

ORIGINAL

25-005

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FEB 07 2025

LONG-TERM CARE
APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION
This Section must be completed for all projects.

ILLINOIS HEALTH FACILITIES & SERVICES REVIEW BOARD

DESCRIPTION OF PROJECT

Project Type

[Check one]

[check one]

<input type="checkbox"/> General Long-term Care <input checked="" type="checkbox"/> Specialized Long-term Care	<input type="checkbox"/> Establishment of a new LTC facility <input type="checkbox"/> Establishment of new LTC services <input checked="" type="checkbox"/> Expansion of an existing LTC facility or service <input type="checkbox"/> Modernization of an existing facility
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Narrative Description

Provide in the space below, a brief narrative description of the project. Explain **WHAT** is to be done, **NOT WHY** it is being done. If the project site does NOT have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive. **Include: the number and type of beds involved; the actions proposed (establishment, expansion and/or modernization); the ESTIMATED total project cost and the funding source(s) for the project.**

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

The Applicants received a certificate of need permit for Project No. 22-049 on March 21, 2023 for the expansion and modernization of the MC/DD facility with a permit amount of \$11,732,913. Due to unforeseen cost escalations due to expansion of the scope of the Project, the Project costs increased by more than 7 percent of the approved permit amount for Project. No. 22-049. Based on technical assistance received from State Board staff, the construction related to the adult building modernization will continue under the permit for Project. No. 22-049, which will be relinquished upon approval of this certificate of need application. With the prompt review and approval of this Project, the Applicants will not exceed the approved permit amount for Project No. 22-049 prior to the issuance of the certificate of need ("CON") permit for this application.

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

The total project cost is \$14,821,679 and will be funded with \$4,321,679 in cash and \$10,500,000 in debt.

Facility/Project Identification

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

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

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

Type of Ownership (Applicant/Co-Applicants)

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

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

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

Primary Contact**[Person to receive ALL correspondence or inquiries]**

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

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

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

Facility/Project Identification

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

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

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

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Address: 1S450 Wyatt Drive, Geneva, Illinois 60134
Telephone Number: 630-593-5476
E-mail Address: gfonger@marklund.org
Fax Number:

Post Permit Contact

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

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

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Marklund Children's Home
Address of Site Owner: 1S450 Wyatt Drive, Geneva, Illinois 60134
Street Address or Legal Description of Site: 1435 Summit Street, Elgin, Illinois 60120
Proof of ownership or control of the site is to be provided as . Examples of proof of ownership are property tax statement, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease or a lease.
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: Marklund Children's Home d/b/a Marklund Wasmond Center
Address: 1435 Summit Street, Elgin, Illinois 60120
<input checked="" type="checkbox"/> Non-profit Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> For-profit Corporation <input type="checkbox"/> Governmental <input type="checkbox"/> Limited Liability Company <input type="checkbox"/> Sole Proprietorship <input type="checkbox"/> Other
<ul style="list-style-type: none"> ○ Corporations and limited liability companies must provide an Illinois Certificate of Good Standing. ○ Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner. ○ Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.
APPEND DOCUMENTATION AS ATTACHMENT-3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Organizational Relationships

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

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

Flood Plain Requirements

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2006-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements, please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at www.FEMA.gov 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>). Before an application for permit involving construction will be deemed **COMPLETE** the applicant must **attest** that the project is or is not in a flood plain, and that the location of the proposed project complies with the Flood Plain Rule under Illinois Executive Order #2006-5.

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

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

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

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

State Agency Submittals

The following submittals are up to date, as applicable:

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

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

CERTIFICATION

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:

- 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 for Permit is filed on the behalf of Marklund Children's Home d/b/a Marklund Wasmond Center* in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the permit application fee required for this application is sent herewith or will be paid upon request.



SIGNATURE

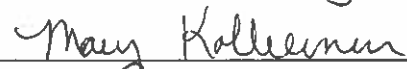
Gilbert Fonger

PRINTED NAME

President & CEO

PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 21 day of January


Signature of Notary

Seal





SIGNATURE


Mike Herlihy

PRINTED NAME

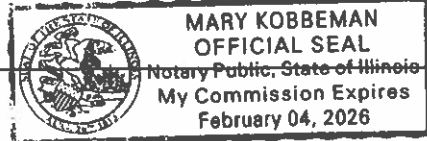
Chair, Board of Directors

PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 21 day of January


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Seal



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



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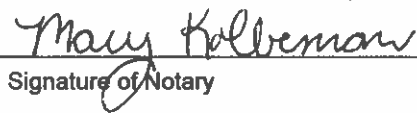
Gilbert Fonger

PRINTED NAME

President & CEO

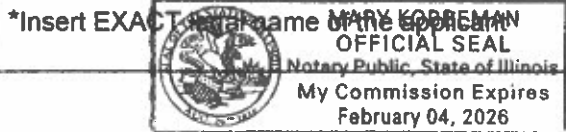
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 21 day of January



Signature of Notary

Seal





SIGNATURE

Mike Herlihy

PRINTED NAME

Chair, Board of Directors

PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 21 day of January



Signature of Notary

Seal



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

This Section is applicable to ALL projects.

Criterion 1125.320 – Purpose of the Project

READ THE REVIEW CRITERION and provide the following required information:

PURPOSE OF PROJECT

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

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

NOTE: Information regarding the "Purpose of the Project" will be included in the State Board Report. APPEND DOCUMENTATION AS ATTACHMENT-10, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. Each item (1-6) must be identified in Attachment 10.

Criterion 1125.330 – Alternatives

READ THE REVIEW CRITERION and provide the following required information:

ALTERNATIVES

1. Identify **ALL** of the alternatives to the proposed project:

Alternative options **must** include:

 - a. Proposing a project of greater or lesser scope and cost;
 - b. Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;
 - c. Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and
 - d. Provide the reasons why the chosen alternative was selected.
2. Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of total costs, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long

term. This may vary by project or situation. **FOR EVERY ALTERNATIVE IDENTIFIED THE TOTAL PROJECT COST AND THE REASONS WHY THE ALTERNATIVE WAS REJECTED MUST BE PROVIDED.**

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

APPEND DOCUMENTATION AS ATTACHMENT-11, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION III – BED CAPACITY, UTILIZATION AND APPLICABLE REVIEW CRITERIA

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

Criterion 1125.510 – Introduction

Bed Capacity

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

Indicate bed capacity changes by Service:

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

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

Utilization

Utilization for the most current CALENDAR YEAR:

Category of Service	Year	Admissions	Patient Days
<input type="checkbox"/> General Long Term Care			
<input checked="" type="checkbox"/> Specialized Long-Term Care	2023	5	21,844

Applicable Review Criteria - Guide

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

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

GENERAL LONG-TERM CARE

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

SPECIALIZED LONG-TERM CARE

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

	Appendix D	Project Status and Completion Schedule
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SECTION IV - SERVICE SPECIFIC REVIEW CRITERIA

GENERAL LONG-TERM CARE

Criterion 1125.520 – Background of the Applicant

BACKGROUND OF APPLICANT

The applicant shall provide:

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.
2. A listing of all health care facilities currently owned and/or operated in Illinois, by any corporate officers or directors, LLC members, partners, or owners of at least 5% of the proposed health care facility.
3. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant, directly or indirectly, during the three years prior to the filing of the application. Please provide information for each applicant, including corporate officers or directors, LLC members, partners and owners of at least 5% of the proposed facility. A health care facility is considered owned or operated by every person or entity that owns, directly or indirectly, an ownership interest.
4. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. **Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**
5. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest the information has been previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

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

Criterion 1125.530 - Planning Area Need

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

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

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

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

1. **Historical Service Demand**
 - a. An average annual occupancy rate that has equaled or exceeded occupancy standards for general LTC, as specified in Section 1125.210(c), for each of the latest two years.
 - b. If prospective residents have been referred to other facilities in order to receive the subject services, the applicant shall provide documentation of the referrals, including completed applications that could not be accepted due to lack of the subject service and documentation from referral sources, with identification of those patients by initials and date.
2. **Projected Referrals**

The applicant shall provide documentation as described in Section 1125.540(d).
3. **If a projected demand for service is based upon rapid population growth in the applicant facility's existing market area** (as experienced annually within the latest 24-month period), the projected service demand shall be determined as described in Section 1125.540 (e).

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

Criterion 1125.590 - Staffing Availability

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

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

Criterion 1125.600 Bed Capacity

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

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

Criterion 1125.620 - Project Size

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

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

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

Criterion 1125.640 - Assurances

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

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

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

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

1. Community Related Functions

Read the criterion and submit the following information:

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

2. Availability of Ancillary and Support Services

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

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

3. Recommendation from State Departments

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

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

Read the criterion and submit the following information:

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

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

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

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

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

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

Availability of Funds

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

<u>\$4,321,679</u>	<p>a. Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:</p> <ol style="list-style-type: none"> 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;
_____	<p>b. Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.</p>
_____	<p>c. Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;</p>
<u>\$10,500,000</u>	<p>d. Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including:</p> <ol style="list-style-type: none"> 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.
\$14,821,679	TOTAL FUNDS AVAILABLE	

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

Financial Viability

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

Financial Viability Waiver

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

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

See Section 1120.130 Financial Waiver for information to be provided

APPEND DOCUMENTATION AS ATTACHMENT-28, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

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

Provide Data for Projects Classified as:	Category A or Category B (last three years)			Category B (Projected)
Enter Historical and/or Projected Years:				
Current Ratio				
Net Margin Percentage				
Percent Debt to Total Capitalization				
Projected Debt Service Coverage				
Days Cash on Hand				
Cushion Ratio				

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

2. Variance

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

APPEND DOCUMENTATION AS ATTACHMENT 29, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Economic Feasibility

This section is applicable to all projects

A. Reasonableness of Financing Arrangements

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

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

B. Conditions of Debt Financing

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

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

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

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

COST AND GROSS SQUARE FEET BY SERVICE									
Area (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Mod.	Gross Sq. Ft. New	Circ.*	Gross Sq. Ft. Mod.	Circ.*	Const. \$ (A x C)	Mod. \$ (B x E)	
Contingency									
TOTALS									
* Include the percentage (%) of space for circulation									
<p>D. Projected Operating Costs</p> <p>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.</p>									
<p>E. Total Effect of the Project on Capital Costs</p> <p>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.</p>									
<p>APPEND DOCUMENTATION AS ATTACHMENT - 30, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</p>									

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

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

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs	\$151,510	\$4,027	\$155,537
Site Survey and Soil Investigation	\$8,467	\$446	\$8,913
Site Preparation	\$330,889	\$17,415	\$348,304
Off Site Work			
New Construction Contracts	\$7,857,955	\$413,577	\$8,271,532
Modernization Contracts	\$2,412,529	\$87,100	\$2,499,629
Contingencies	\$785,795	\$41,358	\$827,153
Architectural/Engineering Fees	\$580,606	\$30,558	\$611,164
Consulting and Other Fees	\$130,637	\$6,876	\$137,513
Movable or Other Equipment (not in construction contracts)	\$1,069,318	\$38,020	\$1,107,338
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment			
Other Costs To Be Capitalized	\$813,154	\$41,442	\$854,596
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	\$14,140,860	\$680,819	\$14,821,679
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$4,132,783	\$188,896	\$4,321,679
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages	\$10,008,077	\$491,923	\$10,500,000
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	\$14,140,860	\$680,819	\$14,821,679

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

Table 1120.110			
Project Cost	Clinical	Non-Clinical	Total
Preplanning			
Legal	\$75,000	\$0	\$75,000
Development & Feasibility Studies	\$25,706	\$1,353	\$27,059
Space Planning	\$50,804	\$2,674	\$53,478
Site Survey & Soil Investigation			
Soil/Environmental Survey	\$8,467	\$446	\$8,913
Site Preparation			
Concrete	\$115,759	\$6,093	\$121,852
Utilities	\$20,279	\$1,067	\$21,346
Grading and Earthwork	\$194,851	\$10,255	\$205,106
New Construction Contracts			
Core/Shell	\$6,867,971	\$361,472	\$7,229,443
Build Out	\$989,984	\$52,105	\$1,042,089
Modernization			
Existing Rooms Refurbishment	\$2,412,529	\$87,100	\$2,499,629
Contingencies			
Core/Shell	\$605,672	\$31,878	\$637,550
Build Out	\$87,306	\$4,595	\$91,901
Site/Soils	\$92,817	\$4,885	\$97,702
Architectural/Engineering Fees			
Structural Vaults	\$580,606	\$30,558	\$611,164
Consulting and Other Fees			
City Permits	\$130,637	\$6,876	\$137,513
Moveable and Other Equipment			
Fixed Medical	\$910,993		\$910,993
Furniture/Fixtures/Equipment	\$158,325		\$158,325
Information Technology		\$38,020	\$38,020
Other Costs to be Capitalized			
Miscellaneous Fees – Walsh, IDPH, Reed	\$27,873	\$111	\$27,984
Surface Parking Lots	\$719,070	\$37,846	\$756,916
Net Book Value of Equipment to be Transferred from Other Locations	\$66,211	\$3,485	\$69,696
Total Project Costs	\$14,140,860	\$680,819	\$14,821,679

APPENDIX B

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	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Purchase Price: \$	_____	
Fair Market Value: \$	_____	
The project involves the establishment of a new facility or a new category of service		
	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If yes, provide the dollar amount of all non-capitalized operating start-up costs (including operating deficits through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.		
Estimated start-up costs and operating deficit cost is \$ _____.		

APPENDIX C

Project Status and Completion Schedules

Indicate the stage of the project's architectural drawings:

- | | |
|---|--|
| <input type="checkbox"/> None or not applicable | <input type="checkbox"/> Preliminary |
| <input checked="" type="checkbox"/> Schematics | <input type="checkbox"/> Final Working |

Anticipated project completion date (refer to Part 1130.140): December 31, 2025

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

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

APPENDIX D**Cost/Space Requirements**

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

Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
CLINICAL							
Residential	\$14,140,860	24,700	41,843	17,143	24,700		
Total Review	\$14,140,860	24,700	41,483	17,143	24,700		
NON CLINICAL							
Administrative/ Maintenance	\$680,819	1,300	2,202	902	1,300		
Total Non-clinical	\$680,819	1,300	2,202	902	1,300		
TOTAL	\$14,821,679	26,000	44,045	18,045	26,000		



APPENDIX E

SPECIAL FLOOD HAZARD AREA AND 500 YEAR FLOOD PLAIN DETERMINATION FORM

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

1. Applicant: Marklund Children's Home d/b/a Marklund Wasmond Center 1435 Summit Street
 (Name) (Address)
 Elgin Illinois 60120 847-741-1609
 (City) (State) (ZIP Code) (Telephone Number)

2. Project Location: 1435 Summit Street Elgin, Illinois
 (Address) (City) (State)
 Cook Hanover
 (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

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

FIRM Panel Number: _____ Effective Date: _____
 Name of Official: _____ Title: _____
 Business/Agency: _____ Address: _____

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

Signature: _____ Date: _____

National Flood Hazard Layer FIRMette

88°14'30"W 42°2'59"N



88°13'53"W 42°2'32"N

1:6,00028

Feet

2,000

1,500

1,000

500

0

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

Legend

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

SPECIAL FLOOD HAZARD AREAS

- Without Base Flood Elevation (BFE)
Zone A, I, XSS
- With BFE or Depth Zone AE, AO, AH, VE, AR
- Regulatory Floodway

0.2% Annual Chance Flood Hazard, Areas of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile *Zone X*

Future Conditions 1% Annual Chance Flood Hazard *Zone X*

Area with Reduced Flood Risk due to Levee. See Notes. *Zone A*

Area with Flood Risk due to Levee *Zone D*

NO SCREEN Area of Minimal Flood Hazard *Zone X*

Effective LOMFRS

Area of Undetermined Flood Hazard *Zone D*

Channel, Culvert, or Storm Sewer

Levee, Dike, or Floodwall

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

Digital Data Available

No Digital Data Available

Unmapped



MAP PANELS



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

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

The flood hazard information is derived directly from the authoritative NFHL web services provided by FEMA. This map was exported on 11/23/2022 at 3:44 PM and does not reflect changes or amendments subsequent to this date and time. The NFHL and effective information may change or become superseded by new data over time.

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

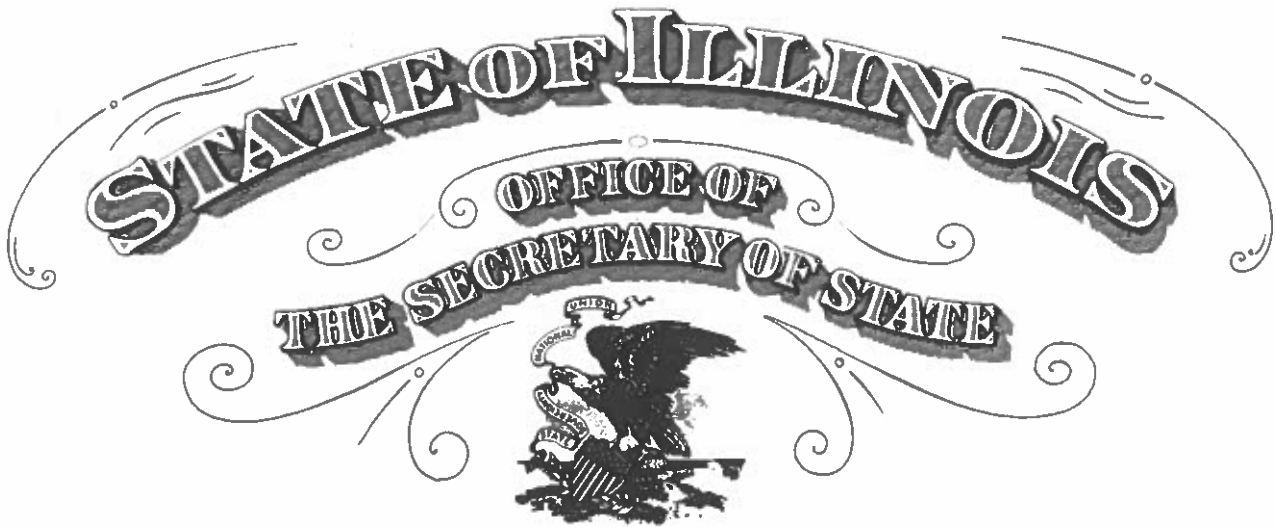
Section I, Identification, General Information, and Certification

Applicants

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

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

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



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

MARKLUND CHILDREN'S HOME, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON NOVEMBER 28, 1960, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 2ND day of JANUARY A.D. 2025 .



Authentication #: 2500201812 verifiable until 01/02/2026
Authenticate at: <https://www.ilsos.gov>

Alexi Giannoulas
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

MARKLUND CHARITIES, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON APRIL 02, 1996, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 2ND day of JANUARY A.D. 2025 .

Authentication #: 2500201876 verifiable until 01/02/2026
Authenticate at: <https://www.ilsos.gov>

Alexi Giannoulas
SECRETARY OF STATE

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

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

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

RE: Attestation of Site Ownership

Dear Chair Savage:


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

Sincerely,



Gilbert Fonger
President & CEO
Marklund Children's Home

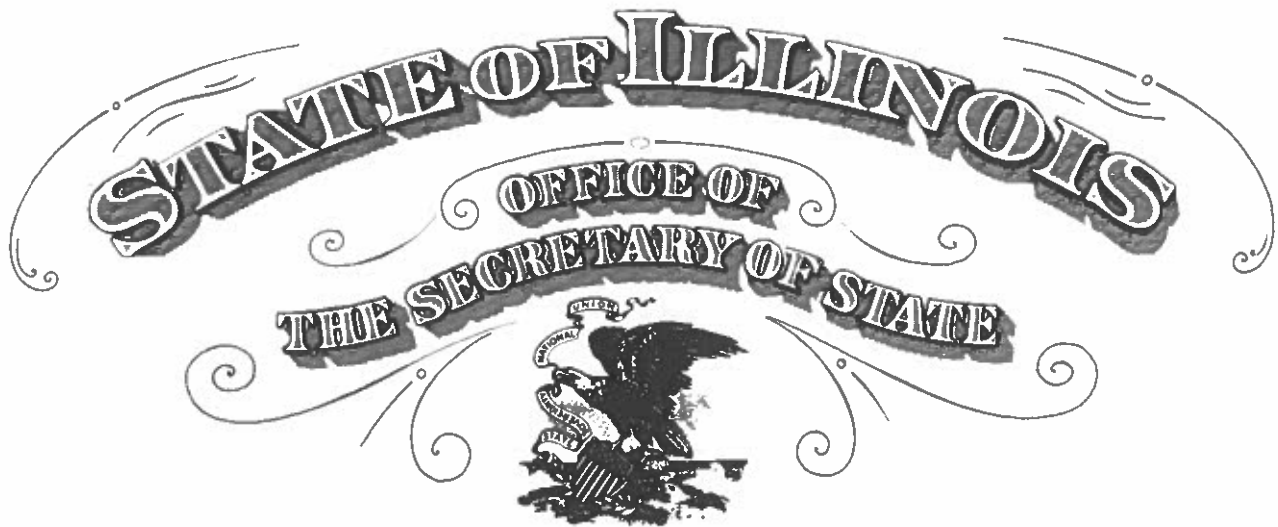
Subscribed and sworn to me
This 21 day of January, 2025



Notary Public

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

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



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

MARKLUND CHILDREN'S HOME, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON NOVEMBER 28, 1960, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 2ND day of JANUARY A.D. 2025 .

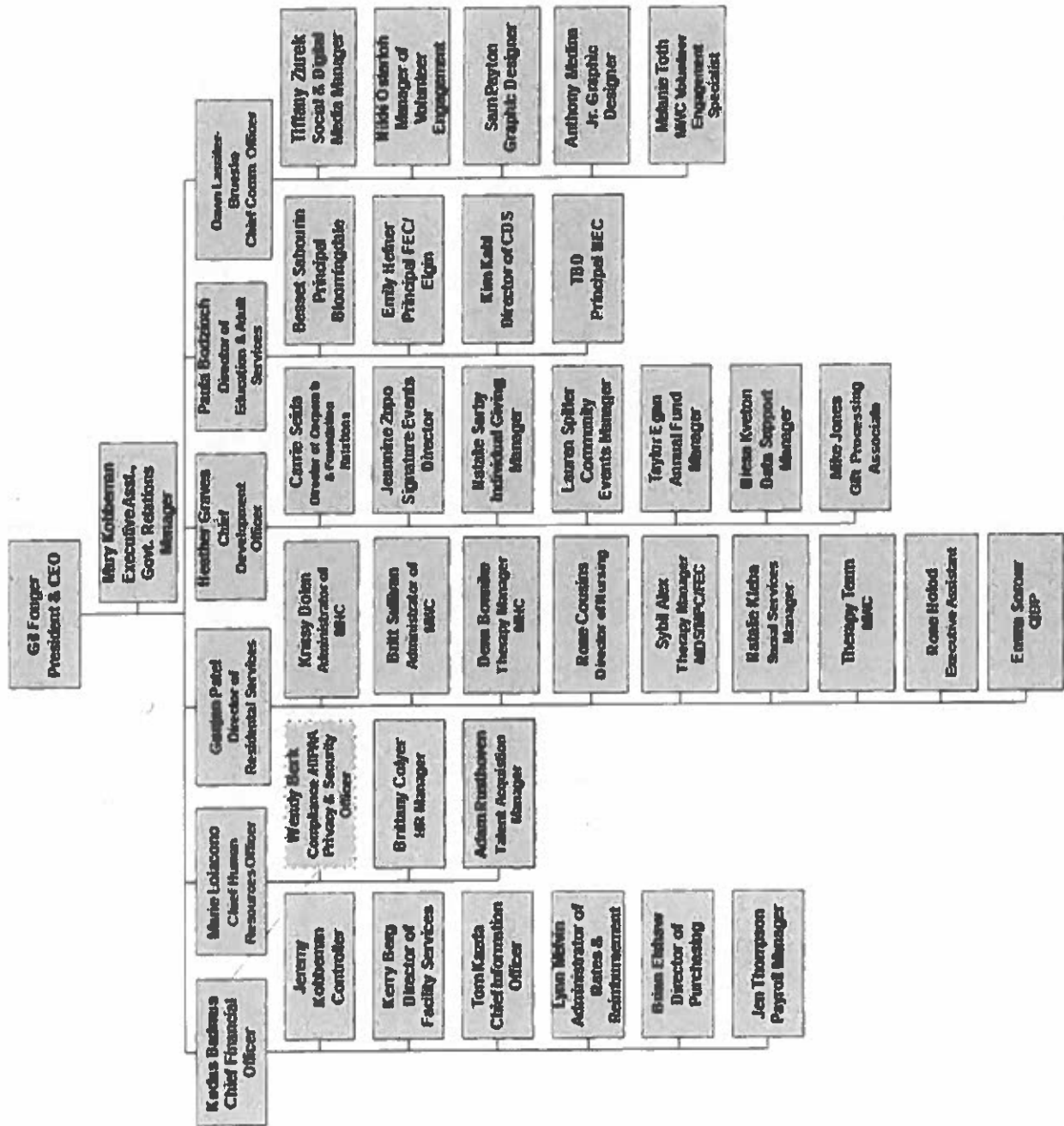


Authentication #: 2500201812 verifiable until 01/02/2026
Authenticate at: <https://www.ilsos.gov>

Alexi Giannoulas
SECRETARY OF STATE

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

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



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

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

National Flood Hazard Layer FIRMette



88°14'30"W 42°2'59"N



88°13'53"W 42°2'32"N

Feet



1:6,00039

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

Legend

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

	Without Base Flood Elevation (BFE) Zone A, V, AE, AR
	With BFE or Depth Zone AE, AO, AH, VE, AR
	Regulatory Floodway
	0.2% Annual Chance Flood Hazard, Areas of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile Zone X
	Future Conditions 1% Annual Chance Flood Hazard Zone X
	Area with Reduced Flood Risk due to Levee. See Notes. Zone A
	Area with Flood Risk due to Levee Zone D
	NO SCREEN
	Area of Minimal Flood Hazard Zone X
	Effective LOMRS
	Area of Undetermined Flood Hazard Zone D
	Channel, Culvert, or Storm Sewer
	Levee, Dike, or Floodwall
	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
	Digital Data Available
	No Digital Data Available
	Unmapped



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

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

The flood hazard information is derived directly from the authoritative NFHL web services provided by FEMA. This map was exported on 11/23/2022 at 3:44 PM and does not reflect changes or amendments subsequent to this date and time. The NFHL and effective information may change or become superseded by new data over time.

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

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

The Historic Preservation Act determination from the Illinois Historic Preservation Agency is attached at Attachment – 6.



Illinois Department of Natural Resources

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

JB Pritzker, Governor
Colleen Callahan, Director

**Cook County
Elgin**

**CON - 24-Bed Expansion of Medically Complex/Skilled Nursing Facility, Marklund Children's Home
d/b/a Marklund Wasmond Center
1435 Summit St.
SHPO Log #014121422**

January 6, 2023

**Anne Cooper
Polsinelli
150 N. Riverside Plaza, Suite 3000
Chicago, IL 60606-1599**

Dear Ms. Cooper:

This letter is to inform you that we have reviewed the information provided concerning the referenced project.

Our review of the records indicates that no historic, architectural or archaeological sites exist within the project area.

Please retain this letter in your files as evidence of compliance with Section 4 of the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420/1 et. seq.). 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**

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

Purpose of Project

1. The purpose of the Project, to address high demand for MC/DD services has not changed since the CON application for Project. No. 22-049 was approved at the March 21, 2023 State Board meeting. The project purpose narrative is substantially similar to the narrative for Project No. 22-049 apart from the more detailed description of the expanded scope of the Project. See Paragraph 4 for a description of the expanded scope of the Project.

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

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

Since construction of the Project began, the scope of the project was expanded to include renovating the Isolation Room, and some revisions were due to comments made by the City of Elgin and IDPH during plan review. Finally, revisions were made due to existing conditions being discovered that were not code compliant, which was the case when the existing medical vacuum system was found to need complete replacement.

