwest Medical Foundation and Affiliate

Consolidated Balance Sheets (Continued)

September 30,	2023	2022
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	\$ 1,053,734	\$ 1,066,941
Accounts payable	972,366	1,098,953
Accrued expenses:		
Salaries and wages	1,052,977	717,025
Vacation	467,138	425,353
Amounts payable to third-party reimbursement programs	250,000	250,000
Security deposits	106,568	108,715
Deferred revenue	18,671	17,614
Total current liabilities	3,921,454	3,684,601
Long-term debt - Less current portion	38,070,340	33,681,703
Total liabilities	41,991,794	37,366,304
Net assets:		
Without donor restrictions	6,032,378	4,489,630
With donor restrictions	1,649,543	1,599,422
Total net assets	7,681,921	6,089,052
Total liabilities and net assets	\$ 49,673,715	\$ 43,455,356

See accompanying notes to consolidated financial statements.

Midwest Medical Foundation and Affiliate

Consolidated Statements of Operations

<i>Years Ended September 30,</i>	2023	2022
Revenue:		
Net patient and resident service revenue	\$ 33,763,402	\$ 31,028,678
Other operating revenue	2,958,404	3,681,667
Total revenue	36,721,806	34,710,345
Expenses:		
Salaries and wages	14,880,426	13,745,614
Employee benefits	3,782,373	3,189,990
Supplies and other expenses	13,704,701	12,350,064
Depreciation	2,132,995	2,259,338
Interest	1,270,792	1,305,577
Total expenses	35,771,287	32,850,583
Income from operations	950,519	1,859,762
Other income (expense):		
Contributions	138,731	98,722
Interest income	467,983	262,307
Rental income	18,440	18,130
Rental expense, including depreciation expense	(27,399)	(28,844)
Loss on disposal of property and equipment	(5,526)	(880)
Total other income - Net	592,229	349,435
Revenue in excess of expenses	\$ 1,542,748	\$ 2,209,197

See accompanying notes to consolidated financial statements.

Midwest Medical Foundation and Affiliate **Consolidated Statements of Changes in Net Assets**

<i>Years Ended September 30,</i>	2023	2022
Net assets without donor restrictions:		
Revenue in excess of expenses	\$ 1,542,748	\$ 2,209,197
Net assets with donor restrictions:		
Interest income	56,709	26,013
Loans forgiven	(6,588)	(3,723)
Increase in net assets with donor restrictions	50,121	22,290
Change in net assets	1,592,869	2,231,487
Net assets, beginning	6,089,052	3,857,565
Net assets, end	\$ 7,681,921	\$ 6,089,052

See accompanying notes to consolidated financial statements.

Midwest Medical Foundation and Affiliate

Consolidated Statements of Cash Flows

Years Ended September 30,	2023	2022
Increase (decrease) in cash:		
Cash flows from operating activities:		
Change in net assets	\$ 1,592,869	\$ 2,231,487
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	2,160,394	2,288,182
Amortization	10,311	10,311
Loss on disposal of property and equipment	5,526	880
Restricted contributions and investment income	(56,709)	(26,013)
Changes in operating assets and liabilities:		
Patient and resident receivables	(442,526)	(95,163)
Other receivables	174,342	66,593
Inventories	(7,549)	(11,551)
Prepaid expenses	(55,934)	(81,235)
Accounts payable	(126,587)	168,659
Accrued expenses	377,737	69,606
Amounts payable to third-party reimbursement programs	-	(300,000)
Security deposits	(2,147)	12,929
Deferred revenue	1,057	(1,548)
Total adjustments	2,037,915	2,101,650
Net cash from operating activities	3,630,784	4,333,137
Cash flows from investing activities:		
Purchases of property and equipment	(5,421,457)	(1,547,641)
Proceeds from sale of property and equipment	-	1,125
Increase in assets limited as to use	(2,799,228)	(3,572,110)
Increase in other assets	-	(22,500)
Net cash from investing activities	(8,220,685)	(5,141,126)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	5,050,000	-
Payments of principal on long-term debt	(1,080,383)	(1,124,455)
Restricted contributions and interest income	56,709	26,013
Net cash from financing activities	4,026,326	(1,098,442)
Change in cash	(563,575)	(1,906,431)
Cash at beginning of year	3,223,898	5,130,329
Cash at end of year	\$ 2,660,323	\$ 3,223,898

Midwest Health Foundation and Affiliate

Consolidated Statements of Cash Flows (Continued)

<i>Years Ended September 30,</i>	2023	2022
Supplemental cash flow information:		
Cash paid during the year for interest - Net of amounts capitalized	\$ 1,260,481	\$ 1,295,266

See accompanying notes to consolidated financial statements.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

The Entity

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

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

Principles of Consolidation

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

Financial Statement Presentation

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

Use of Estimates in Preparation of Consolidated Financial Statements

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Patient and Resident Receivables and Credit Policy

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

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

Inventories

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

Assets Limited as to Use and Investment Income

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

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

Fair Value Measurements

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

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property, Equipment, and Depreciation

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

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

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

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

Impairment of Long-Lived Assets

The Organization evaluates the recoverability of its long-lived assets, which consist primarily of property and equipment with estimated useful lives, whenever events or changes in circumstance indicate that the carrying value may not be recoverable. If the recoverability of these assets is unlikely because of the existence of factors indicating impairment, an impairment analysis is performed using a projected undiscounted cash flow method. Management must make assumptions regarding estimated future cash flows and other factors to determine the fair value of these respective assets. If the carrying amounts of the assets exceed their respective fair values, the carrying value of the underlying assets would be adjusted to fair value and an impairment loss would be recognized. During 2023 and 2022, the Organization determined that no evaluations of recoverability were necessary.

Asset Retirement Obligation

The Organization accounts for the fair value of legal obligations associated with long-lived asset retirement in accordance with the asset retirement and environmental obligations accounting guidance. Management has considered this accounting guidance, specifically as it relates to its legal obligation to perform asset retirement activities, such as asbestos removal, on its existing properties. Management of the Organization believes that any potential liability related to asset retirement obligations would not be significant. As a result, no liability related to these retirement activities has been recognized as of September 30, 2023 and 2022.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Security Deposits

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

Deferred Revenue

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

Net Assets

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

Revenue in Excess of Expenses

The consolidated statements of operations and consolidated statements of changes in net deficit include the classification revenue in excess of expenses, which is considered the operating indicator. Changes in unrestricted net assets which are excluded from the operating indicator would include contributions for property and equipment. The Organization did not have any activity in 2023 and 2022 requiring exclusion from the operating indicator.

Net Patient and Resident Service Revenue

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

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient and Resident Service Revenue (Continued)

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

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

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

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

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

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient and Resident Service Revenue (Continued)

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

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

Hospital Services:

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

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient and Resident Service Revenue (Continued)

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

On November 21, 2006, the Centers for Medicare & Medicaid Services (CMS) approved state of Illinois (the "State") legislation for a Medicaid Hospital Assessment Program (the "Program"). The Program was extended through June 30, 2019, and a redesigned program has been approved and extended through June 30, 2024. Under the Program, the Hospital receives additional Medicaid reimbursement from the State. Additional funding and reimbursement, through sharing in cost savings in the Medicaid program, was also available and distributed to participating hospitals through the development by the State of an Accountable Care Entity ("ACE") which started in 2017. Total additional enhanced reimbursement above the standard amounts paid by the Medicaid program for patient care services recognized by the Organization relating to the Program amounted to \$1,123,303 and \$826,807 during 2023 and 2022, respectively, and is included in net patient and resident service revenue in the accompanying consolidated statements of operations. During 2023 and 2022, the Hospital incurred expense of \$371,601 and \$292,201, respectively, related to amounts paid to the state of Illinois for participation in the Program, and these amounts are included in supplies and other expenses in the accompanying consolidated statements of operations.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient and Resident Service Revenue (Continued)

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

Clinics

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

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

Nursing Home

- Medicare: The Organization's reimbursement under the Medicare program for Part A services is based on a prospective payment system (PPS). Payments for services rendered vary according to a resident classification system (RUGs IV or PDPM) that is based on an MDS of diagnostic and other information. Medicare pays the Organization for Part B services based on predetermined fee schedules.
- Medicaid: Nursing home resident care services rendered to Medicaid beneficiaries are reimbursed based on a schedule of prospectively determined daily rates determined by Illinois' Public Aid programs. A rate is assigned to each nursing home resident based on the resident's ability to perform certain activities of daily living and on certain other clinical factors.