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

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

Table 1125.320(a)						
Marklund Wasmond Center & Marklund Philip Center Utilization						
2019 - 2023						
	2019	2020	2021	2022	2023	Average
Marklund Wasmond Center						
Beds	57	61	61	61	61	61
Admissions	4	-	8	9	5	5
Discharges	4	1	4	9	11	6
Days	20,599	20,847	21,109	21,499	21,844	21,180
Utilization	99%	99%	95%	97%	98%	95%
Marklund Philip Center						
Beds	30	30	30	30	30	30
Admissions	1	2	2	2	2	2
Discharges	3	1	2	1	3	2
Days	7,343	7,099	7,112	7,516	7,435	7,301
Utilization	67%	65%	65%	69%	68%	67%
Total Days	27,942	27,946	28,221	29,015	29,279	28,481
Average Daily Census	76.6	76.4	77.3	79.5	80.2	78.0
Total Beds Justified	82	82	86	88	89	87

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

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

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

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

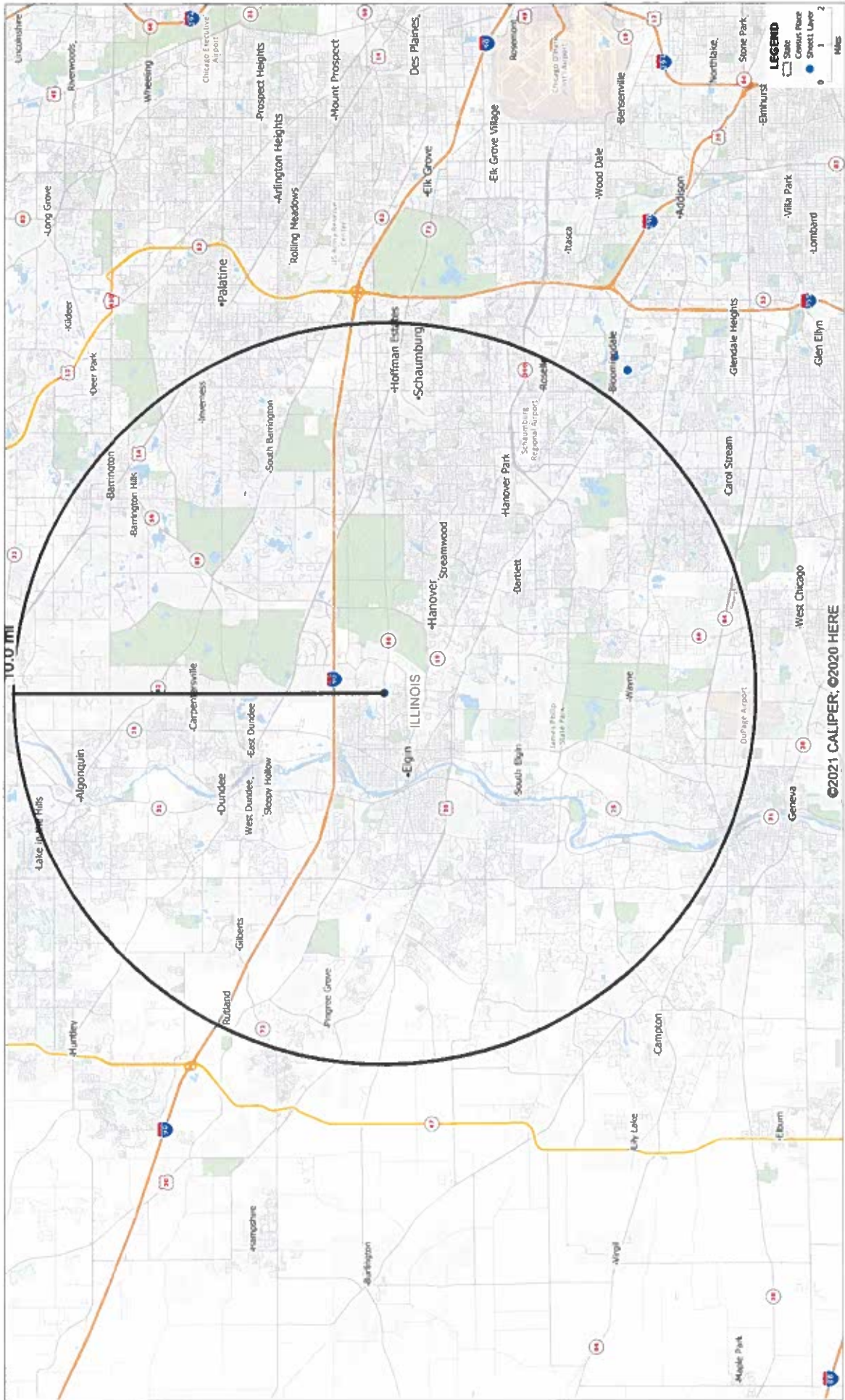
4. Sources

Illinois Health Facilities and Services Review Board, LTC Facility Profiles (2019 – 2021).

Marklund Wasmond Center Annual Long-Term Care Facility Questionnaire (2022 – 2023)

Marklund Philip Center Annual Long-Term Care Facility Questionnaire (2022 – 2023)

5. Upon completion of the project, residents of the Marklund Philip Center will transfer to the newly expanded Marklund Wasmond Center. Consolidation of Marklund Wasmond Center and Marklund Philip Center, which are approximately 11 miles apart, will allow Marklund to expand access to these highly specialized services to a greater number of residents without a significant increase in new staff (staff of Marklund Philip Center are expected to transfer to Marklund Wasmond Center once the expansion is complete), create economies of scale, integrate clinical, administrative and support functions, and eliminate functional redundancies between the two facilities.
6. Marklund anticipates Marklund Wasmond Center will achieve 90% utilization within two years of project completion.



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

Alternatives

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

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

Do Nothing/Maintain Status Quo

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

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

Table 1125.330						
Marklund Wasmond Center & Marklund Philip Center Utilization						
2019 - 2023						
	2019	2020	2021	2022	2023	Average
Marklund Wasmond Center						
Beds	57	61	61	61	61	61
Admissions	4	-	8	9	5	5
Discharges	4	1	4	9	11	6
Days	20,599	20,847	21,109	21,499	21,844	21,180
Utilization	99%	99%	95%	97%	98%	95%
Marklund Philip Center						
Beds	30	30	30	30	30	30
Admissions	1	2	2	2	2	2
Discharges	3	1	2	1	3	2
Days	7,343	7,099	7,112	7,516	7,435	7,301

Table 1125.330 Marklund Wasmond Center & Marklund Philip Center Utilization 2019 - 2023						
	2019	2020	2021	2022	2023	Average
Utilization	67%	65%	65%	69%	68%	67%
Total Days	27,942	27,946	28,221	29,015	29,279	28,481
Average Daily Census	76.6	76.4	77.3	79.5	80.2	78.0
Total Beds Justified	82	82	86	88	89	87

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

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

There is no capital cost with this alternative.

Utilize Other Facilities

As noted above, Marklund Wasmond Center is one of ten MC/DD facilities in the State of Illinois. Importantly, there is no MC/DD facility within Marklund Wasmond Center's 10-mile geographic service area. Alden Village Health Facility for Children and Young Adults, which is just outside the Marklund Wasmond Center geographic service area, is also highly utilized averaging 94% occupancy from 2018 – 2023. Accordingly, this alternative was not selected because there are no other facilities in the area that can accommodate additional patients.

There is no capital cost with this alternative.

Relocate Marklund Philip Center and Expand Marklund Wasmond Center

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

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

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

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

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

The cost of this alternative is **\$14,821,679**.

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

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

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



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

EFFECTIVE DATE	EXPIRATION DATE	LICENSE NUMBER	STATUS
8/31/2024	8/30/2026	0054445	Unrestricted
Category: Long Term Care			
MC / DD Capacity	61	Total Licensed Beds	61

LICENSEE NAME MARKLUND CHILDREN'S HOME

LICENSEE BUSINESS NAME
MARKLUND WASMOND CENTER
1435 SUMMIT STREET
ELGIN Illinois 60120

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

RE: Adverse Action

Dear Chair Savage:

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

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

Sincerely,



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

Subscribed and sworn to me
This 21 day of January, 2025



Notary Public



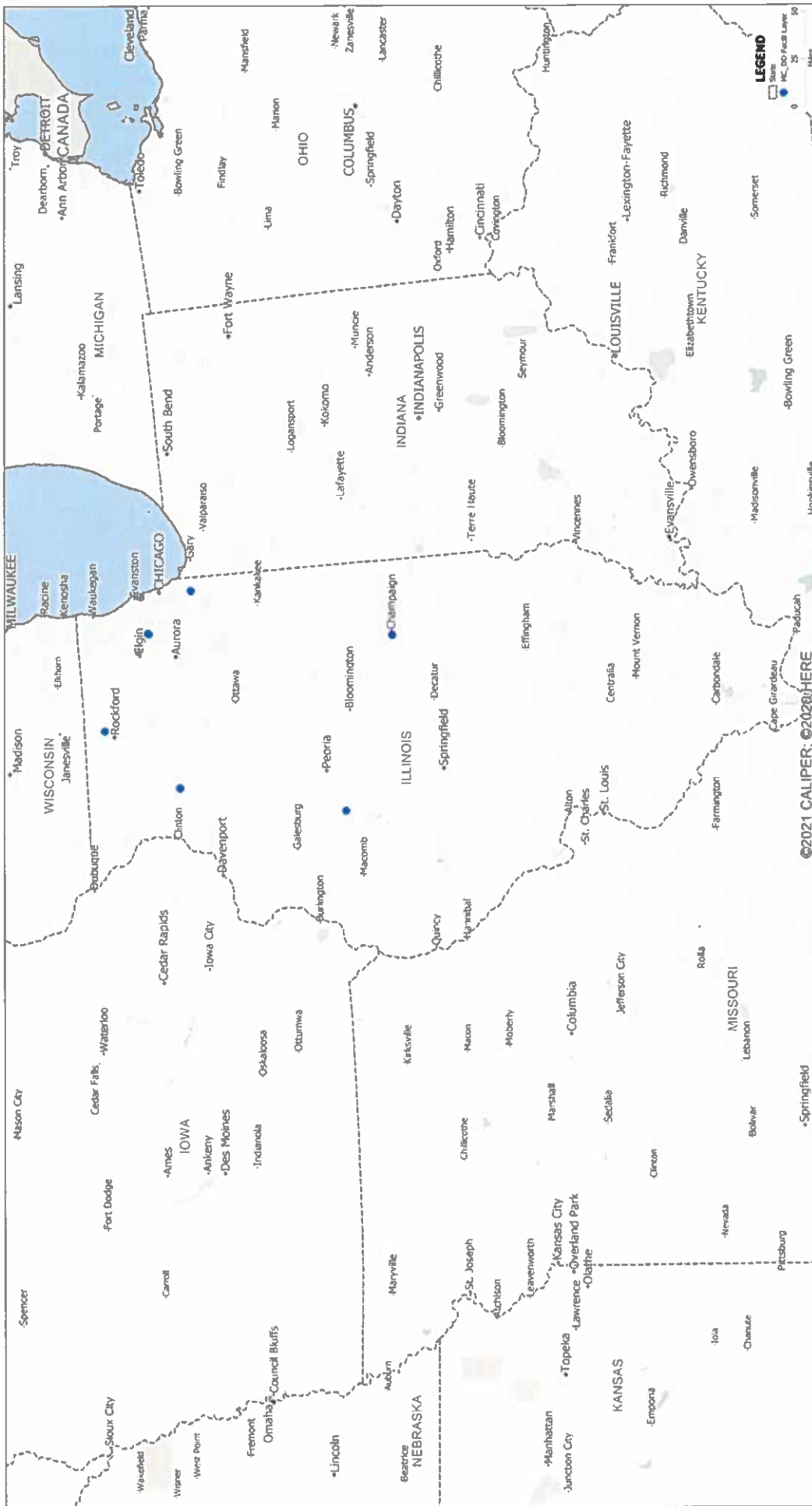
**Section III, General Long-Term Care
Criterion 1125.530(b), Planning Area Need**

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

Table 1125.530(b) Marklund Wasmond Center Residents by Zip Code of Residence		
Zip Code	City	Residents
02903	Providence, RI	1
27517	Chapel Hill, NC	1
30909	Augusta, GA	1
32835	Orlando, FL	1
34104	Naples, FL	1
34134	Bonita Springs, FL	1
34481	Ocala, FL	1
35750	Hazelgreen, AL	1
35824	Huntsville, AL	1
53402	Racine, WI	1
60005	Arlington Heights	1
60016	Des Plaines	4
60047	Lake Zurich	1
60050	McHenry	1
60061	Vernon Hills	1
60067	Palatine	1
60069	Lincolnshire	1
60074	Palatine	1
60089	Buffalo Grove	1
60101	Addison	1
60103	Bartlett	2
60107	Streamwood	1
60110	Carpentersville	1
60118	West Dundee	2
60120	Elgin	3
60123	Elgin	2
60126	Elmhurst	1
60133	Hanover Park	1
60147	St. Charles	1
60154	Westchester	2
60156	Lake in the Hills	1
60173	Schaumburg	1
60177	South Elgin	1
60181	Villa Park	1
60193	Schaumburg	2
60419	Dolton	1
60443	Matteson	1
60445	Midlothian	1
60448	Mokena	1
60452	Oak Forest	1

Table 1125.530(b)		
Marklund Wasmond Center		
Residents by Zip Code of Residence		
Zip Code	City	Residents
60453	Oak Lawn	1
60458	Justice	2
60473	South Holland	1
60505	Aurora	1
60532	Lisle	1
60540	Naperville	1
60542	North Aurora	2
60565	Naperville	1
60615	Chicago	1
60643	Chicago	1
60649	Chicago	1
60707	Chicago	1
60714	Niles	1
61448	Knoxville	1
61701	Bloomington	1
61832	Danville	1
76262	Roanoke, TX	1
Total		69

Table 1125.530(b)		
Marklund Phillip Center		
Residents by Zip Code of Residence		
Zip Code	City	Residents
32832	Orlando, FL	1
60016	Des Plaines	4
60067	Palatine	1
60085	Waukegan	1
60118	West Dundee	1
60126	Elmhurst	1
60137	Glen Ellyn	1
60185	West Chicago	1
60187	Wheaton	1
60190	Winfield	1
60431	Joliet	1
60446	Romeoville	1
60527	Willowbrook	1
60563	Naperville	1
60634	Chicago	1
60914	Bourbonnais	1
Total		19



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

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

Table 1125.550						
Marklund Wasmond Center & Marklund Philip Center Utilization						
2019 - 2023						
	2019	2020	2021	2022	2023	Average
Marklund Wasmond Center						
Beds	57	61	61	61	61	61
Admissions	4	-	8	9	5	5
Discharges	4	1	4	9	11	6
Days	20,599	20,847	21,109	21,499	21,844	21,180
Utilization	99%	99%	95%	97%	98%	95%
Marklund Philip Center						
Beds	30	30	30	30	30	30
Admissions	1	2	2	2	2	2
Discharges	3	1	2	1	3	2
Days	7,343	7,099	7,112	7,516	7,435	7,301
Utilization	67%	65%	65%	69%	68%	67%
Total Days	27,942	27,946	28,221	29,015	29,279	28,481
Average Daily Census	76.6	76.4	77.3	79.5	80.2	78.0
Total Beds Justified	82	82	86	88	89	87

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

January 2, 2025

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

Re: Marklund Wasmond Center Expansion

Dear Chair Savage:

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

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

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

Marklund Philip Center currently cares for 20 residents with profound developmental disabilities. Many of our residents are non-ambulatory and have severe cognitive disabilities due to genetic disorders, complications during pregnancy and delivery, or other issues. Others acquired disabilities during infancy or childhood through tragic accidents. Many have complex medical problems that require 24-hour skilled nursing care and regular therapy interventions. Once the expansion is complete, all residents at Marklund Philip Center are expected to transfer to Marklund Wasmond Center.

Attachment - 15

Ms. Debra Savage
January 2, 2025
Page 2

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

Sincerely,



Gilbert Fonger
President & CEO
Marklund Children's Home

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

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

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

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

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

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

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

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

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

Re: Assurances

Dear Chair Savage:

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

Sincerely,

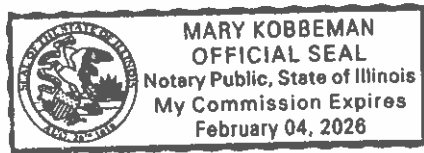


Gilbert Fonger
President & CEO
Marklund Children's Home

Subscribed and sworn to me
This 21 day of January, 2025



Notary Public



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

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

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

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

RAJA KRISHNAMOORTHY
8TH DISTRICT, ILLINOIS

115 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515

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

1701 EAST WOODFIELD ROAD, SUITE 704
SCHAUMBURG, IL 60173

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

www.krishnamoorthi.house.gov

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

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STRATEGIC TECHNOLOGIES &
ADVANCED RESEARCH

INTELLIGENCE MODERNIZATION &
READINESS

December 9, 2022

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

Dear Chairwoman Savage,

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

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

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

Sincerely,


Raja Krishnamoorthi
Member of Congress

ILLINOIS HOUSE OF REPRESENTATIVES

COMMITTEES:

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



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

ANNA C. MOELLER
STATE REPRESENTATIVE • 43RD DISTRICT

9 December 2022

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

Re: Marklund Wasmond Center

Dear Chair Savage,

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

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

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

Sincerely,

A handwritten signature in cursive script that reads "Anna Moeller".

Anna Moeller
State Representative, IL-43



**Stritch School
of Medicine**

December 8, 2022

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

Re: Marklund Wasmond Center

Dear Chair Savage:

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

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

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

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

Sincerely,

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

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

Attached at Attachment – 26D-1 is a letter of support from the Illinois Department of Human Services.

Attached at Attachments – 26D-2 and 26D-3 are copies of letters to the Illinois Department of Human Services and Illinois Department of Public Health requesting a determination that the proposed expansion of Marklund Wasmond Center is consistent with the Departments' long-range goals and objectives.



JB Pritzker, Governor

Grace B. Hou, Secretary

Developmental Disabilities
600 East Ash • Building 400 • Springfield, IL 62703

March 7, 2023

Gilbert Fonger
President & CEO
Marklund
15450 Wyatt Drive
Geneva, IL 60134

Dear Mr. Fonger:

This letter is in response to the letter written by Anne Cooper of Polsinelli on Marklund's behalf, requesting a letter of support for the expansion of Marklund's medically complex for developmentally disabled (MC/DD) facility, Marklund Wasmond Center, located at 1435 Summit Street, Elgin, IL 60120. Per the letter, Marklund is seeking to expand the MC/DD facility by 24 beds, from its existing 61 beds to 85 beds.

We understand that the expansion of the Marklund Wasmond Center is being done in concert with the closure of the Marklund Philip Center, a 30-bed facility located at 164 South Prairie Avenue, Bloomingdale, Illinois 60108. We understand that the Wasmond Center is Marklund's more modern facility while the Philip Center is an older, smaller facility. We understand that expanding the Wasmond Center will allow Marklund to expand access to the more specialized services available at this facility. We also understand that these two (2) facilities are only eleven (11) miles apart, allowing Marklund to continue to provide services to the individuals currently residing at the Philip Center at the Wasmond Center once it is expanded.

While national best practice standards call for the development and creation of services that are home-based or provided in small residential settings, we do understand the need for more medical facilities to serve and support those youth with more complex support needs. We also understand the important role Marklund has played over the course of its history in serving and supporting these youth and giving them a meaningful life.

Given the above information regarding the reasons for the expansion of Marklund Wasmond Center, combined with the closure of Marklund Philip Center, the Department of Human Services, is in support of your application for expansion of the Marklund Wasmond Center.

Sincerely,

Sarah Myerscough-Mueller
Interim Director
IDHS Division of Developmental Disabilities

CC: Grace Hou, Secretary, IDHS
John Kniery, Administrator, Illinois Health Facilities and Services Review Board
Anne M. Cooper, Polsinelli



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

January 28, 2025

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

Via Certified Mail

Dulce M. Quintero
Secretary Designate
Illinois Department of Human Services
600 East Ash, Building 400
Springfield, Illinois 62703

Re: Marklund Wasmond Center Expansion Certificate of Need Application

Dear Secretary Designate Quintero:

I am writing on behalf of my client Marklund Children’s Home d/b/a Marklund Wasmond Center (“Marklund”) to notify the Illinois Department of Human Services (the “Department”) of Marklund’s intent to file a certificate of need application with the Illinois Health Facilities and Services Review Board for a 24-bed expansion of its existing 61-bed Medically Complex/Skilled Nursing (MC/DD) facility located at 1435 Summit Street, Elgin, Illinois 60120 (the “Project”).

Marklund received a certificate of need permit for the Project on March 21, 2023 for the expansion and modernization of the MC/DD facility. Due to unforeseen cost escalations due to expansion of the scope of the Project, the Project costs increased by more than 7 percent of the approved permit amount. Based on technical assistance received from Illinois Health Facilities and Service Review Board staff, the construction related to the adult building modernization will continue under the existing permit, which will be relinquished upon approval of the new certificate of need application. Refiling of the certificate of need application will not delay construction, with the expansion expected to be completed by the end of the year

While the Department previously provided a letter in support of the Project for the initial certificate of need application (see attached letter), we must obtain a new letter for the certification of need application. Accordingly, Marklund requests: (1) a determination that the proposed expansion is consistent with the Department’s long-range goals and objectives and (2) the Department identify individuals in need of MC/DD services.

Marklund serves infants, children, teens and adults with serious and profound developmental disabilities and special healthcare needs. Many Marklund residents are non-ambulatory and have severe cognitive disabilities due to genetic disorders, complications during

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Polsinelli PC, Polsinelli LLP in California



Secretary Designate Quintero
January 28, 2025
Page 2

pregnancy and delivery, or other issues. Others acquired disabilities during infancy or childhood through tragic accidents. Many have complex medical problems that require 24-hour skilled nursing care and regular therapy interventions

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

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

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

Sincerely,

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

Anne M. Cooper

cc: Tonya Piephoff, Director, Division of Developmental Disabilities

Attachment



JB Pritzker, Governor

Grace B. Hou, Secretary

Developmental Disabilities
600 East Ash • Building 400 • Springfield, IL 62703

March 7, 2023

Gilbert Fonger
President & CEO
Marklund
1S450 Wyatt Drive
Geneva, IL 60134

Dear Mr. Fonger:

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While national best practice standards call for the development and creation of services that are home-based or provided in small residential settings, we do understand the need for more medical facilities to serve and support those youth with more complex support needs. We also understand the important role Marklund has played over the course of its history in serving and supporting these youth and giving them a meaningful life.

Given the above information regarding the reasons for the expansion of Marklund Wasmond Center, combined with the closure of Marklund Philip Center, the Department of Human Services, is in support of your application for expansion of the Marklund Wasmond Center.

Sincerely,

Sarah Myerscough-Mueller
Interim Director
IDHS Division of Developmental Disabilities

CC: Grace Hou, Secretary, IDHS
John Kniery, Administrator, Illinois Health Facilities and Services Review Board
Anne M. Cooper, Polsinelli

USPS CERTIFIED MAIL

Polsinelli
150 N Riverside Plaza, Suite 3000
Chicago, IL 60606



9414 8149 0305 5743 0247 62

Dulce M. Quintero
Illinois Department of Human Services
600 East Ash
Building 400
Springfield, IL 62703-3273

Shipper Ref: Chicago

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January 28, 2025

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FAQs



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

January 28, 2025

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

Via Certified Mail

Director Elizabeth M. Whitehorn
Illinois Department of Healthcare and Family
Services
401 South Clinton Street
Chicago, Illinois 60607

Re: Marklund Wasmond Center Expansion Certificate of Need Application

Dear Director Whitehorn:

I am writing on behalf of my client Marklund Children’s Home d/b/a Marklund Wasmond Center (“Marklund”) to notify the Illinois Department of Healthcare and Family Services (the “Department”) of Marklund’s intent to file a certificate of need application with the Illinois Health Facilities and Services Review Board for a 24-bed expansion of its existing 61-bed Medically Complex/Skilled Nursing (MC/DD) facility located at 1435 Summit Street, Elgin, Illinois 60120 (the “Project”).

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Polsinelli PC, Polsinelli LLP in California



Director Elizabeth M. Whitehorn
January 28, 2025
Page 2

through tragic accidents. Many have complex medical problems that require 24-hour skilled nursing care and regular therapy interventions

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

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

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

Sincerely,

A handwritten signature in cursive script that reads "Anne M. Cooper".

Anne M. Cooper

USPS CERTIFIED MAIL

Polsinelli
150 N Riverside Plaza, Suite 3000
Chicago, IL 60606



9414 8149 0305 5743 0247 79

Director Elizabeth M. Whitehorn
Illinois Department of Healthcare & Family Services
401 S CLINTON ST
CHICAGO, IL 60607-3800

Shipper Ref: Chicago

Section III, Specialized Long-Term Care

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

1. A map of the market area of Marklund Wasmond Center is attached at Attachment – 10. The market area encompasses an approximate 10-mile radius around Marklund Wasmond Center. The boundaries of the market area are as follows:
 - North approximately 10 miles to Trout Valley
 - Northwest approximately 10 miles to Gilberts
 - West approximately 10 miles to North Plato
 - Southwest approximately 10 miles to Campton Hills
 - South approximately 10 miles to West Chicago
 - Southeast approximately 10 miles to Bloomingdale
 - East approximately 10 miles to Schaumburg
 - Northwest approximately 10 miles to Inverness

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

Table 1125.720(e) Marklund Wasmond Center Residents by Zip Code of Residence		
Zip Code	City	Residents
02903	Providence, RI	1
27517	Chapel Hill, NC	1
30909	Augusta, GA	1
32835	Orlando, FL	1
34104	Naples, FL	1
34134	Bonita Springs, FL	1
34481	Ocala, FL	1
35750	Hazelgreen, AL	1
35824	Huntsville, AL	1
53402	Racine, WI	1
60005	Arlington Heights	1
60016	Des Plaines	4
60047	Lake Zurich	1
60050	MCHenry	1
60061	Vernon Hills	1
60067	Palatine	1
60069	Lincolnshire	1
60074	Palatine	1
60089	Buffalo Grove	1
60101	Addison	1
60103	Bartlett	2
60107	Streamwood	1
60110	Carpentersville	1
60118	West Dundee	2
60120	Elgin	3
60123	Elgin	2
60126	Elmhurst	1

Table 1125.720(e)		
Marklund Wasmond Center		
Residents by Zip Code of Residence		
Zip Code	City	Residents
60133	Hanover Park	1
60147	St. Charle	1
60154	Westchester	2
60156	Lake in the Hills	1
60173	Schaumburg	1
60177	South Elgin	1
60181	Villa Park	1
60193	Schaumburg	2
60419	Dolton	1
60443	Matteson	1
60445	Midlothian	1
60448	Mokena	1
60452	Oak Forest	1
60453	Oak Lawn	1
60458	Justice	2
60473	South Holland	1
60505	Aurora	1
60532	Lisle	1
60540	Naperville	1
60542	North Aurora	2
60565	Naperville	1
60615	Chicago	1
60643	Chicago	1
60649	Chicago	1
60707	Chicago	1
60714	Niles	1
61448	Knoxville	1
61701	Bloomington	1
61832	Danville	1
76262	Roanoke, TX	1
Total		69

Table 1125.720(e)		
Marklund Phillip Center		
Residents by Zip Code of Residence		
Zip Code	City	Residents
32832	Orlando, FL	1
60016	Des Plaines	4
60067	Palatine	1
60085	Waukegan	1
60118	West Dundee	1
60126	Elmhurst	1
60137	Glen Ellyn	1
60185	West Chicago	1
60187	Wheaton	1
60190	Winfield	1
60431	Joliet	1
60446	Romeoville	1

Table 1125.720(e) Marklund Philip Center Residents by Zip Code of Residence		
Zip Code	City	Residents
60527	Willowbrook	1
60563	Naperville	1
60634	Chicago	1
60914	Bourbonnais	1
Total		19

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

Table 1125.720(e)(5) Marklund Wasmond Center & Marklund Philip Center Utilization 2019 - 2023						
	2019	2020	2021	2022	2023	Average
Marklund Wasmond Center						
Beds	57	61	61	61	61	61
Admissions	4	-	8	9	5	5
Discharges	4	1	4	9	11	6
Days	20,599	20,847	21,109	21,499	21,844	21,180
Utilization	99%	99%	95%	97%	98%	95%
Marklund Philip Center						
Beds	30	30	30	30	30	30
Admissions	1	2	2	2	2	2
Discharges	3	1	2	1	3	2
Days	7,343	7,099	7,112	7,516	7,435	7,301
Utilization	67%	65%	65%	69%	68%	67%
Total Days	27,942	27,946	28,221	29,015	29,279	28,481
Average Daily Census	76.6	76.4	77.3	79.5	80.2	78.0
Total Beds Justified	82	82	86	88	89	87

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

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

Section V, Financial Feasibility
Criterion 1120.120 Availability of Funds

The project will be funded by cash and an \$10.5 million line of credit. Copies of the most recent three years of audited financial statements as well as the renewal of the line of credit area attached at Attachments – 27A – 27C.



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

Consolidated Financial Statements

June 30, 2024 and 2023

(With Independent Auditors' Report Thereon)



KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-8436

Independent Auditors' Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Marklund Children's Home d/b/a Marklund (Marklund), which comprise the consolidated balance sheets as of June 30, 2024 and 2023, and the related consolidated statements of operations and changes in net assets without donor restrictions, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Marklund as of June 30, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee



In performing an audit in accordance with GAAS, we:

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

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

KPMG LLP

Chicago, Illinois
October 31, 2024

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

Consolidated Balance Sheets

June 30, 2024 and 2023

Assets	<u>2024</u>	<u>2023</u>
Current assets:		
Cash and cash equivalents	\$ 54,263	54,492
Receivables:		
Resident accounts receivable	5,939,401	4,921,097
Other	1,200,199	1,365,790
Pledges receivable	235,191	147,653
Inventories	183,397	131,848
Prepaid expenses	419,101	483,291
Agency-held cash – resident deposits	540,135	633,327
Total current assets	<u>8,571,687</u>	<u>7,737,498</u>
Assets whose use is limited or restricted	25,080,642	23,281,829
Pledges receivable, net of current portion	144,153	30,003
Investments	—	5,206,472
Land, buildings, and equipment, net of accumulated depreciation	36,631,237	34,654,926
Total assets	<u>\$ 70,427,719</u>	<u>70,910,728</u>
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term notes payable	\$ 383,069	383,069
Accounts payable	472,774	521,942
Accrued liabilities:		
Compensation and related payables	3,543,013	3,443,681
Agency-held resident deposits	540,135	633,327
Other	1,203,354	1,615,303
Construction payables	—	234,617
Total current liabilities	<u>6,142,345</u>	<u>6,831,939</u>
Long-term liability:		
Line of credit	4,197,557	6,478,212
Notes payable, net of current portion	935,536	1,286,682
Net assets:		
Without donor restrictions	50,572,924	47,935,362
With donor restrictions	8,579,357	8,378,533
Total net assets	<u>59,152,281</u>	<u>56,313,895</u>
Total liabilities and net assets	<u>\$ 70,427,719</u>	<u>70,910,728</u>

See accompanying notes to consolidated financial statements.