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

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient and Resident Service Revenue (Continued)

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

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

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

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient and Resident Service Revenue (Continued)

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

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended September 30, 2023 and 2022, was not significant.

Consistent with the Organization's mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Organization expects to collect based on its collection history with those patients. The Organization's policy provides for approximately 30% discounts from established charges to uninsured patients for making prompt pay for services rendered, and after this initial discount, further discounts are available for patients that qualify through the hospital's charity care or financial assistance policy. A similar 15% discount is available to insured patients who promptly pay their deductible, coinsurance, or remaining balance after insurance notice of any patient financial responsibility for the services is received. The uninsured and prompt pay discount percentages remained consistent in 2023 and 2022.

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

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient and Resident Service Revenue (Continued)

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

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

Charity Care

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

Contributions and Donor-Restricted Gifts

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated financial statements as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes

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

Advertising Costs

Advertising costs are expensed as incurred.

Real Estate Taxes

The State of Illinois previously enacted legislation that clarifies when hospitals are eligible to receive exemption from property tax requirements. As part of the legislation, hospitals, including the Organization, must submit to the State of Illinois annual property tax exemption applications, which include information on the amount of benefits provided to low-income, charity care, and Illinois Public Aid (Medicaid) beneficiaries. As of September 30, 2023, the majority of the real estate of the Organization has been granted property tax exemption by the State of Illinois.

Adoption of Accounting Pronouncement

In February 2016, FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases* (Topic 842). This ASU modifies lease accounting to increase transparency and comparability by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing information. The most significant change for lessees will be the recognition of both a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term for those leases classified as operating leases under current GAAP. Certain accounting policy elections are permitted for leases with terms of 12 months or less. FASB ASC Topic 842, *Leases*, supersedes current lease requirements in FASB ASC Topic 840, *Leases*. The Organization has elected to adopt and apply this accounting pronouncement effective October 1, 2022, and applied the adoption of this pronouncement using a modified retrospective approach. The Organization elected to utilize practical expedients made available, including the package of practical expedients not to reassess whether a contract is or contains a lease and initial direct costs for any existing leases. The Organization did elect not to reassess whether a lease was an operating or finance lease based on the current terms within the lease agreements. Adoption of this standard did not have a material impact on any of the amounts reported in the accompanying consolidated financial statements as of and for the year ended September 30, 2023; however, did require updates to lease related disclosures within the notes to the accompanying consolidated financial statements.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

Subsequent events have been evaluated through February 19, 2024, which is the date the consolidated financial statements were available to be issued. See Note 6 for additional information on a subsequent event.

Note 2: COVID-19

Starting in March 2020, the nation in general, and healthcare-related entities specifically, have been faced with a global pandemic. As healthcare entities prepared for the crisis, operational changes were made to delay routine visits and elective procedures and reevaluate the entire care delivery model to care for patient needs, specifically those affected by COVID-19. These operational changes continued and adjustments were made in operations and business plans throughout the pandemic. The declared public health emergency ended in May 2023 related to the COVID-19 pandemic, and even with this ending the complete financial impact on the economy in general and healthcare-related entities specifically still remains undeterminable at this time. Management of the Organization continues to note that both operational performance and cash flows for healthcare-related entities have been and will continue to be impacted into the future even though the declared public health emergency period and pandemic have ended.

The federal and state governments, as well as other agencies, have been assisting many healthcare organizations to prevent significant financial constraints by providing supplemental payment programs in the forms of distributions which are intended to help in offsetting lost revenues as well as the cost of staffing, supplies, and equipment from treating patients impacted by or preparing for the pandemic's healthcare needs.

Through September 30, 2022, the Organization received approximately \$6,349,000 in funding from these programs between 2022, 2021, and 2020. No additional funding was received from these programs in 2023. The Organization recognized approximately \$1,225,000 as a component of other operating revenue based on the current terms and conditions of the programs in the accompanying consolidated statements of operations during the year ended September 30, 2022. The Organization had previously recognized approximately \$5,124,000 as other operating revenue based on the terms and conditions of the program collectively during the years ended September 30, 2021 and 2020. Funding was received from multiple sources, including but not limited to approximately \$5,648,000 of provider relief funds from the U.S. Department of Health and Human Services ("HHS") Coronavirus Aid, Relief, and Economic Security ("CARES") and American Rescue Plan ("ARP") Acts and \$701,000 in other funding from the State of Illinois and other sources received related to COVID-19 assistance.

These funds are subject to various financial and compliance guidelines for intended uses as published by the federal government. Management is continuing to monitor compliance with the terms and conditions of the Provider Relief Fund as new guidance and clarification is released from HHS and other agencies. If the Organization is unable to attest to or comply with current or future terms and conditions as more information becomes available, the Organization's ability to retain some or all of the distributions received may be impacted. As of September 30, 2023, the Organization has completed all required attestations by management as required under the current terms and conditions of the program which have been released to date related to this funding.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 3: Liquidity and Availability of Financial Assets

The Organization does not have a formal liquidity policy but generally strives to maintain financial assets in liquid form such as cash and cash equivalents for at least approximately three to six months of operating expenses. Other funds, included in assets limited as to use in the accompanying consolidated balance sheets, are considered available for operational or capital needs, except for investments with restrictive redemption requirements. Occasionally, the Board of Directors designates a portion of operating surplus to be appropriated at its discretion for future operational initiatives and capital expenditures. These funds, at the discretion of the Board of Directors, could be released immediately or sold and redeemed prior to their maturity and are not considered available under the Organization's general liquidity management. At September 30, 2023 and 2022, the balance of these funds was \$6,450,255 and \$13,022,306.

Financial assets available for general expenditures, such as operating expenses, purchases of property and equipment, and scheduled debt service payments, within one year of the consolidated balance sheet date, comprise the following at September 30, 2023 and 2022:

	2023	2022
Cash	\$ 2,660,323	\$ 3,223,898
Patient and resident receivables - Net	4,978,449	4,535,923
Other receivables	109,184	283,526
Total	\$ 7,747,956	\$ 8,043,347

Patient and resident receivables become available as available resources to the Organization generally as operating cash as it is billed and collected based on the policies and procedures described in Note 1, and its opening balance at October 1, 2021 was \$4,440,760.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 4: Investments and Assets Limited as to Use

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

	2023	2022
Board designated for capital improvements:		
Money market funds	\$ 2,226,561	\$ 73,397
Repurchase agreements	4,223,034	12,948,249
Notes receivable	660	660
Total Board designated for capital improvements	6,450,255	13,022,306
Restricted for medical scholarships:		
Cash	100	100
Repurchase agreement	1,446,570	1,404,719
Notes receivable	202,873	194,603
Total restricted for medical scholarships	1,649,543	1,599,422
Under bond indenture agreements:		
Debt service and bond reserve funds - Money market funds	489,892	-
Construction funds - Money market funds	8,780,723	-
Cost of issuance funds - Money market funds	50,543	-
Total under bond indenture agreements	9,321,158	-
Total assets limited as to use	\$ 17,420,956	\$ 14,621,728

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 5: Fair Value Measurements

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

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

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

The following tables set forth by level, within the fair value hierarchy, the Organization's assets measured at fair value on a recurring basis assets which are included in assets limited as to use and investments in the accompanying consolidated balance sheets and as outlined in Note 4, excluding cash and notes receivable, as of September 30:

2023	Level 1	Level 2	Level 3	Total Assets at Fair Value
Assets:				
Money market funds	\$ -	\$ 11,547,719	\$ -	\$ 11,547,719
Repurchase agreement	-	5,669,604	-	5,669,604
Total	\$ -	\$ 17,217,323	\$ -	\$ 17,217,323

2022	Level 1	Level 2	Level 3	Total Assets at Fair Value
Assets:				
Money market funds	\$ -	\$ 73,397	\$ -	\$ 73,397
Repurchase agreement	-	14,352,968	-	14,352,968
Total	\$ -	\$ 14,426,365	\$ -	\$ 14,426,365

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 6: Property and Equipment - Net

Property and equipment consisted of the following at September 30:

	2023	2022
Land	\$ 448,597	\$ 448,597
Land improvements	4,011,958	4,011,958
Buildings	39,082,370	38,884,415
Major movable equipment	12,519,541	11,498,954
Total property and equipment	56,062,466	54,843,924
Less - Accumulated depreciation	37,656,355	35,909,418
Net depreciated value	18,406,111	\$ 18,934,506
Construction in progress	5,232,226	1,052,792
Property and equipment - Net	\$ 23,638,337	\$ 19,987,298

Construction in progress at September 30, 2023, primarily represents costs for a hospital expansion and renovation project, along with a turn-lane road access improvement project and minor emergency department renovation project. The projects are being financed primarily with a combination of investment reserves of the Organization and debt financing obtained through the U.S. Department of Agriculture ("USDA"). The Organization expects all of these projects to be completed between 2024 and 2025, and the estimated remaining cost of these projects is approximately \$30,200,000 at September 30, 2023. See Note 7 for additional information regarding the debt financing.

The cost of equipment under finance lease obligations, which is included in major movable equipment, was \$1,510,711 and \$2,249,620 at September 30, 2023 and 2022, respectively, and the related accumulated amortization was \$725,207 and \$1,547,013 at September 30, 2023 and 2022, respectively.

Subsequent to the year ended September 30, 2023, the Organization also entered into a commitment to acquire additional surgical equipment to enhance the capabilities of its operating room services. The commitment is being financed by a lease agreement whereby the Organization will pay approximately \$7,298 per month for 72 months beginning in fiscal year 2024. The lease has a stated interest rate of 5.75% which is included in the monthly payments.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 7: Long-Term Debt

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

	2023	2022
United States Department of Agriculture (USDA), Rural Development, Direct Loans dated April 25, 2019, bearing interest at 3.5%. The loans are payable in monthly installments of principal and interest of \$151,140 with a final payment due April 25, 2049. Interest only payments of \$96,250 per month were due on the loans through April 25, 2020.	\$ 30,615,936	\$ 31,344,275
Secured Rural America Bonds, Series 2019A, dated April 25, 2019, bearing interest at 5.5%. The bonds are payable in monthly installments of principal and interest of \$17,049 starting June 1, 2019, through May 1, 2049. Guaranteed by USDA, Rural Development based on specific conditional terms.	2,806,083	2,854,874
USDA, Rural Development, Series 2023A and 2023B Bonds, dated June 2023, bearing interest at 7.5% during construction project. Interest only payments paid monthly during construction. Guaranteed by USDA, Rural Development.	5,050,000	-
Finance lease obligations with imputed interest rates ranging from 2.99% to 5.50%, collateralized by leased equipment, payable in monthly installment payments as required in various agreements.	915,838	823,589
Totals	39,387,857	35,022,738
Less - Current portion	1,053,734	1,066,941
Less - Unamortized debt issuance costs	263,783	274,094
Long-term portion	\$ 38,070,340	\$ 33,681,703

During 2023, the Organization issued long-term debt to provide financing for a hospital construction and expansion project as described in Note 6. The financing for this project included the issuance of USDA, Rural Development, Series 2023A and 2023B Bonds. As of September 30, 2023, \$5,050,000 has been drawn on the bonds and, either was expended toward the project, or included in reserve accounts which are a component of assets limited as to use in the accompanying consolidated balance sheets. The Organization has the ability to borrow through issuance of additional bonds up to a total of \$25,750,000 to assist with property and equipment purchases, finance bond issuance costs, or as otherwise needed to complete the project. The Series 2023A and 2023B Bonds were also issued in conjunction with a community hospital facility loan agreement with the U.S. Department of Agriculture ("USDA"), Rural Development. Under the terms of the USDA Rural Development loan agreement, and assuming the full \$25,750,000 is borrowed, the Organization is anticipated to repay the loan over a 30-year amortization schedule with installments of principal and interest beginning two years following the closing of the loan. The interest rate for the loan will be based on current interest rates for "Rural Housing Service – Community Facility Programs" as established by USDA Rural Development at the time the loan agreement was entered into in 2023. The USDA Rural Development finalized the interest rate to be 3.50%, which will be effective following completion of construction, unless a lower rate is available on that date.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 7: Long-Term Debt (Continued)

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

Scheduled principal payments on long-term debt and finance lease obligations at September 30, 2023, including current maturities and excluding the Series 2023A and 2023B bonds which due not have a finalized repayment schedule and are anticipated that principal payments would start in 2026, are summarized as follows:

	Long-Term Debt	Finance Lease Obligations
2024	\$ 805,787	\$ 266,724
2025	835,521	244,422
2026	866,373	186,386
2027	898,386	224,539
2028	931,605	35,323
Thereafter	29,084,347	-
	<u>\$ 33,422,019</u>	957,394
Less - Amounts representing interest on finance lease obligations		<u>41,575</u>
		<u>\$ 915,838</u>

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 7: Long-Term Debt (Continued)

A summary of total interest cost for the years ended September 30 is as follows:

	2023	2022
Interest costs	\$ 1,347,659	\$ 1,295,266
Interest costs capitalized	(87,178)	-
Amortization of deferred financing fees	10,311	10,311
Total interest cost charged to operations	\$ 1,270,792	\$ 1,305,577

A summary of total interest income without donor restrictions for the years ended September 30 is as follows:

	2023	2022
Interest income	\$ 585,131	\$ 262,307
Interest income capitalized	(117,148)	-
Total interest income without donor restrictions	\$ 467,983	\$ 262,307

Note 8: Net Assets With Donor Restrictions and Endowments

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

	2023	2022
Donor restricted, including interest income, for medical education and scholarships	\$ 1,289,413	\$ 1,252,063
Donor restricted to be maintained in perpetuity, with interest income expendable, for medical education scholarships and loans	360,130	347,359
Total donor restricted funds	\$ 1,649,543	\$ 1,599,422

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

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 8: Net Assets With Donor Restrictions and Endowments (Continued)

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

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

	2023		
	Donor Restricted Subject to Appropriations	Donor Restricted to be Held in Perpetuity	Total
Endowment net assets at beginning of year	\$ 148,710	\$ 198,649	\$ 347,359
Interest income	12,771	-	12,771
Total	\$ 161,481	\$ 198,649	\$ 360,130

	2022		
	Donor Restricted Subject to Appropriations	Donor Restricted to be Held in Perpetuity	Total
Endowment net assets at beginning of year	\$ 142,780	\$ 198,649	\$ 341,429
Interest income	5,930	-	5,930
Total	\$ 148,710	\$ 198,649	\$ 347,359