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

**Consolidated Statements of Operations and Changes in Net Assets Without Donor Restrictions
Years ended June 30, 2024 and 2023**

	2024	2023
Revenue and support:		
Resident service revenue	\$ 24,645,249	23,317,507
School services	7,345,401	6,565,225
Community day services	5,500,813	4,738,458
Other revenue	735,098	375,872
Total revenue and support	38,226,561	34,997,062
Expenses:		
Salaries and wages	25,156,739	22,621,680
Employee benefits	5,927,857	5,847,695
Consulting	5,178,749	5,291,012
Medical supplies	1,296,656	1,238,637
Food and dietary	668,702	647,055
Rent, utilities, and occupancy	1,360,216	1,186,439
Depreciation	2,863,145	2,805,238
Illinois Medicaid program assessment	1,397,583	1,311,344
Other	2,834,850	2,317,703
Total expenses	46,684,497	43,266,803
Revenue and support deficient of expenses	(8,457,936)	(8,269,741)
Nonoperating gains, net:		
Unrestricted gifts and bequests	7,351,257	5,094,560
Investment return, net	2,717,020	2,197,349
Other	102,156	39,881
Total nonoperating gains, net	10,170,433	7,331,790
Revenue, support, and gains in excess (deficient) of expenses and losses	1,712,497	(937,951)
Other changes in net assets without donor restrictions:		
Net assets released from restriction used for purchase of land, buildings, and equipment	925,065	1,246,480
Increase in net assets without donor restrictions	\$ 2,637,562	308,529

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2024 and 2023

	2024	2023
Net assets without donor restrictions:		
Revenue, support and gains in (deficient) in excess of expenses and losses	\$ 1,712,497	(937,951)
Net assets released from restriction used for purchase of land, buildings, and equipment	925,065	1,246,480
Increase in net assets without donor restrictions	2,637,562	308,529
Net assets with donor restrictions:		
Contributions for specific purposes	1,322,875	844,167
Pledges made for specific purposes	349,625	4,279
Net assets released from restriction for operations	(557,511)	(178,733)
Net assets released from restriction used for purchase of land, buildings, and equipment	(925,065)	(1,246,480)
Contributions to be held in perpetuity	10,900	16,425
Decrease in net assets with donor restrictions	200,824	(560,342)
Change in net assets	2,838,386	(251,813)
Net assets at beginning of year	56,313,895	56,565,708
Net assets at end of year	\$ 59,152,281	56,313,895

See accompanying notes to consolidated financial statements.

MARKLUND CHILDREN'S HOME
D/B/A MARKLUND
Consolidated Statements of Cash Flows
Years ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities and gains:		
Change in net assets	\$ 2,838,386	(251,813)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,863,145	2,805,238
Change in net unrealized gains on trading securities	(1,806,663)	(1,162,833)
Realized gains on investments, net	(324,790)	(308,215)
Restricted contributions	(1,333,775)	(860,592)
Net assets released from restrictions and used for operations	557,511	178,733
Changes in assets and liabilities:		
Receivables	(852,713)	(90,957)
Pledges receivable	(201,688)	415,562
Inventories	(51,549)	(2,114)
Prepaid expenses	64,190	31,018
Agency-held cash – resident deposits	93,192	47,013
Accounts payable	(49,168)	113,643
Accrued liabilities	(405,809)	459,171
Net cash provided by operating activities	1,390,269	1,373,854
Cash flows from investing activities:		
Purchases of investments and assets limited or restricted as to use	(10,699,291)	(45,378,176)
Proceeds from sale or maturities of investments and assets limited or restricted as to use	16,238,403	48,672,487
Acquisition of land, buildings, and equipment	(4,839,456)	(10,926,712)
Change in construction payables	(234,617)	(472,501)
Net cash provided by (used in) investing activities	465,039	(8,104,902)
Cash flows from financing activities:		
Repayments of notes payable	(351,146)	(883,069)
Proceeds from draws on lines of credit	39,375,327	39,947,278
Payments on lines of credit	(41,655,982)	(33,469,066)
Net assets released from restrictions and used for operations	(557,511)	(178,733)
Restricted contributions	1,333,775	860,592
Net cash (used in) provided by financing activities	(1,855,537)	6,277,002
Net change in cash and cash equivalents	(229)	(454,046)
Cash and cash equivalents at beginning of year	54,492	508,538
Cash and cash equivalents at end of year	\$ 54,263	54,492
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 336,696	191,968
Supplemental disclosure of noncash transactions:		
Unpaid payables of buildings, equipment, and construction	\$ —	279,180

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

June 30, 2024 and 2023

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

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

All significant intercompany balances and transactions have been eliminated in consolidation. A summary of the significant accounting policies of Marklund follows:

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

When a donor's restriction is satisfied, either by using the resources in a manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the consolidated financial statements by reclassifying the net assets from net assets with donor restrictions to net

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

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

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

- Marklund applies the provisions of Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* (Topic 606). Topic 606 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Topic 606 requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled for those goods or services.
- Resident service revenue performance obligations are satisfied and revenue is recognized over time as services are provided to residents. School services and community day services performance obligations are satisfied and revenue is recognized over time as services are provided to students. Revenue is disaggregated in accordance with ASC 606, *Revenue from Contracts with Customers*, on the consolidated statements of operations and changes in net assets without donor restrictions.
- Cash and cash equivalents include demand deposits and investments in highly liquid instruments with maturities of three months or less at date of purchase, excluding amounts included within assets whose use is limited or restricted. Cash equivalents held by investment managers are treated as an investing activity in the consolidated statements of cash flows.
- Marklund Children's Home and Charities are not-for-profit corporations, as described in Section 501(c)(3) of the Internal Revenue Code (the Code), and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

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

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classification, interest and penalties on income taxes, and accounting in interim periods, and requires increased disclosures. As of June 30, 2024 and 2023, Marklund does not have a liability for unrecognized tax benefits.

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

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

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

- In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 establishes a right-of-use model that requires a lessee to recognize a right-of-use asset and

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lease liability on the balance sheet for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

(2) COVID-19 Reporting

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

For the periods ended June 30, 2024 and 2023, Marklund received \$0 and \$292,575, respectively, in general distributions under the American Rescue Plan Act (ARPA). These funds were not subject to repayment, provided Marklund was able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received had been used for pandemic bonus pay to frontline employees in licensed ICF/DD facilities for the ARPA Act funds. Such payments were accounted for as government grants and are recognized on a systematic and rational basis as other income once there was reasonable assurance that the applicable terms and conditions required to retain the funds will be met. Based on analysis of the compliance and reporting requirements of the ARPA Act and the impact of the pandemic on operating results through June 30, 2024 and 2023, Marklund recorded \$0 and \$292,575, respectively, as other revenue in the consolidated statements of operations and changes in net assets without donor restrictions.

(3) Charity Care

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

In accordance with ASC Topic 954, *Health Care Entities*, Marklund accounts for charity care as the difference between the cost of caring for residents assisted by Medicaid and the amounts reimbursed for these residents as charity care. Since Marklund does not expect payment for charity care services, charges for charity care are not included in revenue. In addition, Marklund reports the cost of services provided to the community as charity care. Charity care attributable to Medicaid subsidies and community service activities for the years ended June 30, 2024 and 2023 approximated \$7,782,767 and \$6,948,787, respectively.

(4) Resident Service Revenue

Marklund has agreements with third-party payors that provide for reimbursement to Marklund at amounts different from its established rates. Resident service revenue is recorded based upon estimated net

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reimbursable amounts. A summary of the basis of reimbursement with the major third-party payor is as follows:

Healthcare Family Services

Marklund participates as a provider of services to disabled children under a Healthcare Family Services (HFS) Medicaid program. Resident service revenue and community day services revenue under the HFS Medicaid program for the years ended June 30, 2024 and 2023 approximated \$28,471,417 and \$26,699,064, respectively. This revenue is based on all-inclusive per diem rates for basic care effective for a period of 12 months. The per diem rates are subject to retroactive adjustment. Funding from HFS may be subject to periodic adjustment as well as to changes in existing payment levels and rates based on the amount of funding available to HFS. Marklund has continued to experience payment delays in 2024 under the Medicaid program due to timing of funding available to HFS.

Marklund participates in the State of Illinois Hospital Assessment program. Pursuant to this program, providers within the State are required to remit payment to the State's Medicaid program under an assessment formula approved by the Centers for Medicare and Medicaid Services. Marklund has included its annual assessment of \$1,397,583 and \$1,311,344 as an operating expense in the accompanying 2024 and 2023 consolidated statements of operations and changes in net assets without donor restrictions, respectively.

(5) Concentration of Credit Risk

Marklund provides a comprehensive range of custodial care, educational, and developmental training services to severely disabled children and young adults. Marklund grants credit to these individuals and their families and generally does not require collateral or other security in extending credit to them; however, it routinely obtains assignment of (or is otherwise entitled to receive) these individuals' benefits payable under their programs, plans, or policies (e.g., Medicaid and DHS). The following table summarizes the composition of resident accounts receivable at June 30, 2024 and 2023 by funding source:

	2024	2023
Medicaid	98 %	99 %
DHS	2	—
Other	—	1
	100 %	100 %

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A summary of Marklund's funding source utilization percentages based on resident service revenue for the years ended June 30, 2024 and 2023 is as follows:

	2024	2023
Medicaid	95 %	95 %
DHS	5	5
	100 %	100 %

(6) Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost or, if donated, at fair value at the date of donation, less accumulated depreciation and amortization. A summary of land, buildings, and equipment at June 30, 2024 and 2023 follows:

	2024	2023
Land	\$ 5,099,517	5,099,517
Land improvements	5,075,729	5,034,456
Buildings and improvements	48,596,328	41,032,142
Furniture and equipment	8,469,393	7,895,933
	67,240,967	59,062,048
Less accumulated depreciation	(35,566,007)	(32,852,229)
Construction in progress	4,956,276	8,445,107
	\$ 36,631,236	34,654,926

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Ranges of depreciable lives include land improvements, 2–10 years; building and improvements, 5–20 years; and furniture and equipment, 3–8 years. As of June 30, 2024, there were \$12,143,571 in outstanding contractual commitments related to various capital projects, which will be financed through operations, existing capital and lines of credit.

(7) Pledges Receivable

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on pledge amounts is computed using interest rates applicable to the years in which the promises are received, which is assumed to be 7% for 2024 and 6.75%

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for 2023. Amortization of pledge discounts is included in net assets with donor restrictions. The following are pledges receivable as of June 30, 2024 and 2023:

	2024	2023
Pledges receivable before unamortized discount and allowance for uncollectible pledges	\$ 440,384	236,442
Less unamortized discount	49,308	53,291
Subtotal	391,076	183,151
Less allowance for uncollectible pledges	11,732	5,495
Net pledges receivable	\$ 379,344	177,656
	2024	2023
Amounts due in:		
Less than one year	\$ 235,191	147,653
One to five years	144,153	30,003
Total	\$ 379,344	177,656

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

Marklund reports investments in equity securities with readily determinable fair values and all investments in debt securities at fair value. Fair value is determined primarily on the basis of quoted market prices. A summary of the composition of Marklund's investment portfolio, all of which is reported as assets whose use is limited or restricted, pledges receivable, and investments in the accompanying consolidated balance sheets, at June 30, 2024 and 2023 are as follows:

	2024	2023
Cash and cash equivalents	\$ 2,767,244	3,530,205
Pledges receivable	379,344	177,656
Equity securities	16,296,997	14,204,116
Fixed-income mutual funds	6,016,401	5,588,515
Government bonds	—	5,165,465
	\$ 25,459,986	28,665,957

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The composition of investment return on Marklund's investment portfolio for the years ended June 30, 2024 and 2023 is as follows:

	2024	2023
Interest and dividend income	\$ 662,841	819,760
Net realized gains on sale of investments	324,790	308,215
Change in net unrealized gains on trading securities	1,806,663	1,162,833
Investment and management fees	(77,274)	(93,459)
Investment return, net	\$ 2,717,020	2,197,349

(9) Fair Value Measurement

(a) Fair Value of Financial Instruments

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

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

(b) Fair Value Hierarchy

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

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

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The following table presents Marklund's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2024:

	Fair value	Fair value measurements at June 30 using		
		Level 1	Level 2	Level 3
Financial assets:				
Cash and cash equivalents	\$ 54,263	54,263	—	—
Assets whose use is limited or restricted, excluding pledges receivable of \$379,344:				
Cash equivalents	\$ 2,767,244	2,767,244	—	—
Equity mutual funds	16,296,997	16,296,997	—	—
Fixed-income mutual funds	6,016,401	6,016,401	—	—
	<u>\$ 25,080,642</u>	<u>25,080,642</u>	<u>—</u>	<u>—</u>

The following table presents Marklund's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2023:

	Fair value	Fair value measurements at June 30 using		
		Level 1	Level 2	Level 3
Financial assets:				
Cash and cash equivalents	\$ 54,492	54,492	—	—
Assets whose use is limited or restricted, excluding pledges receivable of \$177,856:				
Cash equivalents	\$ 3,530,205	3,530,205	—	—
Equity mutual funds	14,204,116	14,204,116	—	—
Fixed-income mutual funds	5,588,515	5,588,515	—	—
Government bonds	5,165,465	—	5,165,465	—
	<u>\$ 28,488,301</u>	<u>23,322,836</u>	<u>5,165,465</u>	<u>—</u>

(c) Transfers between Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. Marklund evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended June 30, 2024 and 2023, there were no transfers into or out of Level 1, 2, or 3.

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(10) Notes Payable

Marklund had outstanding notes payable at June 30, 2024 consisting of the following:

	<u>2024</u>	<u>2023</u>
Construction loan payable, issued August 20, 2019, bearing interest at a rate of 2.50% at June 30, 2024 and 2023, respectively, with interest paid monthly	\$ 1,318,605	1,669,751
Total notes payable	1,318,605	1,669,751
Less current maturities of notes payable	<u>(383,069)</u>	<u>(383,069)</u>
Notes payable, net of current portion	<u>\$ 935,536</u>	<u>1,286,682</u>

On August 20, 2019, Marklund entered into a \$9,000,000 construction loan with St. Charles Bank and Trust Company (the Bank) to fund the building of a school to meet the needs of children with multiple medical needs and those with autism spectrum disorders. Interest under the loan is payable based on the monthly LIBOR rate plus 1.50% for year 1 of the loan. For years 2 through 8, interest is based on a fixed rate established on the first anniversary date of the loan at the current LIBOR 7-year swap rate plus 200 basis points per year to fix the rate of interest payable. With the discontinuation of LIBOR, the loan was converted to WSJ Prime Rate minus 1.5% on August 20, 2021 (fixed at 2.5%) applicable through year 8. For years 9 and 10, interest is based on the WSJ Prime Rate minus 1.5% with an index floor of 3.25%. Principal and interest payments are payable monthly, with monthly principal payments beginning on after the first anniversary date of the loan through the original loan maturity date of August 20, 2029.

Marklund's loan agreement was subject to quarterly minimum debt service and other financial covenants. As of December 31, 2023, March 31, 2024, and June 30, 2024, the Company was not in compliance with the required minimum debt service coverage ratio and also exceeded other financial covenants due to extended collection periods of outstanding resident accounts receivable from the State of Illinois. Due to these violations, the bank would be contractually entitled to require immediate repayment of the outstanding loan amounts of \$1,318,605 and the outstanding line of credit balance of \$4,197,557. However, on August 20, 2024, Marklund and the bank entered into an amendment to the loan agreement waiving the covenant violations as of December 31, 2023, March 31, 2024, and June 30, 2024. Marklund was in compliance with the required minimum debt service coverage ratio and other financial covenants as of September 30, 2024.

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At June 30, 2024, scheduled principal repayments on the notes payable were as follows:

	Amount
Fiscal year ending:	
2025	\$ 383,069
2026	383,069
2027	383,069
2028	169,398
Total	\$ 1,318,605

(11) Employee Retirement Plans

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

- *Contributions* – The Plan is a defined-contribution plan. Employer contributions to the Plan in 2024 and 2023 were 100% of each dollar the participant contributes, up to a maximum of 5% of eligible compensation for 2024 and 2023. Employer-matching contributions to the Plan were \$824,629 and \$838,215 in 2024 and 2023, respectively.
- *Eligibility* – All employees are eligible to participate in the Plan. Employees are eligible to receive matching contributions at the start of the first quarter following the date of hire.
- *Vesting* – Participants are vested immediately in their contributions and are 100% vested in the employer contributions at their two-year anniversary.

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(12) Net Assets

Net assets at June 30, 2024 and 2023 consisted of the following:

	2024	2023
Net assets:		
Without donor restrictions:		
Designated by the board:		
Developmentally disabled children fund	\$ 1,000,000	1,000,000
Board-restricted endowment	3,216,515	3,216,515
Unrestricted endowment income and realized gains	11,925,367	9,269,844
Undesignated	34,431,042	34,449,003
Total net assets without donor restrictions	50,572,924	47,935,362
With donor restrictions		
Donor-restricted endowments	7,774,569	7,763,669
Purpose restricted – capital campaign	376,904	151,371
Purpose restricted – restricted programs	427,884	463,493
Total net assets with donor restrictions	8,579,357	8,378,533
Total net assets	\$ 59,152,281	56,313,895

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

	2024	2023
Capital campaign	\$ 689,395	460,531
Restricted programs	793,181	964,682
	\$ 1,482,576	1,425,213

(13) Endowments

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

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

For accounting and reporting purposes, Marklund classifies as net assets with donor restrictions, the historical value of donor-restricted endowment funds, which includes (a) the original value of gifts donated

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Notes to Consolidated Financial Statements

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

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

(a) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Marklund to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. Subsequent gains restore the fair value of the assets of the endowment fund to the required level. There were no deficiencies as of June 30, 2024 or 2023.

(b) Return Objectives and Risk Parameters

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

(c) Strategies Employed for Achieving Objectives

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

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

Marklund has a policy of spending based on the amount of capital gains, interest, and dividends reinvested in the endowment assets. The spending rate (the annual amount withdrawn from the endowment assets to support the operating budget) is determined by the board based on the investment return expected, but not to exceed 5% of the average fair value of the endowment funds' average fair value over the prior three years through June 30 preceding the fiscal year in which the distribution is planned. In establishing these policies, Marklund considered the expected return on its

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endowment. Accordingly, Marklund expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return.

During 2024, Marklund had the following activities related to endowment net assets:

	Board- designated income	Donor-restricted endowment funds	Total
Endowment net assets, July 1, 2023	\$ 12,486,359	7,763,669	20,250,028
Investment return	2,655,523	—	2,655,523
Contributions	—	10,900	10,900
Endowment net assets, June 30, 2024	<u>\$ 15,141,882</u>	<u>7,774,569</u>	<u>22,916,451</u>

During 2023, Marklund had the following activities related to endowment net assets:

	Board- designated income	Donor-restricted endowment funds	Total
Endowment net assets, July 1, 2022	\$ 10,441,106	7,747,244	18,188,350
Investment return	1,991,545	—	1,991,545
Contributions	53,708	16,425	70,133
Endowment net assets, June 30, 2023	<u>\$ 12,486,359</u>	<u>7,763,669</u>	<u>20,250,028</u>

(14) Commitments and Contingencies

(a) Litigation

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

(b) Line of Credit

Marklund maintains a credit facility agreement with St. Charles Bank and Trust Company (the Bank). The agreement extends a line of credit to Marklund in the principal sum not to exceed \$10,000,000, with a maturity date of November 30, 2024, in support of working capital requirements and was secured by Marklund's unrestricted receivables and real and personal property. Interest on the unpaid balance is paid monthly based on a variable rate determined as the PRIME rate for the monthly period minus 1.5% with a floor of 3.25%. At June 30, 2024 and 2023, \$1,924,906 and \$6,478,212, respectively, was outstanding on the line of credit.

Marklund maintains a second credit facility agreement with the Bank. The agreement extends a line of credit to Marklund in the principal sum not to exceed \$4,000,000, with a maturity date of October 10,

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2028, in support of the on-going construction project at Marklund Wasmond Center and is secured by pledges toward that construction project as well as Marklund's unrestricted receivables and real and personal property. Interest on the unpaid balance is paid monthly based on a variable rate determined as the Term SOFR plus 1.65%. At June 30, 2024 \$2,272,651, was outstanding on the line of credit.

(c) Investment Risk and Uncertainties

Marklund invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated balance sheets.

(15) Functional Expenses

Marklund provides services to its residents as well as individuals within its geographic location. The primary program activities of Marklund are residential and day programs. Natural expenses related to more than one functional expense category are allocated using a variety of methods, such as square footage, historic staff time, and actual usage. Expenses related to providing these services for the years ended June 30, 2024 and 2023 are as follows:

	Program activities			Supporting activities			Total
	Residential	Non residential	Total program activities	General and administrative	Fundraising	Total supporting activities	
Salaries and wages	\$ 12,611,222	9,280,053	21,891,275	2,264,754	980,710	3,265,484	25,156,739
Employee benefits	2,819,861	2,085,733	4,905,594	803,533	218,730	1,022,263	5,927,857
Consulting	4,938,707	240,042	5,178,749	—	—	—	5,178,749
Medical supplies	1,235,601	61,005	1,296,606	50	—	50	1,296,656
Food and dietary	649,098	18,323	667,421	1,281	—	1,281	668,702
Rent, utilities, and occupancy	632,250	623,874	1,256,124	75,415	28,677	104,092	1,360,216
Depreciation	986,277	1,509,160	2,495,437	365,708	—	365,708	2,861,145
Illinois Medicaid program assessment	1,397,583	—	1,397,583	—	—	—	1,397,583
Other	675,423	653,212	1,328,635	1,187,824	318,391	1,506,215	2,834,850
Total 2024 expenses	\$ 25,948,022	14,471,402	40,419,424	4,718,565	1,546,508	6,265,073	46,684,497

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

June 30, 2024 and 2023

	Program activities			Supporting activities			Total
	Residential	Non residential	Total program activities	General and administrative	Fundraising	Total supporting activities	
Salaries and wages	\$ 11,851,698	7,731,764	19,583,462	2,138,580	899,638	3,038,198	22,621,680
Employee benefits	2,900,248	1,984,779	4,885,027	767,402	215,266	982,668	5,847,695
Consulting	5,196,638	94,374	5,291,012	—	—	—	5,291,012
Medical supplies	1,162,854	75,307	1,238,161	476	—	476	1,238,637
Food and dietary	637,627	8,675	646,302	753	—	753	647,055
Rent, utilities, and occupancy	585,816	503,517	1,089,333	87,555	29,551	97,106	1,186,439
Depreciation	1,103,563	1,428,738	2,532,301	272,937	—	272,937	2,805,238
Illinois Medicaid program assessment	1,311,344	—	1,311,344	—	—	—	1,311,344
Other	720,002	452,284	1,172,286	899,680	245,727	1,145,407	2,317,703
Total 2023 expenses	\$ 25,469,780	12,259,468	37,729,258	4,147,363	1,390,182	5,537,545	43,266,803

(16) Financial Assets and Liquidity Resources

As of June 30, 2024 and 2023, financial and liquidity resources available within one year for operating expenses, line of credit repayments, and construction costs not financed with debt were as follows:

	2024	2023
Cash and cash equivalents	\$ 54,263	54,482
Receivables	7,139,600	6,286,887
Pledges receivable – current	235,191	147,653
Assets whose use is limited or restricted	25,080,642	23,281,829
Investments	—	5,206,472
Less donor-restricted net assets	(8,579,357)	(8,378,533)
Less board-restricted endowment	(3,216,515)	(3,216,515)
Less board-designated developmentally disabled children's fund	(1,000,000)	(1,000,000)
Total financial assets available to meet cash needs for general expenditures within one year	\$ 19,713,824	22,382,285

Marklund's cash flows fluctuate periodically based on the timing of receipts from the State of Illinois. To accommodate this, Marklund maintains a line of credit of \$10,000,000 (note 14), with \$5,802,443 undrawn at June 30, 2024.

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

June 30, 2024 and 2023

(17) Subsequent Events

In connection with the preparation of the consolidated financial statements and in accordance with ASC Topic 855, *Subsequent Events*, Marklund evaluated subsequent events after the consolidated balance sheet date of June 30, 2024 through October 31, 2024, which was the date the consolidated financial statements were available to be issued, noting no other subsequent events requiring recording or disclosure in the consolidated financial statements or related notes to the consolidated financial statements other than disclosed in Note 10.



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

Consolidated Financial Statements

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)



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

Independent Auditors' Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Marklund Children's Home d/b/a Marklund (Marklund), which comprise the consolidated balance sheets as of June 30, 2023 and 2022, and the related consolidated statements of operations and changes in net assets without donor restrictions, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Marklund as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, in 2023, Marklund adopted new accounting guidance Accounting Standards Update 2016-02 (ASU 2016-02) which created a new topic, ASC 842 "Leases". Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher



than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

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

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

KPMG LLP

Chicago, Illinois
November 3, 2023

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

Consolidated Balance Sheets

June 30, 2023 and 2022

Assets	2023	2022
Current assets:		
Cash and cash equivalents	\$ 54,492	508,538
Receivables:		
Resident accounts receivable	4,921,097	4,524,008
Other	1,365,790	1,671,922
Pledges receivable	147,653	378,561
Inventories	131,848	129,734
Prepaid expenses	483,291	514,309
Agency-held cash – resident deposits	633,327	680,340
Total current assets	7,737,498	8,407,412
Assets whose use is limited or restricted	23,281,829	25,303,964
Pledges receivable, net of current portion	30,003	214,657
Investments	5,206,472	5,007,600
Land, buildings, and equipment, net of accumulated depreciation	34,654,926	26,533,452
Total assets	\$ 70,910,728	65,467,085
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term notes payable	\$ 383,069	383,069
Accounts payable	521,942	408,299
Accrued liabilities:		
Compensation and related payables	3,443,681	2,981,128
Agency-held resident deposits	633,327	680,340
Other	1,615,303	1,571,672
Construction payables	234,617	707,118
Total current liabilities	6,831,939	6,731,626
Long-term liability:		
Line of credit	6,478,212	—
Notes payable, net of current portion	1,286,682	2,169,751
Net assets:		
Without donor restrictions	47,935,362	47,626,833
With donor restrictions	8,378,533	8,938,875
Total net assets	56,313,895	56,565,708
Total liabilities and net assets	\$ 70,910,728	65,467,085

See accompanying notes to consolidated financial statements.

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

**Consolidated Statements of Operations and Changes in Net Assets Without Donor Restrictions
Years ended June 30, 2023 and 2022**

	2023	2022
Revenue and support:		
Resident service revenue	\$ 23,317,507	21,880,286
School services	6,565,225	6,864,675
Community day services	4,738,458	4,266,211
Other revenue	375,872	4,345,057
Total revenue and support	34,997,062	37,356,229
Expenses:		
Salaries and wages	22,621,680	22,955,667
Employee benefits	5,847,695	6,200,041
Consulting	5,291,012	754,033
Medical supplies	1,238,637	1,131,608
Food and dietary	647,055	565,196
Rent, utilities, and occupancy	1,186,439	1,060,497
Depreciation	2,805,238	2,780,659
Illinois Medicaid program assessment	1,311,344	1,269,750
Other	2,317,703	1,947,918
Total expenses	43,266,803	38,665,369
Revenue and support deficient of expenses	(8,269,741)	(1,309,140)
Nonoperating gains, net:		
Unrestricted gifts and bequests	5,094,560	7,496,936
Investment return, net	2,197,349	(3,014,063)
Other	39,881	19,939
Total nonoperating gains, net	7,331,790	4,502,812
Revenue, support, and gains (deficient) in excess of expenses and losses	(937,951)	3,193,672
Other changes in net assets without donor restrictions:		
Net assets released from restriction used for purchase of land, buildings, and equipment	1,246,480	1,600,988
Increase in net assets without donor restrictions	\$ 308,529	4,794,670

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Net Assets
Years ended June 30, 2023 and 2022

	2023	2022
Net assets without donor restrictions:		
Revenue, support and gains in (deficient) in excess of expenses and losses	\$ (937,951)	3,193,672
Net assets released from restriction used for purchase of land, buildings, and equipment	1,246,480	1,600,998
Increase in net assets without donor restrictions	308,529	4,794,670
Net assets with donor restrictions:		
Contributions for specific purposes	844,167	671,804
Pledges made for specific purposes	4,279	46,026
Net assets released from restriction for operations	(178,733)	(41,854)
Net assets released from restriction used for purchase of land, buildings, and equipment	(1,246,480)	(1,600,998)
Contributions to be held in perpetuity	16,425	116,550
Decrease in net assets with donor restrictions	(560,342)	(808,472)
Change in net assets	(251,813)	3,986,198
Net assets at beginning of year	56,565,708	52,579,510
Net assets at end of year	\$ 56,313,895	56,565,708

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

Years ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities and gains:		
Change in net assets	\$ (251,813)	3,986,198
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities and gains:		
Depreciation	2,805,238	2,780,659
Forgiveness of Paycheck Protection Program loan	—	(3,879,650)
Change in net unrealized gains and losses on trading securities	(1,162,833)	3,985,767
Realized gains on investments, net	(308,215)	(46,443)
Restricted contributions	(860,592)	(788,354)
Net assets released from restrictions and used for operations	178,733	41,854
Changes in assets and liabilities:		
Receivables	(90,957)	(1,364,755)
Pledges receivable	415,562	526,970
Inventories	(2,114)	37,115
Prepaid expenses	31,018	3,203
Agency-held cash – resident deposits	47,013	39,081
Accounts payable	113,643	95,128
Accrued liabilities	459,171	730,934
Net cash provided by operating activities and gains	<u>1,373,854</u>	<u>6,147,707</u>
Cash flows from investing activities:		
Purchases of assets limited or restricted as to use	(45,378,176)	(15,663,735)
Proceeds from sale or maturities of assets limited or restricted as to use	48,672,487	7,661,088
Acquisition of land, buildings, and equipment	(10,926,712)	(3,117,809)
Change in construction payables	(472,501)	707,118
Net cash used in investing activities	<u>(8,104,902)</u>	<u>(10,413,338)</u>
Cash flows from financing activities:		
Repayments of notes payable	(883,069)	(1,337,301)
Proceeds from draws on line of credit	39,947,278	5,583,797
Payments on line of credit	(33,469,066)	(5,583,797)
Net assets released from restrictions and used for operations	(178,733)	(41,854)
Restricted contributions	860,592	788,354
Net cash provided by (used in) financing activities	<u>6,277,002</u>	<u>(590,801)</u>
Net change in cash and cash equivalents	<u>(454,046)</u>	<u>(4,856,432)</u>
Cash and cash equivalents at beginning of year	<u>508,538</u>	<u>5,364,970</u>
Cash and cash equivalents at end of year	<u>\$ 54,492</u>	<u>508,538</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 191,968	78,389
Supplemental disclosure of noncash transactions:		
Unpaid payables of buildings, equipment, and construction	\$ 279,180	755,612
Forgiveness of Paycheck Protection Program loan	—	3,879,650

See accompanying notes to consolidated financial statements.