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 9: Net Patient and Resident Service Revenue

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

	2023	2022
Service lines:		
Hospital services	\$ 27,914,991	\$ 25,915,478
Clinic services	2,321,720	2,129,956
Nursing home services	3,526,691	2,983,244
Totals	\$ 33,763,402	\$ 31,028,678

Net patient and resident service revenue by payor consisted of the following for the year ended September 30:

	2023	2022
Medicare and Medicare Advantage plans	\$ 17,010,102	\$ 15,694,375
Medicaid and Medicaid HMO plans	5,692,948	4,318,160
Other third-party payors	8,108,818	8,981,471
Uninsured patients	2,951,534	2,034,672
Totals	\$ 33,763,402	\$ 31,028,678

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 10: Charity Care

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

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

The estimated cost of providing care to patients under the Organization's financial assistance policy was approximately \$137,000 and \$196,000 in 2023 and 2022, respectively. The cost was calculated by multiplying the ratio of cost to gross charges for the Organization times the gross uncompensated charges associated with providing the charity care.

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

Note 11: Retirement Plan

The Organization sponsors a defined contribution retirement plan for substantially all its employees. The Organization contributed up to 4% of the participating employees' eligible compensation based on a matching formula. The total retirement plan expense for the years ended September 30, 2023 and 2022, was \$434,466 and \$399,271, respectively.

Note 12: Malpractice Insurance

For the years 2023 and 2022, the Organization participated in a risk pooling insurance program known as the Illinois Provider Trust to provide professional and general medical liability coverage. The risk pool is a self-funded insurance pool made up of over 40 member hospitals in Illinois and coverage is maintained through the pool and reinsurance agreements for comprehensive general and hospital professional liability coverage of up to \$3,000,000 per claim and in the aggregate to January 1, 2023. As of September 30, 2023 and 2022, management was unaware of any known claims of material amounts that would require reason to report a contingent loss on the consolidated balance sheets; thus no amount is recorded in the September 30, 2023 and 2022, consolidated balance sheets for unasserted claims.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 13: Concentration of Credit Risk

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

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

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

	2023	2022
Medicare	35 %	33 %
Medicaid	17 %	15 %
Commercial insurance	32 %	38 %
Patients and residents	16 %	14 %
Total	100 %	100 %

The Organization maintains depository relationships with area financial institutions that are Federal Deposit Insurance Corporation (FDIC) insured institutions. The Organization maintains cash in accounts at these institutions which are insured by the FDIC up to \$250,000. Operating cash needs often require that amounts on hand exceed FDIC limits. At September 30, 2023, the Organization had deposits at area financial institutions in excess of FDIC limits, and in order to limit its credit risk with respect to these deposits, the Organization has executed repurchase agreements with the financial institutions to provide for additional collateral on the majority of the amounts above the standard FDIC-insured limits. At September 30, 2023, there were no deposits in excess of the additional collateral pledged by the financial institutions through the repurchase agreements on the Organization's deposits.

Midwest Medical Foundation and Affiliate

Notes to Consolidated Financial Statements

Note 14: Functional Expenses

The Organization provides general healthcare services to residents within its geographic location. The accompanying consolidated statements of operations present certain expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis. Employee benefits are allocated based on factors of either salary expense or actual employee expense. Overhead costs that include things such as professional services, office expenses, information technology, insurance, and other similar expenses are allocated on a variety of factors including revenues and departmental expense. Costs related to building and equipment usage include depreciation and interest and are allocated on a square footage or direct assignment basis. Expenses related to providing these services for the years ended September 30, 2023 and 2022, are as follows:

	2023			2022		
	Healthcare Services	General Administrative	Total	Healthcare Services	General Administrative	Total
Salaries and wages	\$ 12,957,349	\$ 1,923,077	\$ 14,880,426	\$ 11,949,428	\$ 1,796,186	\$ 13,745,614
Employee benefits	3,234,471	547,902	3,782,373	2,684,722	505,268	3,189,990
Supplies and other expenses	10,924,433	2,780,268	13,704,701	9,900,646	2,449,418	12,350,064
Depreciation	1,743,447	389,548	2,132,995	1,846,716	412,622	2,259,338
Interest	1,038,708	232,084	1,270,792	1,067,140	238,437	1,305,577
	<u>\$ 29,898,408</u>	<u>\$ 5,872,879</u>	<u>\$ 35,771,287</u>	<u>\$ 5,401,931</u>	<u>\$ 5,401,931</u>	<u>\$ 32,850,583</u>

Supplementary Consolidating Information

Midwest Medical Foundation and Affiliate

Consolidating Balance Sheets

<i>September 30,</i>	Midwest Medical Center	Midwest Medical Foundation	Consolidated Totals 2023	Comparative Totals 2022
ASSETS				
Current assets:				
Cash	\$ 2,633,321	\$ 27,002	\$ 2,660,323	\$ 3,223,898
Patient and resident receivables - Net	4,978,449	-	4,978,449	4,535,923
Other receivables	109,184	-	109,184	283,526
Inventories	481,747	13,816	495,563	488,014
Prepaid expenses	345,903		345,903	289,969
Total current assets	8,548,604	40,818	8,589,422	8,821,330
Assets limited as to use:				
Board designated for capital improvements	6,450,255	-	6,450,255	13,022,306
Restricted for medical scholarships	1,649,543	-	1,649,543	1,599,422
Funds held under bond trust indentures	9,321,158		9,321,158	-
Total assets limited as to use	17,420,956	-	17,420,956	14,621,728
Property and equipment - Net	23,638,337	-	23,638,337	19,987,298
Other assets	25,000	-	25,000	25,000
Total assets	\$ 49,632,897	\$ 40,818	\$ 49,673,715	\$ 43,455,356

Midwest Medical Foundation and Affiliate

Consolidating Balance Sheets (Continued)

<i>September 30,</i>	Midwest Medical Center	Midwest Medical Foundation	Consolidated Totals 2023	Comparative Totals 2022
LIABILITIES AND NET ASSETS				
Current liabilities:				
Current portion of long-term debt	\$ 1,053,734	\$ -	\$ 1,053,734	\$ 1,066,941
Accounts payable	972,366	-	972,366	1,098,953
Accrued expenses:				
Salaries and wages	1,052,977	-	1,052,977	717,025
Vacation	467,138	-	467,138	425,353
Amounts payable to third-party reimbursement programs	250,000	-	250,000	250,000
Security deposits	106,568	-	106,568	108,715
Deferred revenue	18,671	-	18,671	17,614
Total current liabilities	3,921,454	-	3,921,454	3,684,601
Long-term debt - Less current portion	38,070,340	-	38,070,340	33,681,703
Total liabilities	41,991,794	-	41,991,794	37,366,304
Net assets:				
Without donor restrictions	5,991,560	40,818	6,032,378	4,489,630
With donor restrictions	1,649,543	-	1,649,543	1,599,422
Total net assets	7,641,103	40,818	7,681,921	6,089,052
Total liabilities and net assets	\$ 49,632,897	\$ 40,818	\$ 49,673,715	\$ 43,455,356

See Independent Auditor's Report.