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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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

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

All significant intercompany balances and transactions have been eliminated in consolidation. A summary of the significant accounting policies of Marklund follows:

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

When a donor's restriction is satisfied, either by using the resources in a manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the consolidated financial statements by reclassifying the net assets from net assets with donor restrictions to net

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

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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

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

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

- Marklund applies the provisions of Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* (Topic 606). Topic 606 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Topic 606 requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled for those goods or services.
- Resident service revenue performance obligations are satisfied and revenue is recognized over time as services are provided to residents. School services and community day services performance obligations are satisfied and revenue is recognized over time as services are provided to students. Revenue is disaggregated in accordance with ASC 606, *Revenue from Contracts with Customers*, on the consolidated statements of operations and changes in net assets without donor restrictions
- Cash and cash equivalents include demand deposits and investments in highly liquid instruments with maturities of three months or less at date of purchase, excluding amounts included within assets whose use is limited or restricted. Cash equivalents held by investment managers are treated as an investing activity in the consolidated statements of cash flows.
- Marklund Children's Home, and Charities are not-for-profit corporations, as described in Section 501(c)(3) of the Internal Revenue Code (the Code), and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

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

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classification, interest and penalties on income taxes, and accounting in interim periods, and requires increased disclosures. As of June 30, 2023 and 2022, Marklund does not have a liability for unrecognized tax benefits.

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

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

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

- In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 establishes a right of use model that requires a lessee to recognize a right of use asset and lease

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liability on the balance sheet for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

Marklund adopted all of Topic 842 effective July 1, 2022, using a modified retrospective transition approach. As a result, Marklund was not required to adjust its comparative period financial information for effects of the standard or make the new required lease disclosures for periods before the date of adoption. Marklund elected to adopt the package of transition practical expedients and, therefore, has not reassessed (1) whether existing or expired contracts contain a lease, (2) lease classification for existing or expired leases or (3) the accounting for initial direct costs that were previously capitalized. Marklund did not elect the practical expedient to use hindsight for leases existing at the adoption date.

Adoption of the new leasing standard did not have a material effect on Marklund's consolidated balance sheet or the consolidated statement of operations and changes in net assets without donor restrictions. Adoption drove a \$132,745 increase in operating lease liabilities with a corresponding equal increase in ROU assets as of July 1, 2022. Adoption had no material effect on Marklund's consolidated statement of cash flows but did affect its disclosures.

(2) COVID-19 Reporting

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

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

For the periods ended June 30, 2023 and 2022, Marklund received \$292,575 and \$283,999, respectively, in general distributions under the American Rescue Plan Act (ARPA) and CARES Act, respectively. These funds were not subject to repayment, provided Marklund was able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received had been used for pandemic bonus pay to front line employees at our licensed ICF/DD facilities for the ARPA Act funds and for healthcare-related expenses or lost revenue attributable to COVID-19 for the CARES Act funds. Such payments were accounted for as government grants and are recognized on a systematic and rational basis as other income once there was reasonable assurance that the applicable terms and conditions required to retain the funds will be met. Based on analysis of the compliance and reporting requirements of the ARPA

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Act and CARES Act and the impact of the pandemic on operating results through June 30, 2023 and 2022, Marklund has received \$292,575 and \$283,999, respectively, as other revenue in the consolidated statements of operations and changes in net assets without donor restrictions. Marklund also received \$0 and \$289,498 from the State of Illinois Healthcare and Family Services funds in 2023 and 2022, respectively. These funds have been recognized as other revenue on the June 30, 2022 consolidated statements of operations and changes in net assets without donor restrictions.

(3) Charity Care

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

In accordance with ASC Topic 954, *Health Care Entities*, Marklund accounts for charity care as the difference between the cost of caring for residents assisted by Medicaid and the amounts reimbursed for these residents as charity care. Since Marklund does not expect payment for charity care services, charges for charity care are not included in revenue. In addition, Marklund reports the cost of services provided to the community as charity care. Charity care attributable to Medicaid subsidies and community service activities for the years ended June 30, 2023 and 2022 approximated \$6,948,787 and \$3,660,809, respectively.

(4) Resident Service Revenue

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

Healthcare Family Services

Marklund participates as a provider of services to disabled children under a Healthcare Family Services (HFS) Medicaid program. Resident service revenue and community day services revenue under the HFS Medicaid program for the years ended June 30, 2023 and 2022 approximated \$26,699,064 and \$24,953,890, respectively. This revenue is based on all-inclusive per diem rates for basic care effective for a period of 12 months. The per diem rates are subject to retroactive adjustment. Funding from HFS may be subject to periodic adjustment as well as to changes in existing payment levels and rates based on the amount of funding available to HFS. Marklund has continued to experience payment delays in 2023 under the Medicaid program due to timing of funding available to HFS.

Marklund participates in the State of Illinois Hospital Assessment program. Pursuant to this program, providers within the State are required to remit payment to the State's Medicaid program under an assessment formula approved by the Centers for Medicare and Medicaid Services. Marklund has included its annual assessment of \$1,311,344 and \$1,269,750 as an operating expense in the accompanying 2023 and 2022 consolidated statements of operations and changes in net assets without donor restrictions, respectively.

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(5) Concentration of Credit Risk

Marklund provides a comprehensive range of custodial care, educational, and developmental training services to severely disabled children and young adults. Marklund grants credit to these individuals and their families and generally does not require collateral or other security in extending credit to them; however, it routinely obtains assignment of (or is otherwise entitled to receive) these individuals' benefits payable under their programs, plans, or policies (e.g., Medicaid and DHS). The following table summarizes the composition of resident accounts receivable at June 30, 2023 and 2022 by funding source:

	<u>2023</u>	<u>2022</u>
Medicaid	99 %	98 %
DHS	—	2
Other	1	—
	<u>100 %</u>	<u>100 %</u>

A summary of Marklund's funding source utilization percentages based on resident service revenue for the years ended June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Medicaid	95 %	95 %
DHS	5	4
Other	—	1
	<u>100 %</u>	<u>100 %</u>

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(6) Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost or, if donated, at fair value at the date of donation, less accumulated depreciation and amortization. A summary of land, buildings, and equipment at June 30, 2023 and 2022 follows:

	2023	2022
Land	\$ 5,099,517	5,099,517
Land improvements	5,034,456	3,948,418
Buildings and improvements	41,032,142	38,066,731
Furniture and equipment	7,895,933	7,984,169
	59,062,048	55,098,835
Less accumulated depreciation	(32,852,229)	(31,011,152)
Construction in progress	8,445,107	2,445,769
	\$ 34,654,926	26,533,452

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Ranges of depreciable lives include land improvements, 2–10 years; building and improvements, 5–20 years; and furniture and equipment, 3–8 years. As of June 30, 2023, there were \$15,734,617 in outstanding contractual commitments related to various capital projects.

(7) Pledges Receivable

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on pledge amounts is computed using interest rates applicable to the years in which the promises are received, which is assumed to be 6.75% for 2023 and 3.25% for 2022. Amortization of pledge discounts is included in net assets with donor restrictions. The following are pledges receivable as of June 30, 2023 and 2022:

	2023	2022
Pledges receivable before unamortized discount and allowance for uncollectible pledges	\$ 236,442	675,734
Less unamortized discount	53,291	67,306
Subtotal	183,151	608,428
Less allowance for uncollectible pledges	5,495	15,210
Net pledges receivable	\$ 177,656	593,218

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	<u>2023</u>	<u>2022</u>
Amounts due in:		
Less than one year	\$ 147,653	378,561
One to five years	<u>30,003</u>	<u>214,657</u>
Total	<u>\$ 177,656</u>	<u>593,218</u>

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

Marklund reports investments in equity securities with readily determinable fair values and all investments in debt securities at fair value. Fair value is determined primarily on the basis of quoted market prices. A summary of the composition of Marklund's investment portfolio, all of which is reported as assets whose use is limited or restricted, pledges receivable, and investments in the accompanying consolidated balance sheets, at June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Cash & cash equivalents	\$ 3,530,205	8,817,085
Pledges receivable	177,656	593,219
Equity securities	14,204,116	14,735,028
Fixed-income mutual funds	5,588,515	6,759,452
Government bonds	<u>5,165,465</u>	<u>—</u>
	<u>\$ 28,665,957</u>	<u>30,904,784</u>

The composition of investment return on Marklund's investment portfolio for the years ended June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 819,760	1,031,699
Net realized gains on sale of investments	308,215	46,443
Change in net unrealized gains and losses on trading securities	1,162,833	(3,985,767)
Investment and management fees	<u>(93,459)</u>	<u>(106,438)</u>
Investment return, net	<u>\$ 2,197,349</u>	<u>(3,014,063)</u>

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(9) Fair Value Measurement

(a) Fair Value of Financial Instruments

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

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

(b) Fair Value Hierarchy

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

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

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The following table presents Marklund's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2023:

	<u>Fair value</u>	<u>Fair value measurements at June 30 using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:				
Cash and cash equivalents	\$ 54,492	54,492	—	—
Assets whose use is limited or restricted, excluding pledges receivable of \$177,656:				
Cash equivalents	\$ 3,530,205	3,530,205	—	—
Equity mutual funds	14,204,116	14,204,116	—	—
Fixed-income mutual funds	5,588,515	5,588,515	—	—
Government bonds	5,165,465	—	5,165,465	—
	<u>\$ 28,488,301</u>	<u>23,322,836</u>	<u>5,165,465</u>	<u>—</u>

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

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

(c) Transfers between Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. Marklund evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended June 30, 2023 and 2022, there were no transfers into or out of Level 1, 2, or 3.

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(10) Notes Payable

Marklund had outstanding notes payable at June 30, 2023 consisting of the following:

	2023	2022
Construction loan payable, issued August 20, 2019, bearing interest at a rate of 2.50% at June 30, 2023 and 2022, respectively, with interest paid monthly	\$ 1,669,751	2,552,820
Total notes payable	1,669,751	2,552,820
Less current maturities of notes payable	(383,069)	(383,069)
Notes payable, net of current portion	\$ 1,286,682	2,169,751

On August 20, 2019, Marklund entered into a \$9,000,000 construction loan with St. Charles Bank and Trust Company to fund the building of a school to meet the needs of children with multiple medical needs and those with autism spectrum disorders. Interest under the loan is payable based on the monthly LIBOR rate plus 1.50% for year 1 of the loan. For years 2 through 8, interest is based on a fixed rate established on the first anniversary date of the loan at the current LIBOR 7-year swap rate plus 200 basis points per year to fix the rate of interest payable. With the discontinuation of LIBOR, the loan was converted to WSJ Prime Rate minus 1.5% on August 20-2021 (fixed at 2.5%) applicable through year 8. For years 9 and 10, interest is based on the WSJ Prime Rate minus 1.5% with an index floor of 3.25%. Principal and interest payments are payable monthly, with monthly principal payments beginning on after the first anniversary date of the loan through the original loan maturity date of August 20, 2029.

At June 30, 2023, scheduled principal repayments on the notes payable were as follows:

	Amount
Fiscal year ending:	
2024	\$ 383,069
2025	383,069
2026	383,069
2027	383,069
2028	137,475
Total	\$ 1,669,751

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(11) Employee Retirement Plans

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

- *Contributions* – The Plan is a defined-contribution plan. Employer contributions to the Plan in 2023 and 2022 were 100% of each dollar the participant contributes, up to a maximum of 5% of eligible compensation for 2023 and 2022. Employer-matching contributions to the Plan were \$838,215 and \$855,572 in 2023 and 2022, respectively.
- *Eligibility* – All employees are eligible to participate in the Plan. Employees are eligible to receive matching contributions at the start of the first quarter following the date of hire.
- *Vesting* – Participants are vested immediately in their contributions and are 100% vested in the employer contributions at their two-year anniversary.

(12) Net Assets

Net assets at June 30, 2023 and 2022 consisted of the following:

	2023	2022
Net assets:		
Without donor restrictions:		
Designated by the board:		
Developmentally disabled children fund	\$ 1,000,000	1,000,000
Board-restricted endowment	3,216,515	3,162,741
Unrestricted endowment income and realized gains	9,269,844	7,278,365
Undesignated	34,449,003	36,185,727
Total net assets without donor restrictions	47,935,362	47,626,833
With donor restrictions		
Donor-restricted endowments	7,763,669	7,747,244
Purpose restricted – capital campaign	151,371	577,878
Purpose restricted – restricted programs	463,493	613,754
Total net assets with donor restrictions	8,378,533	8,938,876
Total net assets	\$ 56,313,895	56,565,709

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

	2023	2022
Capital campaign	\$ 460,531	1,600,998
Restricted programs	964,682	41,854
	\$ 1,425,213	1,642,852

(13) Endowments

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

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

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

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

(a) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Marklund to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. Subsequent gains restore the fair value of the assets of the endowment fund to the required level. There were no deficiencies as of June 30, 2023 or 2022.

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(b) Return Objectives and Risk Parameters

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

(c) Strategies Employed for Achieving Objectives

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

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

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

During 2023, Marklund had the following activities related to endowment net assets:

	Board- designated income	Donor-restricted endowment funds	Total
Endowment net assets, July 1, 2022	\$ 10,441,106	7,747,244	18,188,350
Investment return	1,991,545	—	1,991,545
Contributions	53,708	16,425	70,133
Endowment net assets, June 30, 2023	<u>\$ 12,486,359</u>	<u>7,763,669</u>	<u>20,250,028</u>

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

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

(14) Commitments and Contingencies

(a) Litigation

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

(b) Line of Credit

Marklund maintains a credit facility agreement with St. Charles Bank and Trust Company (the Bank). The agreement extends a line of credit to Marklund in the principal sum not to exceed \$10,000,000, with a maturity date of August 20, 2024, in support of working capital requirements and was secured by Marklund's unrestricted receivables and real and personal property. Interest on the unpaid balance is paid monthly based on a variable rate determined as the PRIME rate for the monthly period minus 1.5% with a floor of 3.25%. At June 30, 2023, \$6,478,212 was outstanding on the line of credit.

(c) Investment Risk and Uncertainties

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

(15) Functional Expenses

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

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staff time, and actual usage. Expenses related to providing these services for the years ended June 30, 2023 and 2022 are as follows:

	Program activities			Supporting activities			Total
	Residential	Non residential	Total program activities	General and administrative	Fund-raising	Total supporting activities	
Salaries and wages	\$ 11,851,898	7,731,784	19,583,482	2,138,560	899,638	3,038,198	22,621,880
Employee benefits	2,900,248	1,964,779	4,865,027	767,402	215,266	982,668	5,847,695
Consulting	5,198,838	94,374	5,291,012	—	—	—	5,291,012
Medical supplies	1,162,864	75,307	1,238,161	476	—	476	1,238,637
Food and dietary	637,827	8,875	646,302	753	—	753	647,055
Rent, utilities, and occupancy	585,816	503,517	1,089,333	67,555	29,551	97,106	1,186,439
Depreciation	1,103,563	1,428,738	2,532,301	272,937	—	272,937	2,805,238
Illinois Medicaid program assessment	1,311,344	—	1,311,344	—	—	—	1,311,344
Other	720,002	452,294	1,172,296	899,680	245,727	1,145,407	2,317,703
Total 2023 expenses	\$ 25,469,790	12,259,468	37,729,258	4,147,363	1,390,182	5,537,545	43,266,803

	Program activities			Supporting activities			Total
	Residential	Non residential	Total program activities	General and administrative	Fund-raising	Total supporting activities	
Salaries and wages	\$ 12,541,263	7,722,134	20,263,397	1,861,807	810,463	2,692,270	22,955,667
Employee benefits	3,282,168	1,997,714	5,279,882	704,250	215,909	920,159	6,200,041
Consulting	749,472	4,581	754,033	—	—	—	754,033
Medical supplies	1,084,960	83,901	1,128,861	2,747	—	2,747	1,131,608
Food and dietary	557,756	6,715	584,471	725	—	725	585,196
Rent, utilities, and occupancy	519,807	453,509	973,116	57,714	29,887	87,381	1,060,497
Depreciation	1,083,910	1,483,487	2,567,397	213,262	—	213,262	2,780,659
Illinois Medicaid program assessment	1,269,750	—	1,269,750	—	—	—	1,269,750
Other	598,873	368,871	967,544	733,921	246,453	980,374	1,947,918
Total 2022 expenses	\$ 21,867,559	12,100,892	33,788,451	3,594,426	1,302,492	4,898,918	38,665,369

**MARKLUND CHILDREN'S HOME
D/B/A MARKLUND**
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

(16) Financial Assets and Liquidity Resources

As of June 30, 2023 and 2022, financial and liquidity resources available within one year for operating expenses, line of credit repayments, and construction costs not financed with debt were as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 54,492	508,538
Receivables	6,286,887	6,195,930
Pledges receivable – current	147,653	378,561
Assets whose use is limited or restricted	23,281,829	25,303,964
Investments	5,206,472	5,007,600
Less donor-restricted net assets	(8,378,533)	(8,938,875)
Less board-restricted endowment	(3,216,515)	(3,162,741)
Less board-designated developmentally disabled children's fund	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Total financial assets available to meet cash needs for general expenditures within one year	\$ <u>22,382,285</u>	<u>24,292,977</u>

Marklund's cash flows fluctuate periodically based on the timing of receipts from the State of Illinois. To accommodate this, Marklund maintains a line of credit of \$10,000,000 (note 14), with \$3,521,788 undrawn at June 30, 2023.

(17) Subsequent Events

In connection with the preparation of the consolidated financial statements and in accordance with ASC Topic 855, *Subsequent Events*, Marklund evaluated subsequent events after the consolidated balance sheet date of June 30, 2022 through November 3, 2023, which was the date the consolidated financial statements were issued and other than disclosed in note 2, there were no other items to disclose.

LIMITED WAIVER AND SEVENTH AMENDMENT TO LOAN AGREEMENT

This LIMITED WAIVER AND SEVENTH AMENDMENT TO LOAN AGREEMENT (this "Amendment") is dated as of December 1, 2024 (the "Effective Date") by and between MARKLUND CHARITIES, an Illinois not-for-profit corporation ("Marklund Charities") and MARKLUND CHILDREN'S HOME, an Illinois not-for-profit corporation ("Marklund Children's Home"), and together with Marklund Charities, "Borrower") and ST. CHARLES BANK & TRUST COMPANY, N.A., a national banking association ("Lender").

RECITALS

A. The Borrower and the Lender entered into a Loan Agreement dated as of August 20, 2019, as further revised, modified, amended, or restated from time to time, (collectively, the "Loan Agreement"), pursuant to which the Lender agreed to make certain credit facilities available to the Borrower.

B. The Project Budget Amount (as defined in the Loan Agreement) has exceeded \$17,000,000.00 by \$350,000.00 (the "Budget Amount"), and (ii) on September 30, 2024 the Borrower breached the Minimum Debt Service Coverage Ratio below the necessary 1.10x (as defined in the Loan Agreement) (the "DSCR").

C. The Budget Amount resulted in a Default (as defined under the Loan Agreement) under Section 8.2 of the Loan Agreement and the DSCR resulted in a Default under Section 8.10(a) of the Loan Agreement (collectively, the "Designated Defaults").

D. The Borrower has requested that the Lender (i) extend the maturity date of the Revolving Loan, (ii) waive the Designated Defaults and (iii) amend the Loan Agreement in certain other respects.

E. The Lender is willing to agree to said modifications, subject to the terms and conditions hereinafter set forth.

NOW THEREFORE, in consideration of the foregoing Recitals, and the mutual covenants and agreements hereinafter set forth, the parties hereto agree as follows:

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, it is agreed that:

SECTION 1 **DEFINED TERMS**

Capitalized terms defined in the Loan Agreement and not otherwise defined herein are used in this Amendment as defined in the Loan Agreement.

SECTION 2 **LIMITED WAIVER**

From and after the Effective Date (including the satisfaction of all conditions precedent set forth in Section 5 hereof), the Lender hereby waives the Designated Defaults and all of its rights and remedies with respect to the Designated Defaults. The foregoing waiver shall not be deemed to be a waiver of any other unmatured event of Default or event of Default which may occur or has occurred or establish a custom or course of dealing between the Lender and the Borrower, nor shall such waiver modify the Borrower's obligations to comply with the Loan Agreement.

SECTION 3 **AMENDMENT TO LOAN AGREEMENT**

The Loan Agreement (excluding the schedules and exhibits thereto) is hereby amended (a) to delete the stricken text (indicated textually in the same manner as the following examples: ~~stricken-text~~) and (b) to add the double-underlined text (indicated textually in the same manner as the following examples: double-underlined text), in each case, as set forth in the marked copy of the Loan Agreement attached hereto as Attachment 1 hereto and made a part hereof for all purposes. The Loan Agreement, as so marked in Attachment 1, is hereby deemed to be the Loan Agreement.

SECTION 4 **REPRESENTATIONS AND WARRANTIES**

4.1 Due Authorization, etc. The execution and delivery of this Amendment and each of the documents required to be delivered under Section 5 to which Borrower is a party, and the performance of the Borrower's obligations under the Loan Agreement are duly authorized by all necessary corporate or company action, do not require any filing or registration with or approval or consent of any governmental agency or authority, do not and will not conflict with, result in any violation of or constitute any default under any provision of the articles of incorporation, articles of organization, by-laws or operating agreement of the Borrower, or any material agreement or other document binding upon or applicable to the Borrower (or any of their respective properties) or any material law or governmental regulation or court decree or order applicable to the Borrower, and will not result in or require the creation or imposition of any Lien in any of the Borrower's properties pursuant to the provisions of any agreement binding upon or applicable to the Borrower.

4.2 Validity. This Amendment has been duly executed and delivered by the Borrower and, together with the Loan Agreement, constitutes a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms subject, as to enforcement only, to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforceability of the rights of creditors generally.

4.3 Representations and Warranties. The Borrower hereby represents and warrants to Lender that, as of the date of this Amendment, the representations and warranties contained in Article II of the Loan Agreement are true and correct on the date of this Amendment, except to the extent that such representations and warranties solely relate to an earlier date.

4.4 Absence of Defaults. Other than the Designated Defaults, the Borrower hereby represents and warrants to Lender that, as of the date of this Amendment, no unmatured event of Default or event of Default under the Loan Agreement has occurred and is continuing as of such date.

SECTION 5 **CONDITIONS PRECEDENT**

This Amendment shall become effective upon satisfaction of all of the following conditions precedent:

5.1 Receipt of Documents: The Lender shall have received all of the following, each in form and substance satisfactory to Lender:

(a) A counterpart original of this Amendment duly executed by Borrower and Lender in form and substance acceptable to the Lender.

(b) UCC Searches and Filings. Copies of UCC search reports dated such a date as is acceptable to Lender, listing all effective financing statements that name the Borrower under its current present name and any previous names, as debtor, together with copies of such financing statements, if any, and such other UCC termination statements or other documents reasonably requested by the Lender with respect to any Liens being released on the date hereof, if any.

(c) Insurance. Evidence satisfactory to the Lender of the existence of insurance required to be maintained pursuant to the Loan Documents with respect to the Borrower.

(d) Certain Organizational and Authorization Documents. Lender shall have received, from the Borrower, a Secretary's Certificate attaching copies of, and certifying as to, (i) the Articles of Incorporation of the Borrower certified by the Secretary of State of the State of Illinois, (ii) Bylaws and other similar organizational documents (together with all amendments thereto) of the Borrower; (iii) resolutions of the applicable governing body of each of the Borrower approving and authorizing execution, delivery and performance of this Amendment and the other agreements, instruments, documents and certificates contemplated hereby; and (iv) good standing certificates issued by the State of Illinois in form and substance reasonably acceptable to Lender.

(e) Other. Such other documents as Lender may reasonably request.

5.2 No Default. Other than the Designated Defaults, no unmatured event of Default or event of Default exists under the Loan Agreement, as amended by this Amendment, or the other documents, instruments and agreements executed in connection therewith.

SECTION 6
MISCELLANEOUS

6.1 Documents Remain in Effect. The Loan Agreement and the other documents executed pursuant to the Loan Agreement remain in full force and effect and the Borrower hereby ratifies, adopts and confirms their respective representations, warranties, agreements and covenants contained in, and obligations and liabilities under, the Loan Agreement and the other documents executed pursuant to the Loan Agreement.

6.2 Headings. Headings used in this Amendment are for convenience of reference only and shall not affect the construction of this Amendment.

6.3 Counterparts. This Amendment may be executed in any number of counterparts, and by the parties hereto on the same or separate counterparts, and each such counterpart, when executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Amendment. Counterparts may be delivered via facsimile, electronic mail or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

6.4 Expenses. The Borrower agrees to pay on demand all costs and expenses of Lender (including reasonable fees, charges and disbursements of Lender's attorneys) in connection with the preparation, negotiation, execution, delivery and administration of this Amendment and all other instruments or documents provided for herein or delivered or to be delivered hereunder or in connection herewith. In addition, the Borrower agrees to pay, and save Lender harmless from all liability for, any stamp or other taxes which may be payable in connection with the execution or delivery of this Amendment, the borrowings under the Loan Agreement, and the execution and delivery of any instruments or documents provided for herein or delivered or to be delivered hereunder or in connection herewith. All obligations provided in this Section 6.4 shall survive any termination of this Amendment or the Loan Agreement.

6.5 Governing Law. This Agreement shall be a contract made under and governed by the internal laws of the State of Illinois. Wherever possible, each provision of this Amendment shall be interpreted in such manner as to be effective and valid under applicable laws, but if any provision of this Amendment shall be prohibited by or invalid under such laws, such provisions shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Amendment.

6.6 Successors. This Agreement shall be binding upon the Borrower, Lender and their respective successors and assigns, and shall inure to the benefit of such Borrower, Lender and the successors and assigns of Lender.

6.7 Advice of Counsel. The Borrower acknowledges that it was advised by Lender to seek the advice of legal counsel in negotiating and reviewing this Amendment, and further acknowledge that it has had the opportunity to obtain advice of legal counsel.

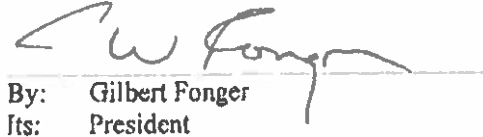
6.8 Release. The Borrower acknowledges and agrees that as of the date hereof, it has no claim, defense or set-off right against Lender of any nature whatsoever, whether sounding in

tort, contract or otherwise, and has no claim, defense or set-off of any nature whatsoever to the enforcement of the full amount of the Loans and other obligations under the Loan Agreement and the other Loan Documents. Notwithstanding the foregoing, to the extent that any claim, cause of action, defense or set-off against Lender or its enforcement of the Loan Agreement or any other Loan Document, of any nature whatsoever, known or unknown, fixed or contingent, does nonetheless exist or may exist on the date hereof, in consideration of Lender's entering into this Agreement, the Borrower hereby irrevocably and unconditionally waives and releases fully each and every such claim, cause of action, defense and set-off which exists or may exist on the date hereof. The provisions of this Section 6.8 shall survive any termination of this Amendment or the Loan Agreement.


[signature page attached]

IN WITNESS WHEREOF, each of the undersigned have executed this Amendment effective as of the date first written above.

MARKLUND CHILDREN'S HOME,
an Illinois not-for-profit corporation

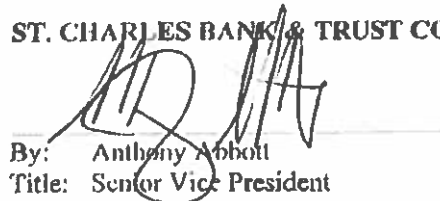

By: Gilbert Fonger
Its: President

MARKLUND CHARITIES,
an Illinois not-for-profit corporation


By: Gilbert Fonger
Its: President

Agreed and accepted:

ST. CHARLES BANK & TRUST COMPANY


By: Anthony Abbott
Title: Senior Vice President

ATTACHMENT 1

(see attached)

ST. CHARLES BANK & TRUST COMPANY

LOAN AGREEMENT

THIS LOAN AGREEMENT (this “**Agreement**”), made and entered into as of the 31st day of August 2019 (the “**Effective Date**”), by and between MARKLUND CHARITIES, an Illinois not-for-profit corporation (“**Marklund Charities**”) and MARKLUND CHILDREN’S HOME, an Illinois not-for-profit corporation (“**Marklund Children’s Home**”, and together with Marklund Charities, “**Borrower**”) and ST. CHARLES BANK & TRUST COMPANY, an Illinois banking corporation (“**Lender**”). For purposes of this Agreement, Borrower and Lender individually are referred to as a “**Party**” and collectively as the “**Parties.**”

WITNESSETH:

Borrower proposes to construct a two-story, twenty-six thousand six hundred thirteen (26,613) square foot day school building and other related improvements in Geneva, Illinois, on the property described on Exhibit A attached hereto. Borrower has applied to Lender for a “Construction Loan” (as defined below) for the purpose of financing the construction of the Project and for a “Revolving Loan” (as defined below), and Lender is willing to make the “Construction Loan” and “Revolving Loan” upon the terms and conditions hereinafter set forth.