Midwest Medical Foundation and Affiliate

Consolidating Statements of Operations

<i>Years Ended September 30,</i>	Midwest Medical Center	Midwest Medical Foundation	Consolidated Totals 2023	Comparative Totals 2022
Revenue:				
Net patient and resident service revenue	\$ 33,763,402	-	33,763,402	31,028,678
Other operating revenue	2,958,404	-	2,958,404	3,681,667
Total revenue	36,721,806	-	36,721,806	34,710,345
Expenses:				
Salaries and wages	\$ 14,880,426	-	14,880,426	13,745,614
Employee benefits	3,782,373	-	3,782,373	3,189,990
Supplies and other expenses	13,704,701	-	13,704,701	12,350,064
Depreciation	2,132,995	-	2,132,995	2,259,338
Interest	1,270,792	-	1,270,792	1,305,577
Total expenses	35,771,287	-	35,771,287	32,850,583
Income from operations	950,519	-	950,519	1,859,762
Other income (expense):				
Contributions - Net	130,334	8,397	138,731	98,722
Interest income	467,983	-	467,983	262,307
Rental income	18,440	-	18,440	18,130
Rental expense, including depreciation expense	(27,399)	-	(27,399)	(28,844)
Loss on disposal of property and equipment	(5,526)	-	(5,526)	(880)
Total other income - Net	583,832	8,397	592,229	349,435
Revenue in excess of expenses	\$ 1,534,351	\$ 8,397	\$ 1,542,748	\$ 2,209,197

See Independent Auditor's Report.

Midwest Medical Foundation and Affiliate

Consolidating Statements of Changes in Net Assets

<i>Years Ended September 30,</i>	Midwest Medical Center	Midwest Medical Foundation	Consolidated Totals 2023	Comparative Totals 2022
Net assets without donor restrictions:				
Revenue in excess of expenses	\$ 1,534,351	\$ 8,397	\$ 1,542,748	\$ 2,209,197
Net assets with donor restrictions:				
Interest income	56,709	-	56,709	26,013
Loans forgiven	(6,588)	-	(6,588)	(3,723)
Increase in net assets with donor restrictions	50,121	-	50,121	22,290
Change in net assets	1,584,472	8,397	1,592,869	2,231,487
Net assets, beginning	6,056,631	32,421	6,089,052	3,857,565
Net assets, end	\$ 7,641,103	\$ 40,818	\$ 7,681,921	\$ 6,089,052

See Independent Auditor's Report.

Compliance

Midwest Medical Foundation and Affiliate

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2023

Federal Grantor/Program Title	Contract Number	Entity Passed Through	Federal Assistance Listing Number	Grantor's Time Period	Federal Expenditures
U.S. Department of Agriculture:					
Community Facilities Loans and Grants - USDA Direct Loan	N/A	Direct	10.766	October 1, 2022 to September 30, 2023	\$ 31,344,275
Community Facilities Loans and Grants - USDA Guaranteed	N/A	Direct	10.766	October 1, 2022 to September 30, 2023	2,854,874
Total U.S. Department of Agriculture					34,199,149
U.S. Department of Health and Human Services:					
Provider Relief and American Rescue Plan (ARP) Rural Distribution	N/A	Direct	93.498	January 1, 2020 to December 31, 2022	785,790
Medicare Rural Hospital Flexibility Program (FLEX)	N/A	Illinois Critical Access Hospital Network	93.912	October 1, 2022 to September 30, 2023	17,500
Small Rural Hospital Improvement Program (SHIP)	3640A	Illinois Critical Access Hospital Network	93.301	October 1, 2022 to September 30, 2023	11,938
Total U.S. Department of Health and Human Services					815,228
Total expenditures of federal awards					\$ 35,014,377

See Independent Auditor's Report.

See Notes to Schedule of Expenditures of Federal Awards.

Midwest Medical Foundation and Affiliate

Notes to Schedule of Expenditures of Federal Awards

Year Ended September 30, 2023

Note 1: Basis of Presentation

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

Note 2: Summary of Significant Accounting Policies

With the exception of expenditures related to the Provider Relief Fund ("PRF"), expenditures on the Schedule are reported on the accrual basis of accounting and are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The PRF is not subject to cost principles requirements contained in the Uniform Guidance. Expenditures reported on the Schedule for PRF are based on the PRF period of availability, terms and conditions of the PRF program, and amounts reported in the PRF portal for the reporting period 4, due March 31, 2023.

Note 3: Indirect Cost

The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Subrecipients

The Organization passed no federal awards through to subrecipients.

Note 5: Balance of Outstanding Loans

The loan balances outstanding at the beginning of the year are included in the federal expenditures presented in the Schedule. There were two new loans received during the year ended September 30, 2023 which totaled \$5,050,000 from the U.S. Department of Agriculture, Community Facilities Loans and Grants program. The balance reported below represents the outstanding and guaranteed outstanding balances as of the year ended September 30, 2023:

Program Title	Federal CFDA Number	Amount Outstanding
Community Facilities Loans and Grants	10.766	\$38,922,019

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Midwest Medical Foundation and Affiliate
Galena, Illinois

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Midwest Medical Foundation and Affiliate (the "Organization"), as of and for the year ended September 30, 2023 and the related notes to the consolidated financial statements, which collectively comprise the Organization's basic consolidated financial statements, and have issued our report thereon dated February 19, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

Midwest Medical Foundation and Affiliate's Response to Findings

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

Purpose of This Report

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

Wipfli LLP

Wipfli LLP
Eau Claire, Wisconsin
February 19, 2024

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Midwest Medical Foundation and Affiliate
Galena, Illinois

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Midwest Medical Foundation and Affiliate's (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibility for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Wipfli LLP

Wipfli LLP
Eau Claire, Wisconsin
February 19, 2024

Midwest Medical Foundation and Affiliate

Schedule of Findings and Questioned Costs

Year Ended September 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness identified?

☐ yes ☒ no

Significant deficiency(ies) identified?

☒ yes ☐ none reported

Noncompliance material to the financial statements?

☐ yes ☒ no

Federal Awards

Internal control over compliance:

Material weakness identified?

☐ yes ☒ no

Significant deficiency(ies) identified?

☐ yes ☒ none reported

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

Unmodified

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

☐ yes ☒ no

Identification of major federal programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
10.766	Community Facilities Loans and Grants
93.498	Provider Relief and American Rescue Plan (ARP) Rural Distribution

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

\$750,000

Auditee qualified as a low-risk auditee?

☐ yes ☒ no

Midwest Health Foundation and Affiliate

Schedule of Findings and Questioned Costs

Year Ended September 30, 2023

Section II - Financial Statement Findings

2023-001 Financial Accounting and Reporting

Condition – Midwest Health Foundation and Affiliate’s (the “Organization”) internal control over financial reporting does not end at the general ledger, but extends to the consolidated financial statements and notes. As part of our professional services for the year ended September 30, 2023, we were requested to draft the consolidated financial statements and accompanying notes to the consolidated financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Because the Organization relies on Wipfli LLP to provide the necessary understanding of current accounting and disclosure principles in the preparation of the consolidated financial statements and notes, completeness of financial reporting could be negatively impacted as external auditors do not have the same comprehensive understanding of the Organization as internal staff.

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

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

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

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

Midwest Health Foundation and Affiliate

Schedule of Findings and Questioned Costs (Continued)

Year Ended September 30, 2023

Section II - Financial Statement Findings (Continued)

2023-002 Segregation of Duties

Condition – Segregation of duties provides stronger internal controls by not allowing one person to have control and responsibility over a complete accounting system (cash receipts, cash disbursements, payroll and purchasing, receiving, and accounts payable). It was noted that certain individuals in the Organization have significant responsibilities or access within the information systems to many of the financial accounting cycles such as accounts payable, payroll, financial accounting, and reporting, which creates a concern over segregation of duties. Due to the small staff size in the accounting departments, a lack of segregation of duties exists. Some of the lack of segregation of duties also is noted when an employee is out on a leave of absence or extended leave and back-up staff often have overlapping access, oversight, or duties surrounding these processes and procedures. The areas noted of main concern were access within the information systems, as well as overlapping duties and access within the purchasing and registration areas of the Organization.

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

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

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

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

Section III - Federal Award Findings and Questioned Costs

None reported

Midwest Medical Foundation and Affiliate

Schedule of Prior Year Findings and Questioned Costs

Year Ended September 30, 2022

Section II – Financial Statement Findings

2022-001 Financial Accounting and Reporting

Condition – The Organization's internal control over financial reporting does not end at the general ledger, but extends to the consolidated financial statements and notes. As part of our professional services for the year ended September 30, 2022, we were requested to draft the consolidated financial statements and accompanying notes to the consolidated financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Because the Organization relies on Wipfli LLP to provide the necessary understanding of current accounting and disclosure principles in the preparation of the consolidated financial statements and notes, completeness of financial reporting could be negatively impacted as external auditors do not have the same comprehensive understanding of the Organization as internal staff.

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

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

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

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

Midwest Medical Foundation and Affiliate

Schedule of Prior Year Findings and Questioned Costs (Continued)

Year Ended September 30, 2022

Section II – Financial Statement Findings

2022-001 Segregation of Duties

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

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

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

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

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

Section III - Federal Award Findings and Questioned Costs

None reported

ATTACHMENT 36

Financial Viability

	Historical 3 Years			Projected	
	2021	2022	2023	2024	2025
Current Ratio	2.8	2.58	2.35	2.32	2.8
Net Margin Percentage	17.3%	6.41%	4.18%	7.70%	9.61%
Percent Debt to Total Capitalization	90%	85.89%	82.67%	80.20%	76.21%
Projected Debt Service Coverage	2.87	2.42	2.07	2.88	3.03
Days Cash on Hand	201.1	189.80	74.39	75.67	187.9
Cushion Ratio	.41	.48	.28	.21	.32

No worksheets were prepared with respect to the above-provided information; however, data from the Financial Feasibility Study prepared by Wipfli on behalf of Midwest Medical Foundation and Midwest Medical Center was utilized in the calculations, as described below. Relevant pages of the referenced Financial Feasibility Study are attached.

Specifically for year 2025:

Current Ratio: (Page 67 of the attached)

Current assets divided by current liabilities (listed on Pages 59 and 60 of the attached)

Net Margin Percentage: (Page 61 of the attached)

Revenue in excess (deficiency) of expenses divided by Total revenue

Percent Debt to Total Capitalization: (Page 67 of the attached)

Total liabilities (Page 60 of the attached) divided by Total Assets (Page 59 of the attached)

Projected Debt Service Coverage: Pages 66 and 67 of the attached

Days Cash on Hand: Pages 65 and 67 of the attached

Cushion Ratio: (Pages 60 and 65 of the attached)

Total available cash and cash equivalents divided by Long-term debt and capital lease obligations – Less current portion + Current portion of long-term debt and capital lease obligations



Midwest Medical Foundation and Affiliate

Galena, Illinois

Financial Feasibility Study

Years Ending September 30, 2022 Through 2026 (Forecasted)

WIPFLI

Midwest Medical Foundation and Affiliate

Section 6: Supplementary Information

September 30, 2017 Through 2021 (Historical)

September 30, 2022 Through 2026 (Forecasted)

Historical and Forecasted Financial Statements

Consolidated Balance Sheets

	Historical					Forecasted				
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Assets										
Current assets:										
Cash	\$ 1,523,324	\$ 2,167,660	\$ 2,401,326	\$ 10,243,015	\$ 5,130,329	\$ 5,109,992	\$ 5,592,260	\$ 5,878,623	\$ 6,280,153	\$ 6,722,366
Patient and resident receivables - Net	4,679,357	5,373,913	4,885,312	3,785,356	4,440,760	5,151,882	5,903,195	6,303,409	6,811,977	7,184,095
Other receivables	92,856	38,453	14,347	228,415	350,119	350,119	350,119	350,119	350,119	350,119
Inventories	398,902	382,740	378,343	393,868	476,463	221,727	246,946	259,465	273,731	285,435
Prepaid expenses	144,289	125,901	141,854	150,902	208,734	239,827	254,518	266,193	283,831	305,821
Total current assets	6,838,728	8,088,667	7,821,182	14,781,556	10,606,405	11,073,547	12,347,038	13,057,809	13,999,811	14,847,836
Assets limited as to use:										
Board designated funds:										
Designated for capital improvements	2,473,242	2,919,826	824,978	796,279	7,658,486	10,416,644	1,960,999	6,321,302	11,526,426	16,370,263
Designated for debt service - USDA Direct Loan, Series 2019	-	-	1,739,000	1,814,000	1,814,000	1,814,000	1,814,000	1,814,000	1,814,000	1,814,000
Under bond indenture agreement	5,034,213	5,085,682	-	-	-	-	-	-	-	-
Project fund - USDA Guaranteed Loan, Series 2023	-	-	-	-	-	-	4,970,266	50,000	-	-
Debt service reserve fund - USDA Direct Loan, Series 2023	-	-	-	-	-	-	-	-	24,834	124,169
Debt service reserve fund - USDA Guaranteed Loan, Series 2023	-	-	-	-	-	-	-	-	9,223	46,115
Restricted for medical scholarships	1,519,765	1,528,037	1,544,944	1,559,089	1,577,132	1,593,772	1,610,664	1,627,812	1,645,219	1,662,880
Total assets limited as to use	9,027,220	9,533,545	4,108,922	4,169,368	11,049,618	13,824,416	10,355,929	9,813,114	15,019,702	20,017,437
Property and equipment - Net	25,919,800	24,946,451	23,056,785	22,310,805	20,729,844	19,767,882	30,328,576	46,670,035	51,302,503	48,214,754
Other assets	6,484	6,561	6,561	6,562	2,500	2,500	2,500	2,500	2,500	2,500
TOTAL ASSETS	\$ 41,792,232	\$ 42,575,224	\$ 34,983,450	\$ 41,268,291	\$ 42,388,367	\$ 44,668,345	\$ 53,034,043	\$ 69,543,458	\$ 80,324,516	\$ 83,082,527

The historical financial statements presented in this section are the responsibility of Organization management. Certain line items have been reclassified from the available audited financial statements for comparison purposes.
See Independent Accountant's Feasibility Study Report.

Midwest Medical Foundation and Affiliate

Section 6: Supplementary Information

September 30, 2017 Through 2021 (Historical)

September 30, 2022 Through 2026 (Forecasted)

Consolidated Balance Sheets (Continued)