Borrower has applied to Lender for a “2023 Construction Loan” (as defined below) and for a “Pledge Line of Credit Loan” for the purpose of renovating and expanding the existing Wasmond Center and Day Care School on the Elgin Land (as defined below) and Lender is willing to make the “2023 Construction Loan” and “Pledge Line of Credit Loan” upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual representations, warranties, covenants and agreements herein contained, the sufficiency of which is hereby acknowledged, the Parties hereto represent and agree as follows:

**ARTICLE I
INCORPORATION AND DEFINITIONS**

1.1 **Incorporation and Definitions.** The foregoing recitals and all exhibits hereto are hereby made a part of this Agreement. The following terms shall have the following meanings in this Agreement:

2023 Construction Loan: Means, respectively, each advance of 2023 Construction Loan Proceeds and the aggregate of all such advances of 2023 Construction Loan Proceeds made by Lender pursuant to this Agreement, as set forth in Section 3.5 of this Agreement.

2023 Construction Loan Amount: Means the amount of the “Construction Note” (as defined below) outstanding or advanced which shall in the aggregate not exceed Ten Million Five Hundred Thousand and 00/100 Dollars (\$10,500,000.00).

2023 Construction Loan Maturity Date: Means October 10, 2033, unless extended by Lender pursuant to any modification, extension or renewal note executed by Borrower and accepted by Lender in Lender's sole and absolute discretion in substitution for the Construction Note.

2023 Construction Loan Opening: Means the date of first disbursement of the 2023 Construction Loan.

2023 Construction Loan Proceeds: Means all amounts advanced as part of the 2023 Construction Loan, whether advanced directly to Borrower or otherwise.

2023 Construction Note: Means the 2023 Construction Note, dated as of the Fifth Amendment Effective Date, evidencing the 2023 Construction Loan in the original principal amount of up to Ten Million Five Hundred Thousand and 00/100 Dollars (\$10,500,000.00) prepared by and acceptable to Lender, maturing on the 2023 Construction Loan Maturity Date, duly executed by Borrower and payable to the order of Lender, together with any and all renewal, extension, modification or replacement notes executed by Borrower and delivered to Lender and given in substitution therefor.

Applicable Rate: Means as of any date of determination, a "Variable Rate" (as defined below) or "Fixed Rate" (as defined in the table below) per annum equal to the applicable rate set forth below for the applicable "Interest Period" (as defined below):

	Variable Rate	Fixed Rate
Construction Loan(s)	Prime Rate minus one and 50/100ths percent (1.50%), but in any event never less than the Prime Rate Index Floor (Years 1, 9 & 10)	2.50% (Years 2, 3, 4, 5, 6, 7 & 8)
Revolving Loan(s)	Prime Rate minus one and 50/100ths percent (1.50%), but in any event never less than the Prime Rate Index Floor	Not Applicable
2023 Construction Loan(s)	Term SOFR plus 1.65% for each Interest Period	See Section 3.5(c) 7 Year SWAP Index (but in any event never less than 2.00%) plus 2.50%
Pledge Line of Credit Loan(s)	Term SOFR plus 1.65% for each Interest Period	Not Applicable

Architect: ARCON Associates Incorporated, an Illinois corporation and RDL Architects, Inc., an Ohio corporation.

Architect's Contract: The contract for preparation of the "Plans and Specifications: (as defined below) and performance of other architectural services made by Borrower and the Architect.

Available Funds: Means (a) the undisbursed proceeds of the Construction Loans, net of any unpaid accrued interest on the Construction Loans; plus (b) any other amounts deposited by Borrower pursuant to Section 6.1 below and then held by Lender.

Best of Borrower's Knowledge: Means the actual knowledge of Gilbert Fonger and Kudas Badmus, and any successor chief executive officer, president, and chief financial officer of Borrower, respectively, upon reasonable inquiry.

Borrower: MARKLUND CHARITIES, an Illinois not-for-profit corporation and MARKLUND CHILREN'S HOME, an Illinois not-for-profit corporation, jointly and severally.

Business Day: Means any day other than a Saturday, Sunday or other day on which commercial banks are authorized or required to be closed for the conduct of commercial banking business in the State of Illinois.

Capital Lease: Means, as to any Person, a lease of any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, by such Person, as lessee, that is, or should be, in accordance with Financial Accounting Standards Board Statement No. 13, as amended from time to time, or, if such statement is not then in effect, such statement of "GAAP" (as defined below) as may be applicable, recorded as a "capital lease" on the financial statements of such "Person" (as defined below) prepared in accordance with GAAP.

Capitalized Lease Obligations: Means, as to any Person, all rental obligations of such Person, as lessee under a Capital Lease that are or will be required to be capitalized on the books of such Person.

Casualty: As defined in Section 9.1 of this Agreement.

Change in Unrealized Activity: Means the amount set forth for the line item "Change in Unrealized Gain (Loss) on Investments" (to the extent such amount is not restricted for purposes inconsistent with payment of the obligations under the "Loan Documents" (as defined below) or subject to any Lien) in the most recent financial statements of the Borrower delivered pursuant to this Agreement, or any conceptually equivalent items as classified in future financial statements of Borrower.

Change in Unrestricted Net Assets: Means the amount set forth for the line item "Change in Unrestricted Net Assets" (to the extent such amount is not restricted for purposes inconsistent with payment of the obligations under the Loan Documents or subject to any "Lien" (as defined below)) in the most recent financial statements of Borrower delivered pursuant to this Agreement, or any conceptually equivalent items as classified in future financial statements of Borrower.

City: Means the City of Geneva, located in Kane County, Illinois and City of Elgin, located in Kane County, Illinois.

Condemnation: As defined in Section 9.1 of this Agreement.

Construction Contracts: Means the “Contract” (as defined below) and the “Subcontracts” (as defined below).

Construction Disbursement: Means a disbursement of “Construction Loan Proceeds” (as defined below), “Pledge Line of Credit Loan Proceeds” (as defined below) or 2023 Construction Loan Proceeds for construction of the Project.

Construction Escrow: As defined in Section 5.1(p) of this Agreement.

Construction Loan: Means, respectively, each advance of Construction Loan Proceeds and the aggregate of all such advances of Construction Loan Proceeds made by Lender pursuant to this Agreement, as set forth in Section 3.2 of this Agreement.

Construction Loan Amount: Means the amount of the “Construction Note” (as defined below) outstanding or advanced which shall in the aggregate not exceed Nine Million and 00/100 Dollars (\$9,000,000.00).

Construction Loan Maturity Date: Means the earlier of (a) the date that is the ten (10) year anniversary of the “Construction Loan Opening” (as defined below), or (b) August 31, 2029, unless extended by Lender pursuant to any modification, extension or renewal note executed by Borrower and accepted by Lender in Lender’s sole and absolute discretion in substitution for the Construction Note.

Construction Loan Opening: Means the date of first disbursement of the Construction Loan.

Construction Loan Proceeds: Means all amounts advanced as part of the Construction Loan, whether advanced directly to Borrower or otherwise.

Construction Note: Means the Second Amended and Restated Construction Note, dated as of the Fifth Amendment Effective Date, evidencing the Construction Loan in the original principal amount of One Million Five Hundred Seventy Three Thousand Nine Hundred Eighty Three and 90/100 Dollars (\$1,573,983.90) prepared by and acceptable to Lender, maturing on the Construction Loan Maturity Date, duly executed by Borrower and payable to the order of Lender, together with any and all renewal, extension, modification or replacement notes executed by Borrower and delivered to Lender and given in substitution therefor.

Contingent Liability and Contingent Liabilities: Means, respectively, each obligation and liability of Borrower and all such obligations and liabilities of Borrower incurred pursuant to any agreement, undertaking or arrangement by which Borrower: (a) guarantees, endorses or otherwise becomes or is contingently liable upon (by direct or indirect agreement, contingent or otherwise, to provide funds for payment, to supply funds to, or otherwise to invest in, a debtor, or otherwise to assure a creditor against loss) the indebtedness, dividend, obligation or other liability of any other Person in any manner (other than by endorsement of instruments in the course of collection), including any indebtedness, dividend or other obligation which may be issued or incurred at some future time; (b) guarantees the payment of dividends or other distributions upon the shares or ownership interest of any other Person; (c) undertakes or agrees (whether contingently or otherwise): (i) to purchase, repurchase, or otherwise acquire any indebtedness, obligation or liability of any other Person or any property or assets constituting security therefor, (ii) to advance or provide funds for the payment or discharge of any

indebtedness, obligation or liability of any other Person (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), or to maintain solvency, assets, level of income, working capital or other financial condition of any other Person, or (iii) to make payment to any other Person other than for value received; (d) agrees to lease property or to purchase securities, property or services from such other Person with the purpose or intent of assuring the owner of such indebtedness or obligation of the ability of such other Person to make payment of the indebtedness or obligation; (e) to induce the issuance of, or in connection with the issuance of, any letter of credit for the benefit of such other Person; or (f) undertakes or agrees otherwise to assure a creditor against loss. The amount of any Contingent Liability shall (subject to any limitation set forth herein) be deemed to be the outstanding principal amount (or maximum permitted principal amount, if larger) of the indebtedness, obligation or other liability guaranteed or supported thereby.

Contract: Means all agreements and understandings whether oral or written which are for the provision of any labor or materials to the Premises or on behalf of or in furtherance of the Project and are made by any Borrower, Contractor or Subcontractor with any person, including, without limitation, agreements for the services of architects, engineers, surveyors, environmental consultants, planners, contractors and all amendments and modifications to such agreements and understandings. As used herein, Contracts shall also mean all drawings, Plans and Specifications for all work to be performed pursuant to the Contracts.

Contractor: Means FCL Builders, LLC, an Illinois limited liability company and any person that enters into a Contract with Borrower or the Contractor.

Contractor's Sworn Statement: As defined in Section 5.1(m) of this Agreement.

County: Means Kane County, Illinois.

Debt: Means, as to any Person, without duplication, (a) all indebtedness of such Person; (b) all borrowed money of such Person (including principal, interest, fees and charges), whether or not evidenced by bonds, debentures, notes or similar instruments; (c) all obligations to pay the deferred purchase price of property or services; (d) all obligations, contingent or otherwise, with respect to the maximum face amount of all letters of credit (whether or not drawn), bankers' acceptances and similar obligations issued for the account of such Person (including the Letters of Credit), and all unpaid drawings in respect of such letters of credit, bankers' acceptances and similar obligations; (e) all indebtedness secured by any Lien on any property owned by such Person, whether or not such indebtedness has been assumed by such Person (provided, however, if such Person has not assumed or otherwise become liable in respect of such indebtedness, such indebtedness shall be deemed to be in an amount equal to the fair market value of the property subject to such Lien at the time of determination); (f) the aggregate amount of all Capitalized Lease Obligations of such Person; (g) all Contingent Liabilities of such Person, whether or not reflected on its balance sheet; (h) all obligations of such Person under all "Hedging Agreements" (as defined below); (i) all Debt of any partnership of which such Person is a general partner; and (j) all monetary obligations of such Person under (i) a so-called synthetic, off-balance sheet or tax retention lease, or (ii) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment). Notwithstanding the foregoing, Debt shall not include trade

payables and accrued expenses incurred by such Person in accordance with customary practices and in the ordinary course of business of such Person.

Default: Means one or more of the events or occurrences referred to in Article XI of this Agreement.

Default Rate: Means for every obligation of Borrower evidenced by the Notes or this Agreement, five percent (5%) per annum plus the Applicable Rate to the Loans.

Depreciation: Means the total amounts added to depreciation, amortization, obsolescence, valuation and other proper reserves, as reflected on Borrower's financial statements and determined in accordance with GAAP.

Effective Date: Means the date of this Agreement.

Environmental Laws: Means all federal, state and local statutes, ordinances, regulations and rules relating to environmental quality, health, safety, contamination and cleanup, including, without limitation, the Clean Air Act, 42 U.S.C. §7401 *et seq.*; the Clean Water Act, 33 U.S.C. §1251 *et seq.*, and the Water Quality Act of 1987; the Federal Insecticide, Fungicide, and Rodenticide Act, 7 U.S.C. §136 *et seq.*; the Marine Protection, Research, and Sanctuaries Act, 33 U.S.C. §1401 *et seq.*; the National Environmental Policy Act, 42 U.S.C. §4321 *et seq.*; the Noise Control Act, 42 U.S.C. §4901 *et seq.*; the Occupational Safety and Health Act, 29 U.S.C. §651 *et seq.*; the Resource Conservation and Recovery Act, 42 U.S.C. §6901 *et seq.*, as amended by the Hazardous and Solid Waste Amendments of 1984; the Safe Drinking Water Act, 42 U.S.C. §300f *et seq.*, as amended by the Superfund Amendments and Reauthorization Act, the Emergency Planning and Community Right-to-Know Act, and Radon Gas and Indoor Air Quality Research Act; the Toxic Substances Control Act, 15 U.S.C. §2601 *et seq.*; the Atomic Energy Act, 42 U.S.C. §2011 *et seq.*, and the Nuclear Waste Policy Act of 1982, 42 U.S.C. §10101 *et seq.*; and state lien and superlien and environmental cleanup statutes, with implementing regulations and guidelines. Environmental Laws also shall include all state, regional, county, municipal and other local laws, regulations and ordinances insofar as they are equivalent or similar to the federal laws recited above or purport to regulate "Hazardous Materials" (as defined below).

Expendable Cash and Investments: Means cash and investments which are (a) not subject to a Lien and (ii) available immediately for the payment of obligations of Borrower to Lender under the Loan Documents, calculated substantially in the manner and form provided by Borrower to Lender in the most recent financial statements of Borrower delivered pursuant to this Agreement, or any conceptually equivalent items as classified in future financial statements of Borrower.

Fifth Amendment Effective Date: Means October 10, 2023.

GAAP: Means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the U.S. accounting profession), which are applicable to the circumstances as of the date of determination, provided, however, that interim financial statements or reports shall be deemed in

compliance with GAAP despite the absence of footnotes and fiscal year-end adjustments as required by GAAP.

Hazardous Materials: Means and includes the following, including mixtures thereof any hazardous substance, pollutant, contaminant, waste, by-product or constituent regulated under the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §9601 *et seq.*; oil and petroleum products and natural gas, natural gas liquids, liquefied natural gas and synthetic gas usable for fuel; pesticides regulated under the Federal Insecticide, Fungicide, and Rodenticide Act, 7 U.S.C. §136 *et seq.*; asbestos and asbestos-containing materials, PCBs and other substances regulated under the Toxic Substances Control Act, 15 U.S.C. §2601 *et seq.*; source material, special nuclear material, by-product material and any other radioactive materials or radioactive wastes, however produced, regulated under the Atomic Energy Act or the Nuclear Waste Policy Act of 1982; chemicals subject to the OSHA Hazard Communication Standard, 29 C.F.R. §1910.1200 *et seq.*; and industrial process and pollution control wastes whether or not hazardous within the meaning of the Resource Conservation and Recovery Act, 42 U.S.C. §6901 *et seq.*

Hedging Agreement: Means any interest rate, currency or commodity swap agreement, cap agreement or collar agreement, and any other agreement or arrangement designed to protect a Person against fluctuations in interest rates, currency exchange rates or commodity prices.

In Balance: As defined in Section 6.1 of this Agreement.

Interest Charges: Means, for any period, the sum of: (a) all interest, charges and related expenses payable with respect to that fiscal period to a lender in connection with borrowed money or the deferred purchase price of assets that are treated as interest in accordance with GAAP, plus (b) the portion of Capitalized Lease Obligations with respect to that fiscal period that should be treated as interest in accordance with GAAP, plus (c) all charges paid or payable (without duplication) during that period with respect to any Hedging Agreements.

Interest Period: Means successive one (1) month periods, beginning and ending as provided in this Agreement.

Land: Means (i) that certain parcel or those parcels of real estate legally described in Exhibit A to this Agreement, together with all improvements presently located thereon and all easements and other rights appurtenant thereto (“Geneva Land”) and (ii) that certain parcel or those parcels of real estate located at 1435 Summit St, Elgin, Illinois 60120, together with all improvements presently located thereon and all easements and other rights appurtenant thereto (“Elgin Land”).

Lender: Means St. Charles Bank & Trust Company, an Illinois banking corporation.

Lender’s Consultant: Means any appraiser, architect, engineer or other professional retained by Lender for advice or assistance.

Letter of Credit or Letters of Credit: An Irrevocable Stand-By Letter of Credit issued by Lender on behalf of Borrower in favor of the County or the City, to secure the proper construction and installation of utilities and infrastructure by the Borrower for the Project on the Premises, individually or collectively, in the aggregate maximum amount of Five Hundred Thousand Dollars (\$500,000.00).

Letter of Credit Fee: Means one and one-half percent (1.5%) per annum on the then principal sum of all outstanding Letters of Credit, due and payable quarterly in advance of each calendar quarter, plus applicable processing fees and costs and Lender's then current rates.

Lien: Means, with respect to any Person, any interest granted by such Person in any real or personal property, asset or other right owned or being purchased or acquired by such Person (including an interest in respect of a Capital Lease) which secures payment or performance of any obligation and shall include any mortgage, lien, encumbrance, title retention lien, charge or other security interest of any kind, whether arising by contract, as a matter of law, by judicial process or otherwise.

Loan or Loans: Means the loans to be made pursuant to this Agreement, which can refer to the loans evidenced by the 2023 Construction Note, the Construction Note, "Pledge Line of Credit Note" (as defined below) and/or the "Revolving Note" (as defined below), collectively or in the alternative.

Loan Documents: means the Loan Agreement, as modified by the First Amendment to Loan Agreement, dated August 20, 2021, by and among Lender and Borrower, as further modified by the Second Amendment to Loan Agreement, dated June ___, 2022, by and among Lender and Borrower, as further modified by the Third Amendment to Loan Agreement, dated January 26, 2023, by and among Lender and Borrower, as further modified by the Fourth Amendment to Loan Agreement, dated August 17, 2023, by and among Lender and Borrower, as further modified by the Fifth Amendment to Loan Agreement, dated October 10., 2023, by and among Lender and Borrower, the documents specified in Article IV of the Loan Agreement and further revised, modified, amended or restated, and any and all other instruments securing or guaranteeing obligations of any party under the Loans, together with any and all amendments, restatements, modifications and other supplements to any of the foregoing in effect from time to time.

Loan Expense or Loan Expenses: As defined in Section 3.8(d) of this Agreement.

Loan Opening: Means the Construction Loan Opening, the Construction Loan Opening, "Pledge Line of Credit Loan Opening" (as defined below) or the "Revolving Loan Opening" (as defined below), referred to individually, collectively or in the alternative.

Loan Proceeds: Means all 2023 Construction Loan Proceeds, Construction Loan Proceeds, Pledge Line of Credit Loan Proceeds or "Revolving Loan Proceeds" (as defined below) amounts advanced as part of the Loans, whether advanced directly to Borrower or otherwise pursuant to this Agreement.

Material Adverse Change: Means any set of circumstances or events which, in Lender's sole discretion, would have, or is then reasonably expected to have, a "Material Adverse Effect" (as defined below) on (a) the validity or enforceability of this Agreement or the other Loan Documents taken as a whole, (b) the ability of Borrower to duly and punctually pay the obligations evidenced by the Loan Documents or perform Borrower's obligations, (c) the ability of Lender to enforce its legal remedies pursuant to this Agreement or the other Loan Documents taken as a whole, including by realizing upon any collateral, or (d) the business prospects or financial condition of Borrower, (e) the financial performance or market value of the Premises, or (vi) the compliance of the Project with any law dealing with the use, ownership or operation

of the “Premises” (as defined below), or any law, the noncompliance with which could reasonably be expected to have a Material Adverse Effect on the financial performance or market value of the Premises.

Material Adverse Effect: Means a significant detrimental effect on (a) the Premises, (b) the business, prospects, profits, operations or condition (financial or otherwise) of Borrower, (c) the enforceability, validity, perfection or priority of the Lien of any Loan Document, or (d) the ability of Borrower to perform any obligations under any Loan Documents.

Maturity Date: Means the 2023 Construction Loan Maturity Date, the Construction Loan Maturity Date, the “Pledge Line of Credit Loan Maturity Date” (as defined below) or the “Revolving Loan Maturity Date” (as defined below), referred to individually, collectively or in the alternative.

Minimum Debt Service Coverage Ratio: Means the Change in Unrestricted Net Assets, plus Interest Charges, plus Depreciation, plus/minus Change in Unrealized Activity, minus Non-Recurring Revenues, *DIVIDED* by all scheduled principal and interest payments on the Loans.

Minimum Unrestricted Liquidity to Funded Debt: Means “Unrestricted Liquidity” (as defined below) *DIVIDED* by all outstanding Debt of Borrower.

Mortgage: As defined in Section 4.1(b) of this Agreement.

Non-Recurring Revenues: Means revenues of Borrower that are identified in the unrestricted column and/or as a net asset released from restriction such as: (a) unrestricted capital campaign revenues, and (b) other one-time revenue sources of Borrower which are not expected to be recurring in the following fiscal year of Borrower, as reported by Borrower.

Note or Notes: Means the 2023 Construction Note, the Construction Note, Pledge Line of Credit Note and/or the Revolving Note referred to individually, collectively or in the alternative.

Owner’s Sworn Statement: As defined in Section 5.1(n) of this Agreement.

Permits: Means all evidence of permits, licenses, building permits, approved plans or other approvals issued by any person or entity which authorizes any work to be performed on the Premises or on behalf of the Project.

Permitted Exceptions: The title exceptions specified in Exhibit B hereto.

Person: Means any natural person, partnership, limited liability company, corporation, trust, joint venture, joint stock company, association, unincorporated organization, government or agency or political subdivision thereof, or other entity, whether acting in an individual, fiduciary or other capacity.

Plans and Specifications: Means the detailed plans and specifications for the construction of the Project which are identified in Exhibit C hereto including any field drawings, surveys and engineering drawings made in furtherance thereof, together with any changes made therein which are permitted under the terms of this Agreement.

Pledge Line of Credit Loan: Means, respectively, each direct advance and the aggregate of all such direct advances made by the Lender to Borrower under and pursuant to this Agreement, as set forth in Section 3.6 of this Agreement (together with the 2023 Construction Loan and the Construction Loan the “Construction Loans”).

Pledge Line of Credit Loan Amount: Means Four Million and 00/100 Dollars (\$4,000,000.00) from the period commencing on the Fifth Amendment Effective Date through and until the “Pledge Line of Credit Loan Maturity Date” (as defined below).

Pledge Line of Credit Loan Maturity Date: Means October 10, 2028, unless extended by Lender pursuant to any modification, extension or renewal note executed by Borrower and accepted by Lender in Lender’s sole and absolute discretion in substitution for the Revolving Note.

Pledge Line of Credit Loan Opening: Means the date of first disbursement of the Pledge Line of Credit Loan.

Pledge Line of Credit Loan Proceeds: Means all amounts advanced as part of the Pledge Line of Credit Loan, whether advanced directly to Borrower or otherwise (together with the 2023 Construction Loan Proceeds and the Construction Loan Proceeds, the “Construction Loans Proceeds”).

Pledge Line of Credit Note: Means a Pledge Line of Credit Note, dated as of the Fifth Amendment Effective Date, evidencing the Pledge Line of Credit Loan in the original principal amount of Four Million and 00/100 Dollars (\$4,000,000.00) prepared by and acceptable to Lender, maturing on the Pledge Line of Credit Loan Maturity Date, duly executed by Borrower and payable to the order of Lender, together with any and all renewal, extension, modification or replacement notes executed by Borrower and delivered to Lender and given in substitution therefor.

Pledges: Means the actual \$ dollar amount in pledges received by Borrower from donors for the completion of the Project located on the Elgin Land.

Premises: Means the Land and the Project.

Prime Loan or Prime Loans: Means the aggregate outstanding principal balance of the Loans that bear interest at the “Prime Rate” (as defined below).

Prime Rate: means the floating per annum rate of interest most recently published in the Money Rates column of The Wall Street Journal as the prime or base rate as in effect from time to time. If publication of The Wall Street Journal is discontinued (or if The Wall Street Journal ceases to publish the Prime Rate), the Administrative Agent, in its sole discretion, shall designate another daily financial or governmental publication of national circulation to be used to determine the Prime Rate. The effective date of any change in the Prime Rate shall for purposes hereof be the effective date of such change as set forth in The Wall Street Journal or such other publication. Lender shall not be obligated to give notice of any change in the Prime Rate. The Prime Rate is not necessarily the lowest rate of interest that Lender charges its customers. Notwithstanding the foregoing or any other terms of this Agreement to the contrary, if the Prime Rate falls below the Prime Rate Index Floor at any time for any reason, the Prime Rate, for purposes of this

Agreement and the Loan Documents, shall during such period be equal to the Prime Rate Index Floor.

Prime Rate Index Floor: means three and 25/100ths percent (3.25%).

Proceeds: As defined in Section 9.1 of this Agreement.

Prohibited Transfer: As defined in Section 10.2 of this Agreement.

Project: Means (i) the construction of a school building and related improvements on the Geneva Land and (ii) renovating and expanding the existing Wasmond Center and Day Care School located on Elgin Land, pursuant to the Plans and Specifications on the Land.

Project Budget: Means the Project Budget attached to this Agreement as Exhibit D, or such budget subsequently approved in writing by Borrower and Lender.

Project Budget Amount: Means the aggregate cost of the Project detailed in the Project Budget.

Request for Advance: As defined in Section 6.2(a) of this Agreement.

Revolving Loan and Revolving Loans: Means, respectively, each direct advance and the aggregate of all such direct advances made by the Lender to Borrower under and pursuant to this Agreement, as set forth in Section 3.3 of this Agreement.

Revolving Loan Amount: Means Ten Million and 00/100 Dollars (\$10,000,000.00) from the period commencing as of Effective Date hereof through and until the Revolving Loan Maturity Date.

Revolving Loan Maturity Date: Means November 30, 2026, unless extended by Lender pursuant to any modification, extension or renewal note executed by Borrower and accepted by Lender in Lender's sole and absolute discretion in substitution for the Revolving Note.

Revolving Loan Opening: Means the date of first disbursement of the Revolving Loan.

Revolving Loan Proceeds: Means all amounts advanced as part of the Revolving Loan, whether advanced directly to Borrower or otherwise.

Revolving Note: Means a Fourth Amended and Restated Revolving Note, dated as of the Fifth Amendment Effective Date, evidencing the Revolving Loan in the original principal amount of Ten Million and 00/100 Dollars (\$10,000,000.00) prepared by and acceptable to Lender, maturing on the Revolving Loan Maturity Date, duly executed by Borrower and payable to the order of Lender, together with any and all renewal, extension, modification or replacement notes executed by Borrower and delivered to Lender and given in substitution therefor.

Regulatory Change: Means the introduction of, or any change in any applicable law, treaty, rule, regulation or guideline or in the interpretation or administration thereof by any governmental authority or any central bank or other fiscal, monetary or other authority having jurisdiction over Lender or its lending office.

Request for Advance: As defined in Section 6.2(a) of this Agreement.

Reserves: As defined in Article VII of this Agreement.

Subcontract: Means any contract between any Contractor or Subcontractor and any Subcontractor for the construction or equipping of the Project or for the furnishing of labor or materials for all or any portion of the Project.

Subcontractor: Means any person or entity having a contract with any Contractor or any Subcontractor for the construction, equipping or supplying by such Subcontractor of any portion of the Project.

Substantial Completion: As defined in Section 6.10 of this Agreement.

Survey: As defined in Section 5.1(b) of this Agreement.

Term SOFR: Means, for any Interest Period, a rate per annum equal to the CME Term SOFR Reference Rate that is administered by the Term SOFR Administrator for such Interest Period that appears on the applicable page of the CME Group website that sets forth CME Term SOFR Reference Rates (or that is distributed by such other service selected by the Lender from time to time that provides quotations of Term SOFR) on the day (the "Rate Setting Date") two Business Days prior the first day of such Interest Period; provided that:

(a) if such rate is not so published for any Interest Period, the rate used for such Interest Period shall be the CME Term SOFR Reference Rate most recently published prior to such Rate Setting Date for a period with a duration that is the same as that of such Interest Period so long as the date such most recently published rate was published is not more than three Business Days prior to such Rate Setting Date, and

(b) if Term SOFR for any Interest Period would otherwise be less than 0.00%, Term SOFR for such Interest Period will be deemed to be 0.00%.

Term SOFR Administrator: Means CME Benchmark Administration Limited (or any successor).

Testing Dates: As defined in Section 8.10(b) of this Agreement.

Title Insurance Company: Means First American Title Insurance Company.

Title Insurance Policy: As defined in Section 5.1(a) of this Agreement.

Unrestricted Liquidity: Means the cash and investments which are (a) not subject to any Lien, and (b) available immediately for any payment of any Debt service obligation or capital expenditure.

U.S. Government Securities Business Day: Means any day except for (i) a Saturday, (ii) a Sunday or (iii) a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities.

Variable Rate: Means the Prime Rate, Term SOFR, and any successor variable rate pursuant to the terms of this Agreement.