Liabilities and Net Assets (Deficit)	Historical					Forecasted				
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Current liabilities:										
Current portion of long-term debt and capital lease obligations	\$ 600,139	\$ 806,295	\$ 599,987	\$ 1,081,145	\$ 1,119,416	\$ 1,066,939	\$ 1,131,699	\$ 1,182,363	\$ 1,549,660	\$ 1,638,907
Current portion of Paycheck Protection Program loan payable	-	-	-	1,484,536	-	-	-	-	-	-
Accounts payable	784,012	802,402	874,108	966,343	930,294	1,068,871	1,134,348	1,186,382	1,264,989	1,352,994
Accrued expenses:										
Salaries and wages	289,877	377,701	454,269	775,022	661,011	788,394	884,208	928,637	998,351	1,063,249
Vacation	256,258	282,442	297,359	324,703	411,761	491,111	550,796	578,472	621,899	662,325
Interest	1,467,956	1,450,489	481,250	-	-	-	-	-	-	-
Amounts payable to third-party reimbursement programs	100,000	400,000	270,000	300,000	550,000	550,000	550,000	550,000	550,000	550,000
Security deposits	97,132	99,793	87,904	84,703	95,786	95,786	95,786	95,786	95,786	95,786
Deferred revenue	290,044	290,044	309,159	1,158,973	19,162	18,226	18,226	18,226	18,226	18,226
Total current liabilities	3,885,418	4,509,166	3,374,036	6,175,425	3,787,430	4,079,327	4,365,063	4,539,866	5,098,911	5,391,487
Long-term liabilities:										
Long-term debt and capital lease obligations - Less current portion	42,550,520	42,615,776	35,869,845	35,831,689	34,743,372	33,686,744	38,144,081	50,347,214	56,115,771	54,497,480
Paycheck Protection Program loan payable	-	-	-	913,564	-	-	-	-	-	-
Deferred revenue	605,138	306,601	-	-	-	-	-	-	-	-
Total long-term liabilities	43,155,658	42,922,327	35,869,845	36,745,253	34,743,372	33,686,744	38,144,081	50,347,214	56,115,771	54,497,480
Total liabilities	47,041,076	47,431,493	39,243,881	42,920,678	38,530,802	37,766,071	42,509,144	54,887,080	61,214,682	59,888,967
Net assets (deficit):										
Without donor restrictions	(6,768,179)	(6,384,202)	(5,795,375)	(3,211,476)	2,280,433	5,308,502	8,914,235	13,028,566	17,464,615	21,530,670
With donor restrictions	1,519,335	1,527,933	1,544,944	1,559,089	1,577,132	1,593,772	1,610,664	1,627,812	1,645,219	1,662,890
Total net assets (deficit)	(5,248,844)	(4,856,269)	(4,250,431)	(1,652,387)	3,857,565	6,902,274	10,524,899	14,656,378	19,109,834	23,193,560
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ 41,792,232	\$ 42,575,224	\$ 34,993,450	\$ 41,268,291	\$ 42,388,367	\$ 44,668,345	\$ 53,034,043	\$ 69,543,458	\$ 80,324,516	\$ 83,082,527

The historical financial statements presented in this section are the responsibility of Organization management. Certain line items have been reclassified from the available audited financial statements for comparison purposes.
See Independent Accountant's Feasibility Study Report.

Midwest Medical Foundation and Affiliate

Section 6: Supplementary Information

For the Years Ended September 30, 2017 Through 2021 (Historical)
For the Years Ending September 30, 2022 Through 2026 (Forecasted)

Schedule of Financial Ratios

Days Cash on Hand

	Historical					Forecasted				
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Cash	\$ 1,523,324	\$ 2,167,660	\$ 2,401,326	\$ 10,243,015	\$ 5,130,329	\$ 5,109,992	\$ 5,592,260	\$ 5,878,623	\$ 6,280,153	\$ 6,722,366
Board designated funds	2,473,242	2,919,826	2,563,978	2,610,279	9,472,486	12,230,644	3,774,999	8,135,302	13,340,426	18,184,263
Under bond indenture agreement	5,034,213	5,085,682	-	-	-	-	-	-	-	-
Debt service reserve fund - USDA Direct Loan, Series 2023	-	-	-	-	-	-	-	-	24,834	124,169
Debt service reserve fund - USDA Guaranteed Loan, Series 2023	-	-	-	-	-	-	-	-	9,223	46,115
Total available cash and cash equivalents (1)	9,030,779	10,173,168	4,965,304	12,853,294	14,602,813	17,340,636	9,367,239	14,013,925	19,654,636	25,075,913
Operating expense	23,748,274	24,906,270	24,966,705	25,871,455	28,905,082	33,428,852	36,562,946	38,712,863	41,949,354	44,982,150
Less:										
Depreciation expense	2,401,902	2,232,933	2,310,053	2,434,579	2,394,839	2,943,069	2,543,366	2,951,247	3,745,091	4,087,749
Amortization expense	57,404	24,070	18,337	10,310	10,311	10,311	10,311	13,057	20,616	20,616
Adjusted expenses (2)	\$ 21,288,968	\$ 22,649,267	\$ 22,638,315	\$ 23,426,566	\$ 26,499,932	\$ 31,075,472	\$ 34,009,269	\$ 35,748,559	\$ 38,183,647	\$ 40,873,785
Days in year (3)	365	365	365	366	365	365	365	366	365	365
Days cash on hand ((1) divided by (2)) times (3)	154.8	163.9	80.1	200.8	201.1	203.7	100.5	143.5	187.9	223.9

The historical financial statements presented in this section are the responsibility of Organization management. Certain line items have been reclassified from the available audited financial statements for comparison purposes.
See Independent Accountant's Feasibility Study Report.

Midwest Medical Foundation and Affiliate

Section 6: Supplementary Information

For the Years Ended September 30, 2017 Through 2021 (Historical)

For the Years Ending September 30, 2022 Through 2026 (Forecasted)

Annual Debt Service Coverage

	Historical					Forecasted				
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Funds available for debt service:										
Change in net assets (deficit)	\$ (540,334)	\$ 392,575	\$ 605,838	\$ 2,598,044	\$ 5,509,952	\$ 3,044,709	\$ 3,622,625	\$ 4,131,479	\$ 4,453,456	\$ 4,083,726
Plus:										
Depreciation expense	2,401,902	2,237,933	2,310,053	2,434,579	2,394,839	2,343,069	2,543,366	2,951,247	3,745,091	4,087,749
Interest expense	2,993,832	2,940,001	2,227,543	1,350,963	1,347,377	1,315,862	1,288,847	1,276,218	1,490,279	2,187,088
Funded interest	-	-	-	-	-	-	135,417	509,128	696,874	-
Loss on sale of assets	-	-	3,587	12,942	37,964	-	-	-	-	-
Less:										
Gain on loan forgiveness	25,000	-	672,886	-	2,398,100	-	-	-	-	-
Gain on sale of assets	500	-	-	-	-	-	-	-	-	-
Total funds available for debt service (1)	4,829,900	5,565,509	4,474,135	6,396,518	6,892,032	6,703,640	7,390,255	8,868,072	10,385,700	10,358,563
Annual debt service (2)	\$ 3,543,961	\$ 3,620,352	\$ 8,197,524	\$ 1,928,370	\$ 2,397,423	\$ 2,424,967	\$ 2,541,492	\$ 2,903,988	\$ 3,428,859	\$ 3,716,132
Annual debt service coverage [(1) divided by (2)]	1.36	1.54	0.55	3.32	2.87	2.76	2.99	3.05	3.03	2.79
	Historical					Forecasted				
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
(2) Annual debt service										
Principal payments:										
Existing long-term debt and capital lease obligations	\$ 574,200	\$ 704,421	\$ 5,988,318	\$ 587,718	\$ 1,060,357	\$ 1,119,416	\$ 1,066,939	\$ 945,099	\$ 977,125	\$ 975,167
USDA Direct Loan, Series 2023	-	-	-	-	-	-	-	-	79,959	336,405
USDA Guaranteed Loan, Series 2023	-	-	-	-	-	-	-	-	11,038	45,968
New capital lease obligation	-	-	-	-	-	-	60,600	186,600	194,200	202,100
Interest payments:										
Existing long-term debt and capital lease obligations	2,969,761	2,915,931	2,209,206	1,340,652	1,337,066	1,305,551	1,265,536	1,228,961	1,193,494	1,157,901
Construction loan	-	-	-	-	-	-	-	184,128	453,124	-
USDA Direct Loan, Series 2023	-	-	-	-	-	-	-	-	168,378	666,943
USDA Guaranteed Loan, Series 2023	-	-	-	-	-	-	135,417	325,000	324,941	322,928
New capital lease obligation	-	-	-	-	-	-	13,000	34,200	26,600	18,700
Total annual debt service	\$ 3,543,961	\$ 3,620,352	\$ 8,197,524	\$ 1,928,370	\$ 2,397,423	\$ 2,424,967	\$ 2,541,492	\$ 2,903,988	\$ 3,428,859	\$ 3,716,132

The historical financial statements presented in this section are the responsibility of Organization management. Certain line items have been reclassified from the available audited financial statements for comparison purposes. See Independent Accountant's Feasibility Study Report.