**ARTICLE II
REPRESENTATIONS AND WARRANTIES**

2.1 **Representations and Warranties.** To induce Lender to execute and perform this Agreement, Borrower hereby represents, covenants and warrants to Lender as follows:

(a) As of the Effective Date and at all times thereafter until the Loans is paid in full, Borrower, by and through Marklund Charities, will have good and merchantable fee simple title to the Land, subject only to the Permitted Exceptions;

(b) Except for the security interests of Lender therein to be granted as provided herein, Borrower, by and through Marklund Charities, owns the Land free from any lien, security interest, encumbrance or other right, title or interest of any other person;

(c) Each of Marklund Charities and Marklund Children's Home is a not-for-profit corporation duly organized, validly existing and in good standing under the laws of the State of Illinois and has full power and authority to conduct its business as presently conducted, to own the Land, by and through Marklund Charities, to develop the Project, to enter into this Agreement and to perform all of its duties and obligations under this Agreement and under the Loan Documents; such execution and performance have been duly authorized by all necessary board of directors' approval;

(d) This Agreement, the Notes, the Mortgage, the other Loan Documents and any other documents and instruments required to be executed and delivered by Borrower, when executed and delivered, will constitute the duly authorized, valid and legally binding obligation of the Borrower and will be enforceable strictly in accordance with their respective terms (except to the extent that enforceability may be affected or limited by applicable bankruptcy, insolvency and other similar debtor relief laws affecting the enforcement of creditor's rights generally); no basis presently exists for any claim against Lender under this Agreement, under the Loan Documents or with respect to the Loan;

(e) The execution, delivery and performance of this Agreement, the Notes, the Mortgage, the other Loan Documents and any other documents or instruments to be executed and delivered by Borrower pursuant to this Agreement or in connection with this Loan and the construction, occupancy and use of the Project will not: (i) violate any provisions of law or any applicable regulation, order, writ, injunction or decree of any court or governmental authority, or (ii) conflict with, be inconsistent with, or result in any breach or default of any of the terms, covenants, conditions, or provisions of any indenture, mortgage, deed of trust, instrument, document, agreement or contract of any kind to which Borrower is or may be bound;

(f) No condition, circumstance, event, agreement, document, instrument, restriction, litigation or proceeding (or threatened litigation or proceeding or basis therefor) exists which could adversely affect the validity or priority of the liens and security interests granted Lender under the Loan Documents, which could adversely affect the ability of Borrower to complete the Project, which could materially adversely affect the ability of Borrower to perform its obligations under the Loan Documents, which would constitute a default under any of the Loan Documents or which would constitute such a default with the giving of notice or lapse of time or both;

(g) Borrower has not received any written notice indicating that any of the Land or the present use and occupancy of the Land violates or conflicts with any applicable law, statute, ordinance, rule, regulation or order of any kind, including, without limitation, Environmental Laws, zoning, building, land use, noise abatement, occupational health and safety or other laws, any building permit or any condition, grant, easement, covenant, condition or restriction, whether recorded or not. To the best of Borrower's knowledge, the Plans and Specifications, the construction of the Project pursuant to the Plans and Specifications and the use and occupancy of the Premises when the Project is completed will not violate or conflict with, in any material respect, any applicable law, statute, ordinance, rule, regulation or order of any kind, including, without limitation, Environmental Laws, zoning, building, land use, noise abatement, occupational health and safety or other laws, any building permit or any condition, grant, easement, covenant, condition or restriction, whether recorded or not;

(h) The Land has never been used, to the best of Borrower's knowledge, and the Premises will not be used by Borrower, for any activities which, directly or indirectly, involve the use, generation, treatment, storage, transportation or disposal of any Hazardous Materials. To the best of Borrower's knowledge, no Hazardous Materials exist now, and no Hazardous Materials will hereafter exist, on or under the Premises or in any surface waters or groundwaters on or under the Premises. To the best of Borrower's knowledge, the Premises and its existing and prior uses have at all times complied with, and will comply with, all applicable Environmental Laws, and, to the best of Borrower's knowledge, Borrower has not violated, and will not violate, any Environmental Laws;

(i) All financial statements submitted by Borrower to Lender in connection with this Loan are true and correct in all material respects, have been prepared in accordance with GAAP, consistently applied, and fairly present the respective financial conditions and results of operations of the entities which are their subjects and for the periods covered thereby and do not contain any untrue statements of a material fact or omit to state any material fact known to Borrower necessary to make such statements not misleading. Since the date of the latest of such financial statements delivered to Lender there has been no Material Adverse Change in the financial condition or in the assets or liabilities of Borrower nor any changes except those occurring in the ordinary course of business. There is no litigation or governmental proceeding pending or, to the best of Borrower's knowledge, threatened against Borrower which if adversely determined would result in any Material Adverse Change in the financial conditions or properties, business or operations of Borrower;

(j) This Agreement and all financial statements, budgets, schedules, opinions, certificates, confirmations, Contractor's statements, applications, rent rolls, affidavits, agreements, Construction Contracts, and other materials submitted to Lender in connection with or in furtherance of this Agreement by or on behalf of Borrower fully and fairly state the matters with which they purport to deal, and neither misstate any material fact nor, separately or in the aggregate, fail to state any material fact necessary to make the statements made not misleading;

(k) All utility and municipal services required for the Project, including but not limited to, water supply, storm and sanitary sewage disposal systems, gas, electric and telephone facilities are available for use and tap-on at the boundaries of the Land;

(l) All governmental permits and licenses required by applicable law to construct and improve the Premises and the Project have been issued and are in full force or, if the present stage of construction of the Project does not allow such issuance, then such permits and licenses will be issued if and when the Project is constructed pursuant to the Plans and Specifications;

(m) To the best of Borrower's knowledge, the storm and sanitary sewage disposal system, water system and all mechanical systems of the Premises do (or when constructed will) comply with all applicable laws, statutes, ordinances, rules and regulations, including, without limitation, all Environmental Laws;

(n) All utility, access (including curb-cuts and highway access), construction, recreational and other permits and easements required for the construction and use of the Premises have been granted and issued;

(o) When completed in accordance with the Plans and Specifications, the Project will not encroach upon any building line, set back line, side yard line, or any recorded or visible easement (or other easement of which Borrower is aware or has reason to believe may exist) which exists with respect to the Premises;

(p) This Agreement, the Owner's Sworn Statement, Contractor's Sworn Statement, the Project Budget and all financial statements, documents, budgets, schedules, opinions, certificates, confirmations, studies, contractors statements, owners statements, contracts, applications, projections, affidavits, agreements, and other materials submitted to Lender in connection with or in furtherance of this Agreement by or on behalf of Borrower fully and fairly state the matters with which they purport to deal, and neither misstate any material fact nor, separately or in the aggregate, fail to state any material fact necessary to make the statements made not misleading.

(q) The Plans and Specifications are complete in all respects, containing all detail requisite for the Project which, when built and equipped in accordance therewith, shall be ready for the intended use thereof; the Plans and Specifications have been submitted to and approved by Lender;

(r) In the aggregate, the Construction Contracts cover all labor, material and equipment required by the Plans and Specifications or necessary to complete the Project; and

(s) The Loan, including interest rate, fees and charges as contemplated hereby, is a business loan within the purview of 815 IL. Comp. Stat. ILCS 205/4 (2004); the Loan is an exempted transaction under the Truth In Lending Act, 12 U.S.C. §1601 *et seq.*

2.2 Continuation of Representations and Warranties. Borrower hereby covenants, warrants and agrees that the representations and warranties made in Section 2.1 hereof shall be and shall remain true and correct at the time of the Effective Date and at all times thereafter so long as any part of the Loans shall remain outstanding. Each Request For Advance shall constitute a reaffirmation that these representations and warranties are true as of the date of such Request For Advance and will be true on the date of the advance.

**ARTICLE III
THE LOANS**

3.1 **Agreement to Borrow and Lend.** Borrower agrees to borrow from Lender, and Lender agrees to lend to Borrower, an amount not to exceed the 2023 Construction Loan Amount, the Construction Loan Amount, the Pledge Line of Credit Loan Amount and the Revolving Loan Amount on the terms of and subject to the conditions of this Agreement.

3.2 **Conditions Precedent to Disbursement of Construction Loans Proceeds.** No disbursement of Construction Loans Proceeds shall be made by Lender to Borrower at any time unless:

(a) all conditions precedent to that disbursement have been satisfied, including, without limitation, performance of all of the then pending obligations of Borrower under this Agreement and the Construction Loan Documents;

(b) the Construction Loans are In Balance (as provided in Section 6.1 hereof);

(c) such disbursement would not exceed the 2023 Construction Loan Amount, the Construction Loan Amount or the Pledge Line of Credit Loan Amount;

(d) Lender shall be satisfied, in its reasonable, commercial opinion, as to the continuing accuracy of the Project Budget;

(e) Lender shall be satisfied, in its reasonable, commercial opinion, with and has approved of the Contractor;

(f) no Default has occurred under this Agreement or under any Loan Document, which Default has not been corrected as set forth in this Agreement, and, in Lender's reasonable, commercial opinion, no event, circumstance or condition has occurred or exists which, with the passage of time or the giving of notice, would constitute a Default under this Agreement or under the Loan Documents;

(g) no litigation or proceedings are pending or threatened (including proceedings under Title Eleven of the United States Code) against Borrower, the Project or the Contractor, which litigation or proceedings, in the sole and exclusive judgment of Lender, is material (or which, in the case of the Contractor, could materially affect the completion of the Project);

(h) no event, circumstance or condition exists or has occurred which could, in Lender's reasonable, commercial judgment, delay or prevent the completion of the Project within eighteen (18) months of the Effective Date;

(i) all representations and warranties made by Borrower to Lender herein and otherwise in connection with the Loans continue to be accurate; all statements and representations made in any application for the Construction Loans continue to be accurate; and

(j) if the proposed disbursement is a Construction Disbursement:

(i) Lender shall have received evidence reasonably satisfactory to it that all proceeds of the Construction Loans disbursed to date have been applied to payment of costs of the Project;

(ii) Lender shall have received evidence reasonably satisfactory to it that the Project is being constructed in substantial accordance with the Plans and Specifications and with applicable law;

(iii) Lender shall have received information reasonably satisfactory to it that the Construction Contracts are in full force and effect; and

(iv) Lender shall have received information reasonably satisfactory to it that the Project is being completed in substantial accordance with the Construction Schedule (as defined below).

3.3 Repayment of Interest on Revolving Loan.

(a) Subject to the terms and conditions of this Agreement and the other Loan Documents, and in reliance upon the representations and warranties of the Borrower set forth herein and in the other Loan Documents, Lender agrees to make such Revolving Loans at such times as Borrower, from time to time, may request until, but not including, the Revolving Loan Maturity Date, and in such amounts as Borrower, from time to time, may request, provided, however, that the aggregate principal balance of all Revolving Loans outstanding at any time shall not exceed the Revolving Loan Amount. Revolving Loans made by Lender may be repaid and, subject to the terms and conditions hereof, borrowed again up to, but not including the Revolving Loan Maturity Date unless the Revolving Loan is otherwise accelerated, terminated or extended as provided in this Agreement. The Revolving Loan shall be used by Borrower for the purpose of working capital.

(b) Accrued and unpaid interest on the unpaid principal balance of the Revolving Loan outstanding shall be due and payable monthly, in arrears, on the last Business Day of each Interest Period, following the month in which the first advance is made, and continuing on the last Business Day of each Interest Period thereafter, and on the Revolving Loan Maturity Date in accordance with the Revolving Note.

3.4 Repayment of Interest; Principal Payments on Construction Loan.

(a) Accrued and unpaid interest on the unpaid principal balance of the Construction Loan outstanding shall be due and payable monthly, in arrears, commencing on the last (1st) Business Day of the month following the month in which the first advance is made, and continuing on the last day of each calendar month thereafter, and on the Construction Loan Maturity Date in accordance with the Construction Note. Concurrent therewith Borrower shall commence making monthly principal payments to Lender on the last day of each month equal to the principal amount of the Construction Loan Amount amortized on a straight-line basis over twenty (20) years for the remainder of the term of the Construction Loan.

(b) Accrued and unpaid interest on the unpaid principal balance of the Construction Loan outstanding which is a Prime Loan shall be due and payable on the last

Business Day of each Interest Period, commencing on the first (1st) such date to occur after the date hereof and on the Construction Loan Maturity Date.

(c) However, commencing on the first (1st) day of the month immediately following to the eight (8th) anniversary of the Construction Loan Opening, interest shall accrue on the Construction Loan Amount at the Prime Rate minus one and 50/100ths percent (1.50%), but in any event never less than the Prime Rate Index Floor for the remaining two (2) years of the Construction Loan term prior to the Construction Loan Maturity Date. "Prime Rate Index Floor" for purposes hereof means three and 25/100ths percent (3.25%).

3.5 Repayment of Interest; Principal Payments on 2023 Construction Loan.

(a) Accrued and unpaid interest on the unpaid principal balance of the 2023 Construction Loan outstanding shall be due and payable monthly, in arrears, commencing on the last Business Day of the month following the month in which the first advance is made, and continuing on the last day of each calendar month thereafter, and on the Maturity Date in accordance with the 2023 Construction Note.

(b) Accrued and unpaid interest on the unpaid principal balance of the 2023 Construction Loan outstanding be due and payable on the last Business Day of each Interest Period, commencing on the first (1st) such date to occur after the date hereof, on the date of any principal repayment of the 2023 Construction Loan, and on the 2023 Construction Loan Maturity Date.

(c) Notwithstanding the foregoing, (i) at any time after the 2023 Construction Loan Opening, Borrower may elect to enter into a Hedging Agreement in form and substance acceptable to the Lender for the entire or a portion of the outstanding principal balance of the 2023 Construction Loan and (ii) at any time from the 2023 Construction Loan Opening until the third (3rd) anniversary of the 2023 Construction Loan Opening, the Borrower may elect the Applicable Rate for the 2023 Construction Loan to be the Fixed Rate.

(d) Notwithstanding the foregoing, commencing on the last day of the month immediately following the second (2nd) anniversary of such 2023 Construction Loan Opening, Borrower shall commence making monthly principal payments to Lender on the last day of each month and on the 2023 Construction Loan Maturity Date equal to the principal amount of the 2023 Construction Loan Amount amortized on a straight-line basis over twenty (20) years for the remainder of the term of the 2023 Construction Loan.

3.6 Repayment of Interest on Pledge Line of Credit Loan.

(a) Subject to the terms and conditions of this Agreement and the other Loan Documents, and in reliance upon the representations and warranties of the Borrower set forth herein and in the other Loan Documents, Lender agrees to make such Pledge Line of Credit Loans at such times as Borrower, from time to time, may request until, but not including, the Pledge Line of Credit Loan Maturity Date, and in such amounts as Borrower, from time to time, may request, provided, however, that the aggregate principal balance of all Pledge Line of Credit Loans outstanding at any time shall not exceed the Pledge Line of Credit Loan Amount. Pledge Line of Credit Loans made by Lender may be repaid but not borrowed again.

(b) Accrued and unpaid interest on the unpaid principal balance of the Pledge Line of Credit Loan outstanding shall be due and payable monthly, in arrears, on the last Business Day of each Interest Period, following the month in which the first advance is made, and continuing on the last Business Day of each Interest Period thereafter, and on the Maturity Date in accordance with the Pledge Line of Credit Note.

(c) Commencing on the last day of the fiscal quarter immediately following the Pledge Line of Credit Loan Opening, Borrower shall make principal payments to Lender on the last day of each fiscal quarter and on the Pledge Line of Credit Loan Maturity Date equal to the total amount of Pledges received by Borrower for the immediately preceding fiscal quarter.

3.7 **Interest.** Interest on Loan Proceeds advanced under the Notes hereunder shall:

(a) accrue at the Applicable Rate; and

(b) be computed upon advances of the Loans from and including the date of each advance by Lender to or for the account of Borrower (whether to an escrow or otherwise), on the basis of a three hundred sixty (360) day year and the actual number of days elapsed; and

(c) be paid by Borrower as set forth in Section 3.3 above for the Revolving Loan, Section 3.4 above for the Construction Loan, Section 3.5 above for the 2023 Construction Loan and Section 3.6 above for the Pledge Line of Credit Loan.

3.8 **Additional Term SOFR Provisions.** Notwithstanding anything to the contrary in this Agreement, in the event that, for whatever reason, Term SOFR is not provided by the Term SOFR Administrator, or is not published by an authorized distributor of Term SOFR, or is not available to the Lender, the Lender may, by notice to the Borrower, convert Loans accruing interest at Term SOFR into Loans that accrue interest at the Prime Rate beginning on the date specified in such notice until such time as the Lender determines that Term SOFR is again being provided and published and available to the Lender.

3.9 **Maturity Date.** The entire principal balance of the Construction Note and all accrued and unpaid interest thereon shall be due, if not sooner paid, on the Construction Loan Maturity Date. The entire principal balance of the 2023 Construction Note and all accrued and unpaid interest thereon shall be due, if not sooner paid, on the 2023 Construction Loan Maturity Date. The entire principal balance of the Pledge Line of Credit Note and all accrued and unpaid interest thereon shall be due, if not sooner paid, on the Pledge Line of Credit Loan Maturity Date. The entire principal balance of the Revolving Note and all accrued and unpaid interest thereon shall be due, if not sooner paid, on the Revolving Loan Maturity Date; provided, however, that any disbursement by Lender under a Letter of Credit shall constitute a disbursement to the Borrower under the Revolving Note and at Lender's election shall be payable in full on demand.

3.10 **Loan Disbursement.** Subject to the satisfaction of the terms and conditions herein contained, the Loan Proceeds shall be disbursed as follows:

(a) Each Loan Opening shall be made at such time as all of the conditions and requirements of this Agreement required to be performed by Borrower or other parties prior to the Loan Opening have been satisfied or performed. At the Loan Opening, Lender shall disburse funds necessary to pay any Loan Expenses then due.

(b) All Construction Disbursements will be made in accordance with the provisions of Article VI hereof.

(c) If any disbursement of Loan Proceeds is made by Lender into an escrow, including the Construction Escrow (as hereinafter defined), those Loan Proceeds shall be considered to be disbursed to Borrower from the date of deposit into that escrow, and interest shall accrue on those Loan Proceeds from that date.

(d) Borrower hereby requests and authorizes Lender to make advances directly to itself for payment and reimbursement of all interest, charges, costs and expenses incurred by Lender in connection with the Loans, including but not limited to (i) interest due on the Loans and any points, loan fees, service charges, commitment fees, or other fees due to Lender in connection with the Loans; (ii) all title examination, survey, escrow, filing, search, recording and registration fees and charges; (iii) all fees and disbursements of architects and engineers engaged by Borrower and Lender, including the fees and disbursements of the Lender's Consultant; (iv) all documentary stamp and other taxes and charges imposed by law on the issuance or recording of any of the Loan Documents; (v) all appraisal fees; (vi) all title, casualty, liability, payment, performance or other insurance or bond premiums; (vii) all fees and disbursements of legal counsel engaged by Lender in connection with the Loan, including without limitation, counsel engaged in connection with the enforcement or administration of this Agreement or any of the Loan Documents; and (viii) any amounts required to be paid by Borrower under this Agreement, the Mortgage or any Loan Documents after the occurrence of a Default (all of which are herein referred to as "Loan Expenses").

(e) No disbursement of Construction Loans Proceeds shall be made at any time that the Construction Loans are not In Balance. Any disbursement of Construction Loans Proceeds must be made for payment of a specified cost of the Project in strict accordance with the Project Budget. No amendment of the Project Budget shall be made without Lender's prior written consent. No reallocation of line items within the Project Budget shall be made unless Borrower can demonstrate to Lender's satisfaction that (i) sufficient funds remain in the line item from which the amount is to be reallocated to pay all Project Costs which may be paid from that line item; and (ii) no line items in the Project Budget (other than the line item to which the reallocation is sought) are required, in Lender's judgment, to be increased.

3.11 Loan Prepayments.

(a) Borrower may from time to time prepay any principal in whole or in part at any time, without penalty or premium.

(b) Notwithstanding the foregoing, in the event Borrower refinances the 2023 Construction Loan prior to the 2023 Construction Loan Maturity Date, regardless of the reason therefor, then at the same time the 2023 Construction Loan is prepaid, Borrower shall pay to the Lender a premium in an amount equal to the principal amount of the 2023 Construction Note that is paid to of the Lender multiplied by the applicable "Premium Percentage" set forth below:

<u>Payment Date</u>	<u>Premium Percentage</u>
October 10, 2023 – October 10, 2024	3%
October 11, 2024 – October 10, 2026	2%

October 11, 2026 – October 10, 2029	1%
October 11, 2029 – 2023 Construction Loan	0%
Maturity Date	

3.12 **Letter of Credit.** Lender will issue Letters of Credit for the benefit of the City or the County, on the account of Borrower, to assure completion of the Project in accordance with the Plans and Specifications and pursuant to the express terms of the Letters of Credit and the Revolving Loan. The Lender's obligations under the Letters of Credit shall be reduced in the manner as set forth in the Letter of Credit from time to time. Any disbursement by Lender under the Letters of Credit shall simultaneously (i) constitute a disbursement to the Borrower under the Revolving Note; (ii) constitute a Default under the Revolving Note and this Agreement; (iii) bear interest at the Default Rate until paid in full; and (iv) at Lender's election shall be payable in full on demand. For avoidance of doubt, the expiration date of a Letter of Credit upon issuance may occur subsequent to the Revolving Loan Maturity Date.

No setoff, counterclaim, reduction or diminution of any obligation, or any defense of any kind or nature which the Borrower has or may have against either of the City or the County shall be available hereunder to the Borrower against the Lender. The obligations of the Borrower under this Agreement and the Loan Documents shall be absolute, unconditional and irrevocable and shall remain in full force and effect until the expiration of the Letter of Credit on the expiration date stated therein and thereafter until all of the obligations of the Borrower to the Lender hereunder shall have been satisfied, and such obligations of the Borrower shall not be affected, modified or impaired upon the happening of any event, including, without limitation, any of the following, whether or not with notice to, or the consent of, the Borrower:

(a) Any lack of validity or enforceability of the Letter of Credit or any of the Loan Documents;

(b) The existence of any claim, set-off, defense or other right which the Borrower may have at any time against either of the County or City (or any persons or entities for whom the County or City may be acting), the Lender or any other person or entity, whether in connection with this Agreement, any of the Loan Documents, the Project, the transactions contemplated herein or therein or any unrelated transaction;

(c) Any statement or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(d) Payment by the Lender under the Letter of Credit against presentation of a draft or certificate which does not comply with the terms of the Letter of Credit;

(e) Any failure, omission, delay or lack on the part of the Lender or any party to any of the Loan Documents to enforce, assert or exercise any right, power or remedy conferred upon the Lender or any such party under this Agreement, or any other acts or omissions on the part of the Lender or any such party;

(f) The voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all the assets of the Borrower, the receivership, insolvency,

bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or readjustment or other similar proceedings affecting the Borrower or any of the assets of the Borrower, or any allegation or contest of the validity of this Agreement, or any of the Loan Documents, in any such proceeding; or

(g) Any other event or action that would, in the absence of this clause, result in the release or discharge by operation of law of the Borrower from the performance or observance of any obligation, covenant or agreement contained in this Agreement, or any of the Loan Documents.

The Letter of Credit shall be governed by Article 5 of the Uniform Commercial Code as in effect in the State of Illinois ("UCC") and the International Chamber of Commerce's Uniform Customs and Practices for Documentary Credits, International Chamber of Commerce Publication No. 600 ("Uniform Customs"). To the extent that there are any conflicts or inconsistencies between applicable law and the Uniform Customs and Practices for Documentary Credits, the provisions of the Uniform Customs and Practices for Documentary Credits shall prevail and govern, except that the Uniform Custom and Practices for Documentary Credits shall not invalidate any express provision hereof.

ARTICLE IV LOAN DOCUMENTS

4.1 **Effective Date Loan Documents.** As of the Effective Date, Borrower agrees that it will furnish the following Loan Documents to Lender, all of which must be satisfactory to Lender and Lender's counsel in form, substance and execution:

(a) **Mortgage.** The Mortgage, Security Agreement, Assignment of Rents and Leases and Fixture Filing (as amended, restated or replaced from time to time, the "**Mortgage**") which creates a first mortgage lien duly executed by the Marklund Charities and conveying good and marketable title to the Land and granting a first lien on the Land and a first collateral assignment from Borrower to Lender of all rents, leases and profits of the Premises as security for the Notes, the Loan and all obligations of the Borrower in connection therewith.

(b) **Financing Statements.** Uniform Commercial Code Financing Statements as required in the reasonable, commercial judgment of Lender to perfect all security interests granted by the Mortgage upon the proper filing by Lender of the same.

(c) **Collateral Assignment of Construction Contract and Permits.** A collateral assignment to Lender of Borrower's rights in and to the Contractor's Contract and Borrower's interest in any Permits, including building permits, which may be obtained for the construction and use of the Project, which collateral assignment shall evidence the consent of the Contractor thereto and the agreement of the Contractor to continue performance under the Contracts on behalf of Lender in the event Lender should exercise its rights under such Assignment.

(d) **Collateral Assignment of Architect's Contract, Plans and Specifications and Tests.** A collateral assignment to Lender of Borrower's rights in and to the Architect's Contract, the Plans and Specifications and certain tests regarding the Project, which collateral assignment shall evidence the consent of the Architect thereto and the agreement of the Architect

to continue performance under the Contracts on behalf of Lender in the event Lender should exercise its rights under such Assignment.

(e) Negative Pledge Agreement. A Negative Pledge Agreement in form and substance acceptable to the Lender.

(f) Other Loan Documents. Such other documents and instruments as further security for the Loan as Lender may require.

4.2 **Reserved**.

**ARTICLE V
FURTHER CONDITIONS TO LOAN OPENING**

5.1 **Further Conditions to Loan Opening**. As further conditions precedent to each Loan Opening, Borrower shall furnish the following to Lender at least fifteen (15) days prior to (i) the Construction Loan Opening and the Revolving Loan Opening as related to the Geneva Land and (ii) the 2023 Construction Loan Opening and the Pledge Line of Credit Loan Opening as related to the Elgin Land or at such time as is set forth below, all of which must be strictly satisfactory to Lender and Lender's counsel in form, content and execution:

(a) **Title Insurance Policy**. At the Loan Opening, an ALTA Construction Loan Policy-2016 issued on the date of the Loan Opening by the Title Insurance Company to Lender in the full amount of the Loan, insuring the Mortgage to be a valid first, prior and paramount lien upon the fee title to the Premises subject only to the Permitted Exceptions and to customary exceptions for pending disbursements of the Loans (the "**Title Insurance Policy**"). The Title Insurance Policy must specifically insure Lender for claims and questions related to (i) claims for mechanic's or materialmen's liens; (ii) zoning (by means of the ALTA Endorsement Form 3.1 endorsement, based on plans and specs, which must specifically state that the intended use of the Project is a "permitted use" under the governing zoning ordinance); (iii) the location of the Land; (iv) usury and violations of consumer credit laws; and (v) such other matters as Lender reasonably may require.

(b) **Survey**. A plat of survey (the "**Survey**") of the Land in quadruplicate made by a registered Illinois land surveyor, which Survey must be reasonably satisfactory to Lender, showing:

(i) the proposed location (and, in the event of prior construction, the location), of all foundations, driveways, fences and other improvements on the Land including the Project;

(ii) the location (and recording numbers, to the extent recorded) of all visible or recorded easements (including appurtenant easements), water courses, drains, sewers, public and private roads (including the names and widths thereof and recording numbers for the dedications thereon, other rights of way, and curb cuts, if any, within, adjacent to or serving the Premises;

(iii) the location of the servient estate of any easements, if the Land is the dominant estate thereunder;

(iv) the common street address of the Premises and the dimensions, boundaries and acreage or square footage of the Land;

(v) that all foundations and other structures under construction or to be constructed pursuant to the Plans and Specifications, and all other improvements on the Land, are placed within the lot and building lines and in compliance with all deed restrictions, recorded plats, other restrictions of record and ordinances relating to the location thereof (and, to the extent that any deed restrictions, recorded plats, other restrictions of record, or ordinances require any structure to be set back specified distances from any line, showing said line and the measured distance of said structure, or the proposed location of said structure, from said line);

(vi) that there are no encroachments on to the Land from improvements located on adjoining property;

(vii) the location and course of all utility lines;

(viii) if the Premises comprise more than one parcel, interior lines and other data sufficient to ensure contiguity; and

(ix) such additional information which may be required by the Lender or the Title Insurance Company.

The Survey shall be made in accordance with (I) the current survey standards of the American Title Association and American Congress on Surveying and Mapping; (II) the laws of the State of Illinois (including the Plat Act, where applicable) and (III) the Illinois Land Survey Standards. The Survey for (A) the Geneva Land shall be dated not earlier than sixty (60) days prior to the Construction Loan Opening and the Revolving Loan Opening and (B) the Elgin Land shall be dated not earlier than sixty (60) days prior to the 2023 Construction Loan Opening and the Pledge Line of Credit Loan Opening, and shall bear a proper certificate by the surveyor, which certificate shall recite compliance with the laws and standards enumerated above, shall include the legal description of the Premises and shall run in favor of Borrower, Lender and the Title Insurance Company. After the Survey has been delivered, Borrower shall furnish four (4) copies of a final as-built survey on completion of construction showing the location of all improvements on the Land and otherwise complying with the foregoing requirements.

(c) Insurance Policies. Insurance policies with premiums prepaid in companies, forms, amounts and coverage satisfactory to Lender, containing waiver of subrogation and mortgage clauses in favor of Lender and providing for thirty (30) days' written notice to Lender in advance of cancellation of said policies for non-payment of premiums or any other reason or for material modification of said policies and ten (10) days' written notice to Lender in advance of payment of any insurance claims under said policies to any person:

(i) Builder's Risk Insurance on an "all risks" basis for 100% of the insurable value of all construction work in place or in progress from time to time, insuring the Project, including materials in storage and while in transit, against loss or damage by fire or other casualty, with extended coverage, "X," "C" and "U" coverage, vandalism and malicious mischief coverage, bearing a replacement cost agreed amount endorsement; and

(ii) Comprehensive general liability insurance in an amount not less than \$5,000,000.00;

When any portion of the Project has been completed, Borrower will provide casualty insurance against loss and damage by all risks of physical loss or damage, including fire, windstorm, flood, earthquake and other risks covered by the so-called extended coverage endorsement in amounts not less than the full insurable replacement value of all completed improvements, fixtures and equipment from time to time on the Land and bearing a replacement cost agreed amount endorsement. Borrower will provide certificates of insurance with forms ACORD 25 and 27.

(d) Workers' Compensation Insurance. Certificates of workers' compensation insurance, and of comprehensive public liability insurance (including contractual liability) naming Lender as an additional insured, covering all employees working on or about the Premises and death, injury and/or property damage occurring on or about the Premises or resulting from activity thereat, with liability insurance limits for death of or injury to persons of not less than Five Million and 00/100 Dollars (\$5,000,000.00) and for damage to property of not less than Two Million and 00/100 Dollars (\$2,000,000.00).

(e) Utilities; Licenses; Permits. Evidence satisfactory to Lender that:

(i) all utility and municipal services required for the construction, occupancy and operation of the Premises are available for use and tap-on at the Premises, subject only to payment of fees included in the Project Budget, or will be available after construction thereof as provided in the Construction Contracts, subject only to payment of costs and fees included in the Project Budget;

(ii) all governmental Permits and licenses, including a building permit issued by the appropriate governmental authority authorizing construction of the Project in accordance with the Plans and Specifications;

(iii) the storm and sanitary sewage disposal system, the water system and all mechanical systems serving the Premises do (or when constructed will) comply with all applicable environmental, pollution control and ecological laws, ordinances, rules and regulations, and the applicable environmental protection agency, pollution control board and/or other governmental agencies having jurisdiction of the Premises have issued their permits for the construction and operation thereof; and

(iv) all utility, parking, access (including curb-cuts and highway access), construction, recreational and other easements and permits required or, in Lender's reasonable, commercial judgment, necessary for the construction and use of the Premises have been granted or issued.

(f) Soil Test. Not applicable.

(g) Environmental Report. Not applicable.

(h) Appraisal. Not applicable.

(i) Documents of Record. Officially certified copies of all covenants, conditions, restrictions, easements and matters of record which affect the Premises.

(j) Searches. Report from the Title Insurance Company or the appropriate filing officers of the state and county in which the Land is located, indicating that no judgments, tax or other liens, security interests, leases of personalty, financing statements or other encumbrances (other than Permitted Exceptions and liens and security interests in favor of Lender), are of record or on file encumbering any portion of the Land, and that there are no judgments or tax liens outstanding with respect to Borrower.

(k) Plans and Specifications. Four (4) complete sets of the final detailed Plans and Specifications for the Project, including all changes to the date of submission thereof, showing identification thereof by the Architect and/or Contractor and generally consistent with any preliminary plans theretofore submitted to Lender, together with evidence reasonably satisfactory to Lender that the Plans and Specifications have been approved by the Contractor and sureties on the applicable surety bonds. The Plans and Specifications must be reasonably satisfactory to Lender and Lender's Consultant in all respects and must be approved in writing by Lender, which approval shall not be unreasonably withheld, conditioned or delayed.

(l) Construction Contracts. Certified copies of the executed Contract and Subcontracts, including purchase orders for all fixtures and equipment to be installed in the Project, which shall conform to applicable terms of this Agreement including without limitation provisions regarding retainage, changes in Plans and Specifications, change orders, extras, bonds and construction schedule and which must be reasonably satisfactory to Lender, Lender's Consultant and Lender's counsel in all material respects; provided that if such Construction Contracts do not cover all of the work necessary for completion of construction of the Project, including the installation of fixtures and equipment and work required for the operation of the Project, required to make leasable any portion of the Project intended to be leased, Borrower shall furnish firm bids for such additional work from responsible parties reasonably satisfactory to Lender. If Lender elects to disburse any Loan Proceeds prior to the approval by Lender and execution of all Construction Contracts necessary to complete the Project, Lender, following delivery of written notice to Borrower, may increase the amount of the Equity Requirements or require Borrower to deposit additional funds with Lender to secure Borrower's ability to obtain the remaining Construction Contracts necessary to complete the Project within the Project Budget.

(m) Sworn Statement. A sworn statement (the "**Owner's Sworn Statement**") from Borrower (and/or such other party as may be required by the Title Insurance Company or applicable mechanics' lien laws) and a sworn statement from the Contractor (the "**Contractor's Sworn Statement**") setting forth a description of all contracts executed by Borrower or by the Contractor with respect to the Land, the names and addresses of the contractors under those contracts, the date of each such contract and of any supplements or amendments thereto, the nature and scope of the work covered thereby, and the aggregate amounts theretofore paid and thereafter to be paid to each contractor thereunder.

(n) Construction Schedule. A schedule setting forth dates for commencement and completion of all phases of the Project, indicating the time for performance of the work to be accomplished under the Contract and each Subcontract, including a statement from the

Contractor that, in his best professional judgment, the construction schedule is realistic and can be adhered to in completing the Project in accordance with the Plans and Specifications (“**Construction Schedule**”).

(o) Organizational Documents. A copy of the by-laws of Marklund Charities and Marklund Children’s Home, certified by the directors of Borrower as being a true and correct copy and as otherwise unmodified and in full force and effect, together with a notarized incumbency certificate showing specimen signatures for all directors of Borrower executing any Loan Documents. In addition, a certified copy of the certificate of good standing issued by the State of Illinois and a certified copy of the Articles of Incorporation including all amendments thereto for each company that constitutes Borrower.

(p) Construction Escrow Agreement. A construction loan escrow agreement to be prepared by counsel for Lender establishing a construction escrow (the “**Construction Escrow**”) with an escrowee satisfactory to Lender through which all advances of the Construction Loan, 2023 Construction Loan and Pledge Line of Credit Loan for construction costs will be disbursed, which Construction Escrow shall require delivery to Lender and the Title Insurance Company prior to each Construction Disbursement of such documents regarding the Construction Disbursement as Lender and Title Insurance Company may require, including without limitation, the documents specified in Section 6.2 hereof.

(q) Additional Documents. Such other papers and documents regarding Borrower or the Project as a Lender may require.

ARTICLE VI DISBURSEMENTS

6.1 Construction Loans in Balance. Anything in this Agreement contained to the contrary notwithstanding, it is expressly understood and agreed that the Construction Loans, at all times, shall be “In Balance” (as hereinafter defined). The Construction Loans shall be deemed to be In Balance only if the total of the Available Funds, in Lender’s sole and absolute judgment, shall equal or exceed the aggregate of: (a) the amount required to pay interest on the Construction Loan to the Construction Loan Maturity Date, 2023 Construction Loan to the 2023 Construction Loan Maturity Date and Pledge Line of Credit Loan to the Pledge Line of Credit Loan Maturity Date ; (b) the amounts to be paid as retainage to persons who have supplied labor or materials to the Project; (c) the amount required, in Lender’s sole and absolute judgment, for a contingency reserve; and (d) the amount necessary to pay for all unpaid costs incurred or to be incurred in the completion of the construction and equipping of the Project and operation of the Project until the Maturity Date, including the cost of purchase and installation of all fixtures and equipment and all work required to finish or improve any portion of the Premises to be leased, if any.

Borrower agrees if for any reason the Construction Loans are not In Balance, Borrower within ten (10) days after receipt of written request from Lender, will deposit with Lender cash in an amount which will place the Construction Loans are In Balance, which deposit shall first be exhausted before any further disbursement of the proceeds of the Construction Loans shall be made. No interest shall be payable to Borrower on such amounts.

6.2 Documents Required for Construction Disbursements. At least five (5) business days prior to, and as a condition of, each Construction Disbursement or Revolving Loan, Borrower shall furnish to Lender the following documents covering such disbursement:

(a) Borrower's disbursement request (the "Request For Advance") specifying the amount of the requested disbursement (exclusive of interest); directing Lender to disburse such funds in accordance with this Agreement; and certifying to Lender, as of the date of the applicable request for disbursement, that:

(i) the total amount of each request for disbursement (exclusive of interest) represents the actual amount payable to the Contractor and/or Subcontractors who have performed work on the Project and indicating what payment requests, if any, have been received by Borrower from the Contractor or the Subcontractors but have not yet been approved by Borrower for payment, with respect to the Construction Loans;

(ii) no Default, or condition or event which with the giving of notice or passage of time or both would constitute a Default, exists under this Agreement;

(iii) the representations and warranties contained in Article II of this Agreement are true and correct;

(iv) Borrower has received no notice and has no knowledge of any liens or claims of lien either filed or threatened against the Premises except the liens of Lender and those which are specifically identified in writing to Lender;

(v) all amounts shown as previous payments on the current disbursement request have been paid to the parties entitled to such payment, with respect to the Construction Loans;

(vi) approval by Borrower of all work and materials for which a payment is then due and for which disbursement of the Construction Loans is thereby requested;

(vii) that all work and materials theretofore furnished for the Project conform with the Plans and Specifications, along with copies of any change orders permitted pursuant to Section 8.3 hereof, with respect to the Construction Loans;

(viii) copies of all Construction Contracts, as then in effect, have been delivered to Lender; and

(ix) the Construction Loans are In Balance and the Construction Loan Amount, 2023 Construction Loan Amount and Pledge Line of Credit Loan Amount has not been exceeded.

(b) Contractor's and Subcontractors' sworn statements and waivers of lien, covering all work for which disbursement is to be made to a date specified therein, and covering all work done on the Premises, to a reasonably current date, otherwise paid for or to be paid for by Borrower or any other person, all in compliance with the mechanics' lien laws of the state in which the Premises are situated and with the requirements of Lender and the Title Insurance

Company (for issuance of interim title endorsements covering such disbursement), together with such invoices, contracts, or other supporting data as Lender or the Title Insurance Company may require;

(c) Endorsements to the Title Insurance Policy to cover the amount and date of the Construction Disbursements as related to the Geneva Land (whether into escrow or otherwise) insuring that the Mortgage is a first, prior and paramount lien on the Land subject only to Permitted Exceptions (and to exceptions and objections in the usual form relating to the issuance of a Mortgage Title Insurance Policy, which by their nature cannot be waived or removed until the final disbursement of the proceeds of the Construction Loan), that nothing has intervened to affect the validity or priority of the Mortgage, insuring against mechanics' lien claims for work performed prior to the date covered by such continuation, and containing a mechanics' lien interim certification to cover the amount of the Construction Loan then disbursed (including the current Construction Disbursement as related to the Geneva Land); those endorsements may be delivered to Lender concurrently with the disbursement of the Construction Loan Proceeds as related to the Geneva Land which are the subject of those endorsements;

(d) Such other papers and documents as the Title Insurance Company may require for the issuance of endorsements to the Title Insurance Policy for each disbursement of Construction Loan Proceeds as related to the Geneva Land.

6.3 [reserved]

6.4 **Lender's Verification of Contracts.** Prior to each Loan Opening, and from time to time thereafter, Lender or the Title Insurance Company may forward to the Contractor and any or all Subcontractors listed on the Owner's Sworn Statement a contract verification to confirm the terms and amount of the Contract or Subcontract for the Contractor and each Subcontractor. If there is any discrepancy between the terms and amounts as shown by the Construction Contracts, the sworn statements, and the verifications, Lender may require, as a condition to further disbursements, that such discrepancies be eliminated to its satisfaction.

6.5 **Payments Directly to Contractor or Subcontractors.** Lender will, in its discretion, make or cause to be made (through the Construction Escrow or otherwise) payments for the cost of construction of the Project directly to any Contractor and/or Subcontractor or to any vendor of fixtures and equipment or jointly to Borrower and any of such parties.

6.6 **Escrow Payouts.** All disbursements hereunder, at the option of Lender exercisable at any time, may be made through the Construction Escrow with the Title Insurance Company or any third-party under the provisions of the Construction Escrow agreement to which said escrowee, Borrower, Lender and such of the Contractor or Subcontractors designated by Lender or by the Title Insurance Company will be parties. Borrower will cause the Contractor and Subcontractors to comply with the requirements of said escrowee in order to enable said escrowee to issue to Lender interim mechanics' lien certifications, make disbursements and obtain necessary sworn statements and waivers of lien.

6.7 **Frequency of Payouts.** Subsequent to each Loan Opening, disbursements of Loan Proceeds shall be made, and the conditions precedent to such disbursements shall be met,

from time to time as construction progresses, but no more frequently than once in each calendar month.

6.8 **Consultants.** In connection with the transactions contemplated hereby, Lender shall have the right (but not the duty) to employ such consultants, including Lender's Consultant, as, from time to time, it may deem appropriate, to (a) review and approve the Plans and Specifications, the Project Budget and the Construction Schedule, (b) inspect the from time to time to insure that the same are being duly constructed and equipped as herein provided, (c) approve any elements of a request for disbursement, and (d) perform such other services as Lender may from time to time require; all solely on behalf of Lender. The costs and disbursements of such consultants shall be deemed "Loan Expenses." Neither Lender nor any such consultants shall be deemed to have assumed any responsibility to, or be liable to, Borrower with respect to any actions taken or omitted by Lender or such consultants pursuant to this Section.

6.9 **Retainages.** Disbursement of the available proceeds of the Construction Loans shall be limited to an amount equal to the percentage thereof required by the terms of the Construction Contracts, but in no event shall Lender be obligated in respect of any Construction Contract, until final disbursement, to disburse in excess of ninety percent (90%) of the value (as certified by Lender's Consultant), of the materials and labor incorporated in the Project from time to time pursuant to such Construction Contract, exclusive of any allowance for the Contractor's or Subcontractors' profit and overhead.

6.10 **Final Disbursement.** Lender will advance to Borrower, for payment of Project Costs only and in accordance with the Project Budget, the full amount of the applicable Construction Loans not theretofore disbursed when the following conditions shall have been complied with, provided that such compliance shall have occurred within eighteen (18) months of the Effective Date and no Default then exists ("**Substantial Completion**"):

(a) The Architect, Borrower and Lender's Consultant certify in writing to Lender that the Project has been fully and satisfactorily completed in accordance with the Plans and Specifications;

(b) Lender has received as-built Plans and Specifications for the Project reasonably satisfactory to Lender in form and content;

(c) All Subcontractors and the Contractor have supplied Lender and the Title Insurance Company with final sworn statements and full and complete waivers of all mechanics' lien claims;

(d) Lender has received the Title Insurance Policy insuring that the Mortgage is a valid first, prior and paramount lien on the Premises related to the Geneva Land, subject only to the Permitted Exceptions, which policy (i) shall be free of all exceptions and objections relating to any right to assert claims for mechanics' liens on account of labor and/or materials theretofore furnished to the Premises related to the Geneva Land; (ii) shall include ALTA Zoning Endorsement Form 3.1 and an unconditional Comprehensive Endorsement No. 1, or like "conformity" endorsement; and (iii) shall otherwise conform with the requirements of Section 5.1(a) hereof;

(e) Borrower shall have furnished to Lender permanent insurance in form and amount and with companies satisfactory to Lender in accordance with the requirements of the Mortgage;

(f) Borrower shall have furnished Lender a certificate of occupancy and all other governmental licenses and permits required to use, occupy and operate the Premises as contemplated from appropriate governmental authorities;

(g) Borrower shall have furnished a final plat of survey locating the completed Project, including all paving, driveways, fences and other exterior improvements and otherwise in compliance with Section 5.1(b) hereof; and

(h) All other requirements of this Agreement shall have been complied with in all material respects.

6.11 **Expenses and Advances Secured by Mortgage.** Any and all advances or payments made by Lender hereunder, from time to time, and any amounts expended by Lender pursuant to this Agreement, together with Lender's Consultant's fees and attorneys' fees, if any, and all other Loan Expenses, as and when advanced or incurred, shall be deemed to have been disbursed as part of the Construction Loans and be and become secured and guaranteed by the Loan Documents to the same extent and effect as if the terms and provisions of this Agreement were set forth therein, whether or not the aggregate of such indebtedness shall exceed the face amount of the Construction Note, the 2023 Construction Note or Pledge Line of Credit Note.

6.12 **Lender's Action for Lender's Own Protection Only.** The authority herein conferred upon Lender and any action taken by the Lender or Lender's Consultant or their agents or employees in making inspections of the Premises, procuring sworn statements and waivers of lien, approving Contracts and Subcontracts and approving Plans and Specifications will be taken by Lender and Lender's Consultant and by their agents or employees for their own protection only, and neither Lender nor Lender's Consultant nor their agents or employees shall be deemed to have assumed any responsibility to Borrower or any other person or entity with respect to any such action herein authorized or taken by them or with respect to the proper construction and equipping of the Project, performance of Construction Contracts or prevention of claims for mechanic's or materialmen's liens.

ARTICLE VII RESERVES

7.1 **Setting Up and Adjusting Reserves.** At each Loan Opening, Lender may pay from the proceeds of the Loan all Loan Expenses, to the extent the same have not been previously paid. Lender also will designate reserves in an initial amount as reasonably required by Lender, and thereafter from time to time may in its reasonable discretion adjust the amount of such Reserves as circumstances may require for any or all of the following purposes to cover the actual or estimated amounts required for such purposes until the Maturity Date of the Loans:

(a) All unpaid Loan Expenses and reasonable fees of Lender's Consultant and Lender's counsel;

(b) Such amounts to provide for the payment of interest on the Loans prior to the Maturity Date of the Loans.

If Lender determines that a significant possibility exists that the Construction Loans may not be paid in full on the applicable Maturity Date, Lender shall make all estimates of amounts required to be held as Reserves based on Lender's projection of the date when the Construction Loans will be repaid in full.

7.2 **Disbursement of Reserves.** Provided that Borrower is not in Default hereunder and the Construction Loans are In Balance, Lender may, and at the request of Borrower shall, disburse the Reserves for the respective purposes for which they have been set aside, either by payment of items for which the Reserves have been set aside, or by reimbursement to Borrower for payments so made by Borrower. Lender, from time to time, may disburse any part or all of the Reserves, but shall not be obligated to do so until all conditions for final disbursement of the Construction Loans have been satisfied.

7.3 **No Interest Payable on Reserves.** No interest shall accrue upon Reserves held by Lender until disbursement thereof, whereupon such disbursement shall be deemed to be a disbursement of proceeds of the Loan. Payments by Lender into an escrow or title indemnity or otherwise for the benefit of Borrower or to satisfy any requirements of the Title Insurance Company shall be deemed a disbursement.

7.4 **Application of Reserves in Case of Default.** In case of Default, Lender may use and apply Reserves or any monies deposited by Borrower with Lender, regardless of the purpose for which deposited, to cure such Default or to apply as a prepayment of the Loans.

ARTICLE VIII FURTHER AGREEMENTS OF BORROWER

8.1 **Opening of Loan on or Prior to Loan Opening.** Borrower agrees that all conditions precedent to each Loan Opening will be complied with on or prior to the date on which such Loan Opening occurs. If all of the conditions precedent to each Loan Opening hereunder shall not have been performed on or before the date such Loan Opening is to occur, Lender, at its option at any time thereafter and prior to such Loan Opening, following delivery of written notice to Borrower and following the expiration of a reasonable cure period, may terminate this Agreement and all of its obligations hereunder. In the event of such termination, Borrower shall pay all Loan Expenses which have accrued or been charged through such date of termination.

8.2 **Construction of Project; Project Budget Amount.** Borrower agrees that the Project will be constructed and fully equipped in a good and workmanlike manner with materials of high quality, strictly in substantial accordance with the Plans and Specifications and applicable building, zoning and other laws and ordinances as well as pollution control and environmental protection regulations. Borrower further agrees that such construction and equipping of the Project related to the Elgin Land will be commenced on or before the 2023 Construction Loan Opening and Pledge Line of Credit Loan Opening and prosecuted with due diligence and will be fully completed not later than September 30, 2025. Borrower agrees that all materials contracted or purchased for construction of the Project and all labor hired or contracted for with respect to the Project and paid for with Loan Proceeds will be used and employed solely

on the Project and for no other purpose. The Project Budget Amount shall not exceed \$17,350,000.00.

8.3 Changes in Plans and Specifications and Contracts; Extras. Borrower agrees that no changes will be made in the Plans and Specifications, no change will be made in any Construction Contract, and no extras will be allowed to any Contractor or Subcontractor, except upon the written approval of the same by Lender, which approval shall not be unreasonably withheld, conditioned or delayed; provided, however, Borrower may make changes in the Plans and Specifications or in the Construction Contracts, or allow such extras, without first obtaining such approval thereof, if (a) Borrower notifies Lender in writing of such change within forty eight (48) hours thereafter; (b) no substantial change in the layout and appearance is effected; (c) no default in any obligations to any other party, including any governmental authority, results from such changes; (d) the cost of or reduction resulting from no one such change or extra exceeds Ten Thousand and 00/100 Dollars (\$10,000.00) and the aggregate changes in cost of all such changes and extras does not exceed Fifty Thousand and 00/100 Dollars (\$50,000.00); and (e) the Construction Loans remain In Balance.

8.4 Mechanics' Liens, Taxes and Contest Thereof. Borrower agrees that it will not suffer or permit any mechanics' lien claims to be filed or otherwise asserted against the Premises or any funds due Contractors or Subcontractors and will promptly discharge the same in case of the filing of any claims for lien or proceedings for the enforcement thereof, and will pay all special assessments which have been placed in collection and all real estate taxes and assessments of every kind (regardless of whether the same are payable in installments) upon the Premises, before the same become delinquent; provided, however, that Borrower shall have the right to contest in good faith and with reasonable diligence the validity of any such lien, claim, tax or assessment if the right to contest such matters is expressly granted in the Mortgage. If Borrower shall fail to either promptly discharge or contest claims, taxes or assessments asserted or give security or indemnity in the manner provided in the Mortgage, or having commenced to contest the same, and having given such security or indemnity shall fail to prosecute such contest with diligence, or to maintain such indemnity or security so required by the Mortgage, or upon adverse conclusion of any such contest, to cause any judgment or decree to be satisfied and lien to be released, then and in any such event Lender, at its election (but shall not be required to), following delivery of written notice to Borrower, may procure the release and discharge of any such claim and any judgment or decree thereon and, further, in its sole discretion effect any settlement or compromise of the same. Any amounts so expended by Lender, including premiums paid or security furnished in connection with the issuance of any surety bonds, shall be deemed to constitute disbursement of the proceeds of the Loans hereunder. In settling, compromising, discharging or providing indemnity or security for any claim for lien, tax or assessment, Lender shall not be required to inquire into the validity or amount thereof.

8.5 Renewal of Insurance. Borrower agrees to pay all premiums on all insurance policies required under this Agreement and when any policies of insurance may expire, furnish to Lender, premiums prepaid, replacement or renewal insurance policies in companies, coverage and amounts reasonably satisfactory to Lender, in accordance with the terms hereof.

8.6 Furnishing Financial and other Information. Borrower shall:

(a) provide monthly Project construction reporting as Lender may request, in reasonable detail, and cooperate with Lender in all material respects in arranging for inspections by representatives of Lender of the progress of Project construction from time to time, provided such inspections do not interfere materially, with the construction activities being conducted on the Premises;

(b) at all times maintain a standard and modern system of accounting, on the accrual basis of accounting and in all respects in accordance with GAAP, and shall furnish to Lender or its authorized representatives such information regarding the business affairs, operations and financial condition of Borrower, including:

(i) supply Lender with audited financial statements from Borrower, by no later than one-hundred fifty (150) days after the end of each fiscal year (ending June 30) of Borrower, including a balance sheet, statement of income and retained earnings, statement of cash flows for the fiscal year then ended and such other information (including nonfinancial information) as Lender reasonably may request, in reasonable detail, prepared and certified an independent auditor of recognized standing, selected by Borrower and reasonably acceptable to Lender; and

(ii) promptly when available, and in any event within forty-five (45) days following June 30, September 30, December 31 and March 31 of each fiscal year ending June 30, supply Lender a copy of the financial statements of Borrower regarding such previous three (3) month period, including balance sheet, statement of income and retained earnings, statement of cash flows for the previous three month period then ended and such other information (including nonfinancial information) as Lender reasonably may request, in reasonable detail, prepared and certified as true and correct by the Borrower's chief financial officer.

(c) contemporaneously with the furnishing of the financial statements pursuant to Section 8.6(b)(i)-(ii), commencing as of September 30, 2019, and each fiscal quarter thereafter (December 31, March 31 and September 30, and June 30) and contemporaneously with the audited financial statements described in Section 8.6(b)(i), deliver to Lender a duly completed covenant compliance certificate (substantially in the form of the Covenant Compliance Certificate attached hereto as Schedule 8.6(c)), dated the date of such financial statements and certified as true and correct by an appropriate officer of Borrower, containing a computation of each of the financial covenants set forth in Section 8.10 and stating that Borrower has not become aware of any event of Default or unmatured event of Default that has occurred and is continuing or, if there is any such event of Default or unmatured event of Default describing it and the steps, if any, being taken to cure it.

(d) supply Lender within forty-five (45) days of the close of each quarter ending June 30, September 30, December 31 and March 31, a quarterly report from Borrower as to the status of pledges from contributors to Borrower's capital campaign in support of the Project;

(e) supply Lender, as soon as available, and in any event, within forty-five (45) days of each of the fiscal year end during the term of this Agreement, a copy of the annual budget of Borrower for the fiscal year then beginning and such other information (including non-

financial information) as Lender reasonably may request, in reasonable detail, prepared and certified as accurate by Borrower;

(f) supply Lender, as soon as available, and in any event, within forty-five (45) days of the close of each fiscal year during the term of this Agreement, a copy of the annual census and enrollment data of Borrower for the fiscal year then ended, in reasonable detail, prepared and certified as accurate by Borrower;

(g) notify Lender, as soon as practicable, of any condition or event which constitutes (or which with the giving of notice or lapse of time or both would constitute) a Default, and of any Material Adverse Change in the financial condition of Borrower.

8.7 **Deposit Accounts.** Borrower shall at all times maintain with Lender, Borrower's primary deposit and disbursement accounts with Lender, and any accounts related to the Project.

8.8 **Further Assurance.** Borrower will, on request of Lender, from time to time, execute and deliver such documents as may be necessary to perfect and maintain perfected as valid liens upon the Premises the liens granted to Lender pursuant to this Agreement, and to fully consummate the transactions contemplated by this Agreement.

8.9 **Assurances With Respect to the Project.**

(a) All work to be performed and materials to be provided in furtherance of completion of the Project does (or when constructed will) comply with all applicable laws, statutes, ordinances, rules and regulations, including, without limitation, all zoning and Environmental Laws;

(b) The Premises are zoned appropriately to permit all of the work being performed on each part of the Premises and for each part of the Project and all Permits which are required for all work being performed or currently scheduled to be performed on the Project;

(c) In the aggregate, the Contracts do (or will when entered into) cover all labor, material and equipment required by the Plans and Specifications or necessary to complete the Project;

(d) Borrower continuously and diligently will pursue approvals of all governmental entities which are necessary for the completion of the Project.

(e) Borrower will provide all monies necessary to complete the Project, either through themselves, or other subordinated investors reasonably permitted by Lender in the event the borrowers' equity and the Loan is insufficient to complete the Project. All such additional advances by or through such persons shall be subordinate to the Loan from Lender, and subject to the prior written consent of Lender, which consent shall not be unreasonably withheld, conditioned or delayed. Borrower will cause such persons to enter into a subordination agreement with Lender to the extent requested by Lender.

8.10 Financial Covenants.

(a) Borrower, at all times during the term of this Agreement, shall maintain a Minimum Debt Service Coverage Ratio of 1.10x tested annually on June 30 of each year on a trailing twelve (12) month basis beginning on June 30, 2025.

(b) Borrower shall at all times during construction of the Project and thereafter throughout the term of this Agreement maintain a Minimum Unrestricted Liquidity to Funded Debt ratio of seventy-five percent (75%), which shall be measured at the end of each fiscal quarter beginning on the fiscal quarter ending December 31, 2024 (the "Testing Dates") during the term of this Agreement, and certified to Lender in writing not more than forty-five (45) days after the Testing Dates.

8.11 Covenant Regarding Debt. During the term of this Agreement, Borrower shall not incur any other Debt (other than Debt incurred in the ordinary course of business and in the aggregate less than \$100,000.00) in addition to the obligations evidenced by the Loan Documents, without the advance written consent of the Lender, which Consent may be withheld or conditioned by the Lender in Lender's sole and absolute discretion.

**ARTICLE IX
CASUALTIES AND CONDEMNATION**

9.1 Application of Insurance Proceeds and Condemnation Awards. The proceeds ("Proceeds") of any insurance policies collected or claims as a result of any loss or damage to any portion of the Project resulting from fire, vandalism, malicious mischief or any other casualty or physical harm (which event shall be referred to herein as a "Casualty") and any awards, judgments or claims ("Awards") resulting from the exercise of the power of condemnation or eminent domain (which exercise shall be referred to herein as a "Condemnation") shall be applied to reduce the outstanding balance of the Loan or to rebuild and restore the Project as provided herein. Upon occurrence of any of the following events:

- (a) The occurrence of any Casualty;
- (b) The occurrence of any Condemnation after which Condemnation the Premises does not, in Lender's sole and exclusive judgment, constitute a complete economic unit having equivalent value to the Premises as it existed prior to the Condemnation; or
- (c) The occurrence of any Condemnation after a Default has occurred hereunder.