Midwest Medical Foundation and Affiliate

Section 6: Supplementary Information

For the Years Ended September 30, 2017 Through 2021 (Historical)
For the Years Ending September 30, 2022 Through 2026 (Forecasted)

Other Key Financial Ratios

	Historical					Almanac		Flex	Forecasted				
	2017	2018	2019	2020	2021	(1)	(2)		2022	2023	2024	2025	2026
Profitability Indicators:													
Operating margin	-2.7%	1.0%	-1.1%	8.6%	9.0%	10.1%	6.0%	3.2%	7.7%	8.3%	9.2%	9.1%	7.7%
Total margin	-2.3%	1.6%	2.5%	9.2%	17.4%	13.4%	6.8%	3.3%	8.4%	9.1%	9.7%	9.7%	8.4%
Cash flow margin	7.6%	9.7%	10.9%	17.0%	24.5%	N/A	N/A	7.3%	14.3%	14.9%	16.3%	17.4%	16.2%
Return on equity	10.7%	-7.6%	-12.9%	-87.5%	498.1%	18.0%	17.5%	10.2%	56.3%	41.4%	32.7%	26.3%	19.2%
EBIDA	21.3%	22.2%	20.8%	22.5%	29.1%	8.2%	4.6%	N/A	18.5%	18.7%	19.6%	21.0%	21.3%
Liquidity Indicators:													
Current ratio	1.8	1.8	2.3	2.4	2.8	1.7	1.8	1.8	2.7	2.8	2.9	2.8	2.8
Days cash on hand less Government Stimulus Funds (4)	68.5	82.0	80.1	145.2	201.1	96	47	123	203.7	100.5	143.5	187.9	223.9
Days cash on hand - All Funds (5)	154.8	163.9	80.1	200.8	201.1	139	92	N/A	203.7	100.5	143.5	187.9	223.9
Net days revenue in net patient and resident accounts receivable	80.0	83.6	78.1	60.6	57.8	51.4	47.7	42.2	57.8	57.8	57.8	57.8	57.8
Capital structure indicators:													
Equity financing	-12.6%	-11.4%	-12.1%	-4.0%	9.1%	64.0%	74.7%	60.8%	15.5%	19.8%	21.1%	23.8%	27.9%
Debt service coverage	1.36	1.54	0.55	3.32	2.87	N/A	N/A	2.2%	2.76	2.99	3.05	3.03	2.79
Long-term debt to capitalization	114%	113%	113%	105%	90%	24%	27%	24%	83%	78%	77%	75%	70%
Revenue indicators:													
Outpatient revenue to total revenue	63.6%	61.3%	62.1%	64.5%	68.8%	N/A	N/A	87.2%	68.8%	67.9%	65.2%	66.4%	67.2%
Inpatient revenue to total revenue	12.9%	16.8%	17.8%	18.0%	18.3%	N/A	N/A	12.8%	19.3%	22.4%	21.6%	20.9%	20.7%
Contractual adjustment percent	26.8%	27.0%	30.4%	32.9%	33.9%	N/A	N/A	49.4%	34.0%	36.6%	36.8%	36.2%	35.7%
Cost indicators:													
Salaries to total expenses	36.5%	36.8%	38.8%	39.9%	39.9%	N/A	N/A	44.0%	41.2%	42.2%	42.0%	41.5%	41.2%
Average age of plant	11.6	13.2	13.8	13.5	14.4	12.5	13.2	13.2	15.7	15.5	14.3	12.3	12.3
FTE's per adjusted occupied bed (excluding LTC)	4.0	3.9	4.0	4.3	4.0	3.8	5.4	5.8	4.4	4.3	4.2	4.3	4.3

(1) Optum 360 Almanac of Hospital Financial and Operating Indicators - CAH - East North Central, which includes Illinois, Indiana, Michigan, Ohio, and Wisconsin, 2/15/2022 data

(2) Optum 360 Almanac of Hospital Financial and Operating Indicators - Michigan Hospitals, 2/15/2022 data

(3) Michigan: May 2022 Flex Monitoring Team Data Summary Report No. 33, CAH Financial Indicators

(4) "Government Stimulus Funds" pertains to government stimulus funds received from legislation enacted in 2020 due to the COVID-19 Global Pandemic (such as the CARES Act and COVID-19 related funding, the PPP Loan, and also Medicare Accelerated and Advance Payments described herein)

(5) Includes assets limited as to use internally designated and assets limited as to use held for the USDA Direct Loan's debt service reserve fund

The historical financial statements presented in this section are the responsibility of Organization management. Certain line items have been reclassified from the available audited financial statements for comparison purposes.

See Independent Accountant's Feasibility Study Report.

ATTACHMENT 37

Economic Feasibility

A. Reasonableness of Financing Arrangements

See attached letter.

B. Conditions of Debt Financing

See attached letter.

C. Reasonableness of Project and Related Costs

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

See following page.



midwest MEDICAL CENTER

September 19, 2024

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

Re: Reasonableness of Financing Arrangements and Conditions of Debt Financing

Dear Ms. Savage:

With respect to the surgery room construction project for Midwest Medical Center that is the basis for the submission of the Certificate of Need Permit Application to which this letter is attached, I hereby attest that the total estimated project costs and related costs will be funded in total or in part by borrowing because a portion or all the cash and equivalents must be retained in the balance sheet asset accounts to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities.

I further attest that the selected form of debt financing for the project will be at the lowest net cost available.

If you have any questions, please let me know.

Sincerely,

Tracy Bauer
CEO and President
Midwest Medical Center

Subscribed and sworn to before me this 19th day of September, 2024.

Signature of Notary Public



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

Midwest Health Clinic
1 Medical Center Drive, Galena, IL 61036
117 N. Main Street, Elizabeth, IL 61028
(815) 776-7381 or (815) 858-2238
Page 206

Midwest Senior Care
215 Summit Street, Galena, IL 61036
(815) 776-7254
1054081\322442094.v1
Attachment 37

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (List below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Mod.	Gross Sq. Ft. New Circ.*		Gross Sq. Ft. Mod. Circ.*		Const. \$ (A x C)	Mod. \$ (B x E)	
Surgery	\$650	\$650	5,850		6,660		\$3,799,918	\$4,326,053	\$8,125,971
Site Development	\$329,820	\$	1		0		\$329,820	\$	\$329,820
Contingencies	\$216,934	\$	1		0		\$216,934	\$	\$216,934
Construction Mgmt Fees	\$325,358	\$	1		0		\$325,358	\$	\$325,358
Professional Services	\$651,917	\$	1		0		\$651,917	\$	\$651,917
Owner Items	\$700,000	\$	1		0		\$700,000	\$	\$700,000
TOTALS									\$10,350,000
* Include the percentage (%) of space for circulation									

D. Projected Operating Costs

2025 – Operating Costs \$41, 949,354

2026 – Operating Costs \$44,982,150

E. Total Effect of the Project on Capital Costs

2025 – Capital Costs \$4,632,468

2026 – Capital Costs (\$3,087,749)

ATTACHMENT 39

Charity Care Information

CHARITY CARE			
	2023	2022	2021
Net Patient Revenue	33,763,402	31,028,678	23,266,965
Amount of Charity Care (charges)	224,434	326,913	382,845
Cost of Charity Care	137,000	196,000	224,000