Lender may elect to collect, retain and apply as a Loan prepayment all Proceeds collected or claimed as a result of such Casualty and all Awards resulting from such Condemnation, after deduction of all out-of-pocket, third-party expense of collection and settlement, including reasonable attorneys' and adjusters' fees and charges. Upon occurrence of any event of Condemnation not described above, the Awards shall be applied to restore the Premises as provided in Section 9.2 hereof. If any proceeds or Awards are applied to the Loan as a prepayment and such proceeds or Awards are insufficient to prepay the Loan in full, Lender may declare the balance remaining unpaid on the Note and under this Agreement to be due and payable forthwith and avail itself of any of the remedies as in the case of Default. Any proceeds

or Awards remaining after payment in full of the Loan and all other sums due Lender hereunder shall be paid by Lender to Borrower without any allowance for interest thereon.

9.2 Borrower's Obligation to Rebuild and Use of Proceeds and Awards Therefor. If Lender does not apply the Proceeds or Awards to prepayment of the Loan as provided for in Section 9.1 hereinabove or if such Proceeds or Awards, if applied, do not fully discharge the Loan, Borrower will:

(a) Proceed with diligence to make settlement (which shall be subject to the approval of Lender) with insurers or with condemning authorities and cause the Proceeds or Awards to be deposited with Lender, unless Lender shall elect to exercise its right under the Mortgage to make such settlement without the consent of Borrower;

(b) In the event of any unreasonable delay in making settlement with insurers or effecting collection of Proceeds or Awards, deposit with Lender the full amount required to place the Construction Loans In Balance disregarding such Proceeds or Awards;

(c) If the Proceeds or Awards deposited with Lender and the undisbursed proceeds of the Loan are insufficient to place the Construction Loans In Balance, deposit with Lender on written demand any amount necessary to place the Construction Loans In Balance; and

(d) Proceed, as soon as practicable, with resumption of construction and restoration of the Project, including the repair of all such loss or damage.

All Proceeds, Awards and funds deposited by Borrower hereunder first shall be disbursed fully before the disbursement of any further proceeds of the Loans. Borrower shall not be entitled to any payment of or credit for interest on such Proceeds, Awards and funds. In the event of deposit by Borrower of the full amount required to complete construction of the Project, as aforesaid, and the subsequent receipt of Proceeds or Awards, such Proceeds or Awards, as and when received, may be collected and retained by Borrower.

ARTICLE X ASSIGNMENTS, SALE AND ENCUMBRANCES

10.1 Lender's Right to Assign. Lender may assign, negotiate, pledge or otherwise hypothecate this Agreement or any of its rights and security hereunder, including the Notes, Mortgage, and other Loan Documents to any bank, participant or financial institution, and in case of such assignment, Borrower will accord full recognition thereto and agree that all rights and remedies of Lender in connection with the interest so assigned shall be enforceable against Borrower by such bank, participant or financial institution with the same force and effect and to the same extent as the same would have been enforceable by Lender but for such assignment. Any assignment or other transfer of this Agreement or of any Lender's rights hereunder shall not relieve Lender of its obligations to Borrower under this Agreement.

10.2 Prohibition of Assignments and Encumbrances by Borrower. Except as expressly contemplated hereby, until the provisions of this Agreement have been fully complied with, Borrower shall not, without the prior written consent of Lender, create, effect, consent to, attempt, contract for, agree to make, suffer or permit any "Prohibited Transfer" (as defined

herein). Any conveyance, sale, assignment, transfer, lien, pledge, mortgage, security interest or other encumbrance or alienation, or attempt to do any of the foregoing, of any of the following rights, properties or interests which occurs, is granted, accomplished, attempted or effectuated without Lender's prior written consent shall constitute a "Prohibited Transfer" hereunder:

(a) Borrower's interests under the Loan Documents or the Construction Contracts or in the Premises, or any part thereof, interest therein or earnings thereon;

(b) if Borrower is a corporation or any owner of substantially all of the stock of such corporation is itself a corporation, any shares of capital stock of such corporation; or

(c) if Borrower is a member in a limited liability company, all or any part of the limited liability company;

in each case whether any such conveyance, sale, assignment, transfer, lien, pledge, mortgage, security interest, encumbrance or alienation is effected directly, indirectly, voluntarily or involuntarily, by operation of law or otherwise; provided, however, that the foregoing provisions of this Section shall not apply (i) to liens securing the Loans, (ii) to the lien of current taxes and assessments not in default, or (iii) to any transfers of the Premises, or part thereof, or interest therein, or any beneficial interests, or shares of stock or partnership or joint venture or limited liability interests, as the case may be, by or on behalf of an owner thereof who is deceased or declared judicially incompetent, to such owner's heirs, legatees, devisees, executors, administrators, estate, personal representatives and/or committee.

ARTICLE XI DEFAULTS BY BORROWER

11.1 **Default Defined.** The occurrence of any one or more of the following shall constitute a "Default" as said term is used herein, and any Default which may occur hereunder shall constitute a Default under each of the other Loan Documents:

(a) Any default shall occur in the due and punctual payment of principal on the Notes when and as the same becomes due; or any default shall occur in the due and punctual payment of interest on the Notes when and as the same shall become due;

(b) Any failure of Borrower for a period of thirty (30) days (except as to Defaults under Section 11.1(a) or specified elsewhere in this Section 11.1 or where a longer or shorter period is specified herein or in the other Loan Documents for a particular default) after written notice from Lender to Borrower to observe or perform any of the covenants of Borrower under the terms of this Agreement, or other of the Loan Documents except payment of the Notes;

(c) The written disapproval by Lender or Lender's Consultant, which written disapproval is delivered to Borrower, of any construction work and failure of Borrower to commence correction to the reasonable satisfaction of Lender and Lender's Consultant within thirty (30) days thereafter and diligently complete the same, provided, however, that if such correction cannot be completed within such thirty (30) day period, so long as Borrower diligently pursues such completion, the period to make such correction shall be sixty (60) days after delivery of such written disapproval;

(d) An unreasonable delay in the construction or equipping of the Project or a discontinuance or abandonment of construction or equipping for a period of thirty (30) days, material failure to adhere to the Construction Schedule, or in any event a delay in construction or equipping of the Project so that the same, in Lender's reasonable, commercial judgment, may not be completed on or before (i) December 31, 2020 related to the Geneva Land or (ii) September 30, 2025 related to the Elgin Land;

(e) The bankruptcy or insolvency of the Contractor and failure of Borrower to procure a replacement Contractor reasonably satisfactory to Lender within thirty (30) days from the occurrence of such bankruptcy or insolvency;

(f) The occurrence of a Prohibited Transfer;

(g) If at any time any material representation, statement, report or certificate made now or hereafter by Borrower is not true and correct, or if at any time any statement or representation made in the application for the Construction Loan submitted to Lender for this Loan is not true and correct in any material respect, and such representation, statement, report or certificate is not corrected within thirty (30) days after written notice thereof;

(h) If all or a substantial part of the assets of Borrower is attached, seized, subjected to a writ or distress warrant, or is levied upon, unless such attachment, seizure, writ, warrant or levy is vacated within sixty (60) days;

(i) If Borrower is enjoined, restrained or in any way prevented by court order from performing any of its obligations hereunder or under the other Loan Documents or conducting all or a substantial part of its business affairs; or if a proceeding seeking such relief is not dismissed within sixty (60) days of being filed or commenced; or if proceedings are commenced by any public or quasi-public body to acquire a material portion of the Premises or any interest therein by power or condemnation or eminent domain and such proceedings are not dismissed within sixty (60) days of the commencement date;

(j) If a notice of lien, levy or assessment is filed of record with respect to all or any part of the property of Borrower by the United States, or any other governmental authority, unless contestable and actually and diligently contested in accordance herewith;

(k) Failure by Borrower to deposit with Lender funds required to maintain the Construction Loans In Balance within the time and in the manner herein required;

(l) If there occurs a Material Adverse Change in the financial condition of Borrower;

(m) The termination of the Contract or the Architect's Contract by Borrower without Lender's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed; or

(n) If Borrower:

(i) Shall file a voluntary petition in bankruptcy or for arrangement, reorganization or other relief under any chapter of the Federal Bankruptcy Code or any similar law, state or federal, now or hereafter in effect;

(ii) Shall file an answer or other pleading in any proceedings admitting insolvency, bankruptcy, or inability to pay its debts as they mature;

(iii) Within ninety (90) days after the filing against it of any involuntary proceedings under the Federal Bankruptcy Act or similar law, state or federal, now or hereafter in effect, such proceedings shall not have been vacated;

(iv) Any order appointing a receiver, trustee or liquidator for it or for all or a major part of its property or the Premises shall not be vacated within sixty (60) days following entry thereof;

(v) Shall be adjudicated a bankrupt;

(vi) Shall make an assignment for the benefit of creditors or shall admit in writing its inability to pay its debts generally as they become due or shall consent to the appointment of a receiver or trustee or liquidator of all or the major part of its property, or the Premises; or

(vii) If such party is a limited liability company, partnership or corporation, be dissolved, terminated or merged, whereby Borrower is not the surviving entity.

(o) any demand for payment is made upon Lender pursuant to a Letter of Credit.

ARTICLE XII LENDER'S REMEDIES UPON DEFAULT

12.1 **Remedies Conferred upon Lender.** Upon the occurrence of any Default, after the delivery of any applicable written notice and the expiration of all applicable cure periods, Lender, in addition to all remedies conferred upon Lender by law and by the terms of the Notes, the Mortgage and the other Loan Documents, may pursue any one or more of the following remedies concurrently or successively, it being the intent hereof that none of such remedies shall be to the exclusion of any others:

(a) Take possession of the Premises subject to the Mortgage and complete the construction and equipping of the Project and do anything required, necessary or advisable in Lender's sole judgment to fulfill the obligations of Borrower hereunder, including the rights to avail itself of or procure performance of existing Construction Contracts, to let any contracts with the same contractors, subcontractors or others and to employ watchmen to protect the Premises from injury. Without restricting the generality of the foregoing and for the purposes aforesaid, Borrower hereby appoints and constitutes Lender as Borrower's lawful attorney-in-fact with full power of substitution in the premises to perform the following actions:

(i) to complete construction and equipping of the Project in the name of Borrower;

(ii) to use unadvanced Loan Proceeds or to advance funds in excess of the face amount of the Construction Note, the 2023 Construction Note or the Pledge Line of Credit Note to complete the Project;

(iii) to make changes in the Plans and Specifications which shall be necessary or desirable to complete the Project;

(iv) to retain or employ new qualified and licensed contractors, subcontractors, architects, engineers and inspectors;

(v) to pay, settle, or compromise all existing bills and claims which may be liens, or to avoid such bills and claims becoming liens against the Premises or any portion hereof as may be deemed necessary or desirable, in Lender's reasonable, commercial opinion, for completion of the Project or for the clearance of title to the Premises; or

(vi) to do any and every act which Borrower might do in its own behalf with respect to the Premises, it being understood and agreed that this power of attorney shall be a power coupled with an interest and cannot be revoked;

(b) Withhold further disbursement of the proceeds of the Loans and terminate any of its obligations to Borrower under this Agreement;

(c) Declare the Notes to be due and payable forthwith, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived;

(d) In addition to any rights of setoff that Lender may have under applicable law, Lender may, without notice of any kind to Borrower, appropriate and apply to the payment of the Notes or of any sums due under this Agreement any and all balances, deposits, credits, accounts, certificates of deposit, instruments or money of Borrower then or thereafter in the possession of Lender; and

(e) Exercise or pursue any other remedy or cause of action permitted at law or at equity or under this Agreement or any other Loan Documents, including but not limited to foreclosure of the Mortgage and enforcement of all Loan Documents.

12.2 Right of Lender to Make Advances to Cure Defaults Obligatory Advances. If Borrower shall fail to perform any of its covenants or agreements herein or in any of the other Loan Documents contained, Lender may, following delivery of any applicable written notice and upon the expiration of all applicable cure periods (but shall not be required to), perform any of such covenants and agreements, and any amounts expended by Lender in so doing, and any amounts expended by Lender pursuant to Section 12.1 hereof and any amounts advanced by Lender pursuant to this Agreement shall be deemed advanced by Lender under an obligation to do so regardless of the identity of the person or persons to whom said funds are disbursed. Loan Proceeds advanced by Lender in the exercise of its judgment that the same are needed to complete the Project to protect its security for the Loans are obligatory advances hereunder and

shall constitute additional indebtedness payable on demand evidenced and secured by the Loan Documents.

12.3 **Attorneys' Fees.** Borrower will pay Lender's attorneys' fees and costs in connection with the administration and enforcement of this Agreement following a Default; without limiting the generality of the foregoing, if at any time or times hereafter Lender employs counsel for advice or other representation with respect to any matter concerning Borrower, this Agreement, the Premises or the Loan Documents or to protect, collect, lease, sell, take possession of, or liquidate any of the Premises, or to attempt to enforce or protect any security interest or lien or other right in any of the Premises or under any of the Loan Documents, or to enforce any rights of Lender or obligations of Borrower or any other person, firm or corporation which may be obligated to Lender by virtue of this Agreement or under any of the Loan Documents or any other agreement, instrument or document, heretofore or hereafter delivered to Lender in furtherance hereof, then in any such event all of the reasonable, out-of-pocket, third-party attorneys' fees arising from such services, and any out-of-pocket, third-party expenses, costs and charges relating thereto, shall constitute an additional indebtedness owing by Borrower to Lender payable on demand and evidenced and secured by the Loan Documents.

12.4 **No Waiver.** No failure by Lender to exercise, or delay by Lender in exercising, any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof, or the exercise of any other right, power or privilege. The rights and remedies provided in this Agreement and in the Loan Documents are cumulative and not exclusive of each other or of any right or remedy provided by law or equity. Except as specifically set forth herein to the contrary, no notice to or demand on Borrower in any case shall, in itself, entitle Borrower to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of Lender to any other or further action in any circumstances without notice or demand.

12.5 **Default Rate.** From and after the date of any Default until the date on which such Default is cured, interest on funds outstanding hereunder shall accrue at the Default Rate and be payable on demand. The failure of Lender to charge interest at the Default Rate shall not be evidence of the absence of a Default or waiver of a Default by Lender.

ARTICLE XIII MISCELLANEOUS

13.1 **Time is of the Essence.** Borrower agrees that time is of the essence in all of their covenants under this Agreement.

13.2 **Modification, etc.** This Agreement and any provision hereof shall not be modified, amended, waived or discharged in any manner other than by a written amendment executed by all Parties to this Agreement.

13.3 **Disclaimer by Lender.** Lender shall not be liable to any Contractor, Subcontractor, supplier, laborer, architect, engineer or any other party for services performed or materials supplied in connection with construction of the Project. Lender shall not be liable for any debts or claims accruing in favor of any such parties against Borrower or against the Premises. Borrower is not nor shall be an agent of Lender for any purposes, and Lender is not a venture partner with Borrower in any manner whatsoever. Lender shall not be deemed to be in

privity of contract with any Contractor, Subcontractor or provider of services on or to the Premises, nor shall any payment of funds directly to a Contractor, Subcontractor, or provider of services be deemed to create any third-party beneficiary status or recognition of same by Lender unless and until Lender expressly assumes such status in writing. No Contractor, Subcontractor, supplier, laborer, architect, engineer or other party shall be deemed to be a third-party beneficiary of this Agreement or any of the Loan Documents. Approvals granted by Lender for any matters covered under this Agreement shall be narrowly construed to cover only the parties and facts identified in any written approval or if not in writing such approvals shall be solely for the benefit of Borrower.

13.4 **Indemnification.** To the fullest extent permitted by law, Borrower hereby agrees to protect, indemnify, defend and save harmless, Lender and its directors, officers, agents and employees from and against any and all liability, expense or damage of any kind or nature and from any suits, claims, or demands, including legal fees and expenses on account of any matter or thing or action or failure to act by Lender, whether in suit or not, arising out of this Agreement or in connection herewith unless such suit, claim or damage is caused solely by any act, omission or willful malfeasance of Lender, its directors, officers, agents and authorized employees. This indemnity is not intended to excuse Lender from performing hereunder. This obligation on the part of Borrower shall survive the closing of the Loans, the repayment thereof and any cancellation of the Loan Agreement. Borrower shall pay, and hold Lender harmless from, any and all claims of any brokers, finders or agents claiming a right as a representative of Borrower to any fees in connection with arranging the financing contemplated hereby. Lender hereby represents that it has not employed a broker or other finder in connection with the Loan. Borrower represents and warrants that no brokerage commissions or finder's fees are to be paid in connection with the loan as a result of any action undertaken by Borrower.

13.5 **Erection of Sign.** Upon the reasonable request of Lender, as may be permitted by law, ordinance and any governing association, Borrower shall erect a sign on the Premises reasonably satisfactory to Lender in a conspicuous location indicating that construction financing for the Project has been arranged through and supplied by Lender.

13.6 **Captions.** The captions and headings of various Articles and Sections of this Agreement and exhibits pertaining hereto are for convenience only and are not to be considered as defining or limiting in any way the scope or intent of the provisions hereof.

13.7 **Notices.** Any notice, demand or other communication required or permitted hereunder shall be in writing and shall be deemed to have been given if and when personally delivered, or on the second business day after being deposited in United States registered or certified mail, postage prepaid, and addressed to a party at its address set forth below or to such other address the party to receive such notice may have designated to all other parties by notice in accordance herewith:

If to Lender:

St. Charles Bank & Trust Company
Attention: Anthony Abbott
411 West Main Street
St. Charles, Illinois 60174

With a copy to: Clingen Callow & McLean, LLC
Attention: Phillip J. Salerno II
2300 Cabot Drive, Suite 500
Lisle, Illinois 60523

If to Borrower: Marklund Charities
Attention: Kudus Badmus
1S450 Wyatt Drive
Geneva, Illinois 60134

With a copy to: Law Office of Robin R. Kelleher
Attention: Robin Kelleher
102 South Wynstone Park Drive
North Barrington, Illinois 60010

or to such other address the Party to receive such notice may have theretofore furnished to all other Parties by notice in accordance herewith. Except as otherwise specifically required herein, no notice of the exercise of any right or option granted to Lender herein is required to be given.

13.8 **Effect of Agreement.** The submission of this Agreement and the Loan Documents to Borrower for examination does not constitute a commitment or an offer by Lender to make a commitment to lend money to Borrower; this Agreement shall become effective only upon execution and delivery hereof by Lender to Borrower.

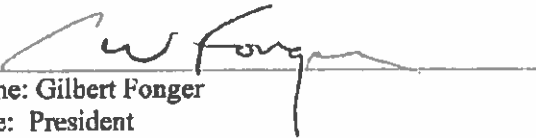
13.9 **Governing Law.** This Agreement has been negotiated, executed and delivered at Illinois and shall be construed and enforced in accordance with the laws of the State of Illinois, without reference to the choice of law or conflicts of law principles of that State.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Borrower has caused this Loan Agreement to be executed and delivered as of the Effective Date.

BORROWER:

MARKLUND CHARITIES, an Illinois not-for-profit corporation

By: 
Name: Gilbert Fonger
Title: President

MARKLUND CHILDREN'S HOME, an Illinois not-for-profit corporation

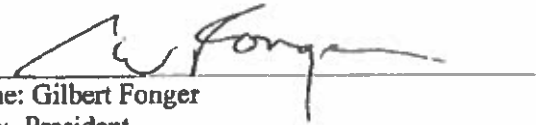
By: 
Name: Gilbert Fonger
Title: President

EXHIBIT A

LOAN AGREEMENT

GENEVA LAND

LOTS 1 AND 9 IN MILL CREEK HAVERKAMPF NEIGHBORHOOD, BEING A SUBDIVISION OF PART OF THE NORTHWEST QUARTER OF SECTION 24, TOWNSHIP 39 NORTH, RANGE 7, EAST OF THE THIRD PRINCIPAL MERIDIAN, ACCORDING TO THE PLAT THEREOF RECORDED JUNE 18, 2002 AS DOCUMENT NO. 2002K00076294, IN BLACKBERRY TOWNSHIP, KANE COUNTY, ILLINOIS.

Permanent Index Number: 11-24-252-001 & 11-24-252-002

Commonly Known As: 01S381 AND 01S410 Wyatt Drive, Geneva, IL 06134

EXHIBIT B

LOAN AGREEMENT

PERMITTED EXCEPTIONS

1. General taxes and assessments for the year , 2019 and subsequent years which are not yet due and payable.

Tax identification no.: 11-24-252-001
(Affects Lot 1)
2. General taxes and assessments for the year , 2019 and subsequent years which are not yet due and payable.

Tax identification no.: 11-24-252-002
(Affects Lot 9)
3. Rights and interest, of Kent W. Shodeen, as Trustee of the Kent W. Shodeen Trust No. 1, as set forth in that certain Real Estate Sale Contract dated June 29, 2000 with Marklund Children's Home, Inc., as disclosed by Deed recorded August 8, 2002 as document 2002K098162.
5. The property falls within the Mill Creek Water Reclamation District and is subject to fees in connection therewith.
6. Terms and provisions of a Notice of Federal Interest of the Department of Health and Human Services regarding restrictions on usage of the property, mortgage or transfer recorded May 10, 2001 as document 2001K043281.
7. Covenants, conditions and restrictions contained in the Declaration of Restrictions for Marklund Charities recorded as document 2001K045392 and any amendments thereto, relating to, among other things: land use and building type, height, landscaping, location, driveways, easements, natural drainage ways, access to public roads, lighting, signs, temporary structures, fences, architectural controls, underground wiring, maintenance of parkways, storm water detention and general provisions.
8. Terms and conditions of the easement provisions noted on the plat of subdivision.
9. Easements for Private Road, as shown on the plat of Mill Creek Haverkampff Neighborhood subdivision.
(Affects Lot 1 - see plat for full particulars)
10. Easements for utility, cable television and drainage, as shown on the plat of Mill Creek Haverkampff Neighborhood subdivision.
(Affects Lot 9 - see plat for full particulars)

11. Notes on Plat:

Lot 10 shall not have direct access onto Main Street, except by way of Wyatt Drive, and Lots 1 and 9 shall not have direct access onto Wyatt Drive, except by way of the Private Road shown hereon.

Covenants, Conditions and Restrictions for Mill Creek Haverkamp Neighborhood are recorded contemporaneously herewith.

A 10.0 foot-wide utility, cable television, and drainage easement is hereby established along all lot lines adjacent to dedicated roadways, and a 5.0 foot-wide utility, cable television and drainage easement is hereby established along all other lot lines, except the West line of Lot 5, all in accordance with the Utility, Cable Television, and Drainage Easement provisions established hereon.

A permanent non-exclusive easement over Lots 1, 2, 3, 4, 6, 7, 8 and 9 (except that the easement over said lots shall not extend to any area either now or hereafter improved with a permanent structure so long as such improvement shall have been made prior in time to the utility installation) is hereby reserved for and granted to the County of Kane, and Mill Creek Water Reclamation District, Commonwealth Edison Company and Ameritech, and to their successors and assigns, in accordance with the utility (except for gas), Cable Television and Drainage Easement Provisions established hereon, and a permanent non-exclusive easement over Lot 10 (except that the easement over said lot shall not extend to any area either now or hereafter improved with a permanent structure so long as such improvement shall have been made prior in time to the utility installation) is hereby reserved for and granted to the County of Kane, the Mill Creek Water Reclamation District, Commonwealth Edison Company, Ameritech, and Northern Illinois Gas Company, and to their successors and assigns, in accordance with the Utility, Cable Television and Drainage Easement Provisions established hereon.

The Northerly and Northeasterly lot lines of Lot 10 are coincidental with the center line of the Private Road, along those two courses shown.

12. Terms, conditions and provisions of Ordinance No. 94-7 entitled An Ordinance Annexing Certain Territory to the Geneva Public Library District recorded August 3, 1994 as document 94K060968.
13. Terms, conditions and provisions of Ordinance No. 94-8 entitled An Ordinance Accepting Developer Donations for Development of Certain Property recorded August 3, 1994 as document 94K060969.
14. Terms and provisions of Ordinance No. 94-356, a copy of which was recorded December 20, 1994 as document 94K091357 establishing Special Service Area entitled The Mill Creek Special Service Area.
15. Easement in favor of Commonwealth Edison Company and Ameritech Illinois a.k.a. Illinois Bell Telephone Company for pole lines, conduits and maintenance purposes granted by document 2002K036475, recorded on March 14, 2002, and the terms and conditions thereof.

(Affects an undisclosed location - refer to document for full particulars)

EXHIBIT C
LOAN AGREEMENT
PLANS AND SPECIFICATIONS

EXHIBIT D
LOAN AGREEMENT
PROJECT BUDGET

Schedule 8.6(c)

FORM OF COVENANT COMPLIANCE CERTIFICATE

To: St. Charles Bank & Trust Co.
1001 S. Randall Rd.
Elgin, IL 60123
Attention: Tony Abbott

Please refer to that certain Loan Agreement dated as of August 20, 2019, as further revised, modified, amended, or restated from time to time (the "Loan Agreement") by and among MARKLUND CHILDRENS HOME and MARKLUND CHARITIES ("MARKLUND"), and ST. CHARLES BANK & TRUST COMPANY. Terms used but not otherwise defined herein are used herein as defined in the Loan Agreement.

The Borrower hereby certifies and warrants to you that enclosed herewith is a true and correct computation as of [Date] the financial covenants and/or financial restrictions contained in the Loan Agreement. The Borrower certifies that it is compliant with the Financial Covenants outlined in Section 8.10 of the Loan Agreement.

IN WITNESS WHEREOF, the undersigned has caused this Certificate to be executed and delivered by an Authorized Officer on _____, 20__.

MARKLUND CHARITIES, an Illinois not-for-profit corporation

By: _____
Name: Gilbert Fonger
Title: President

MARKLUND CHILDREN'S HOME, an Illinois not-for-profit corporation

By: _____
Name: Gilbert Fonger
Title: President

SECRETARY'S CERTIFICATE OF MARKLUND CHILDREN'S HOME

December 1, 2024

I, Jim Armbruster, do hereby certify that:

1. I am the Secretary of MARKLUND CHILDREN'S HOME (the "Debtor"), a not-for-profit corporation duly organized, existing and in good standing under the laws of the State of Illinois.
2. I am the keeper of the books and records of the Debtor.
3. The following named persons are all the present Officers of the Debtor; each duly qualified and acting as such, with their signatures set opposite their names:

<u>Name</u>	<u>Position</u>	<u>Signature</u>
Mike Herlihy	Chairman	_____
Jerry Finis	Vice Chairman	_____
Jerry Finis	Treasurer	_____
Jim Armbruster	Secretary	_____


4. The Articles of Incorporation of the Debtor, together with all amendment thereto, have not been further amended since delivered to the Lender on June __, 2022 and remain in full force and effect as of the date hereof.

5. The By-Laws of the Debtor, together with all amendment thereto, have not been further amended since delivered to the Lender on June __, 2022 and remain in full force and effect as of the date hereof.

6. Attached hereto as Exhibit A is a true and correct copy of the Corporate Resolutions duly adopted by Officers of the Board of Directors of the Debtor in accordance with the Debtor's Bylaws which have not been modified, amended or rescinded, and remain in full force and effect as of the date hereof.

6. No procedures are pending or contemplated for the dissolution of the Debtor.

IN WITNESS WHEREOF, I have hereunto subscribed my name as Secretary of the Debtor as of the date first written above.



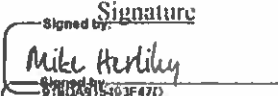

Jim Armbruster

SECRETARY'S CERTIFICATE OF MARKLUND CHILDREN'S HOME

December 1, 2024

I, Jim Armbruster, do hereby certify that:

- 1. I am the Secretary of MARKLUND CHILDREN'S HOME (the "Debtor"), a not-for-profit corporation duly organized, existing and in good standing under the laws of the State of Illinois.
- 2. I am the keeper of the books and records of the Debtor.
- 3. The following named persons are all the present Officers of the Debtor; each duly qualified and acting as such, with their signatures set opposite their names:

<u>Name</u>	<u>Position</u>	<u>Signature</u>
Mike Herlihy	Chairman	
Jerry Finis	Vice Chairman & Treasurer	
Jim Armbruster	Secretary	_____

4. The Articles of Incorporation of the Debtor, together with all amendment thereto, have not been further amended since delivered to the Lender on June __, 2022 and remain in full force and effect as of the date hereof.

5. The By-Laws of the Debtor, together with all amendment thereto, have not been further amended since delivered to the Lender on June __, 2022 and remain in full force and effect as of the date hereof.

6. Attached hereto as **Exhibit A** is a true and correct copy of the Corporate Resolutions duly adopted by Officers of the Board of Directors of the Debtor in accordance with the Debtor's Bylaws which have not been modified, amended or rescinded, and remain in full force and effect as of the date hereof.

6. No procedures are pending or contemplated for the dissolution of the Debtor.

IN WITNESS WHEREOF, I have hereunto subscribed my name as Secretary of the Debtor as of the date first written above.

Jim Armbruster

EXHIBIT A

Written Consent of the Officers of the Board of Directors of Marklund Children's Home

December 1, 2024

"RESOLVED, that Gilbert Fonger, the President of MARKLUND CHILDREN'S HOME (the "Debtor"), or any other officer or person from time to time designated by the Board of the Debtor (each such person being hereinafter referred to as the "Designated Person") is hereby authorized, directed and empowered now and from time to time hereafter to make, execute and deliver for and on behalf of and in the name of the Debtor any and all documents required in connection with that certain Limited Waiver and Seventh Amendment to Loan Agreement dated as of the date hereof, by and among Debtor, MARKLUND CHARITIES, an Illinois not-for-profit corporation, and ST. CHARLES BANK & TRUST COMPANY, N.A., a national banking association ("Lender") (the "Seventh Amendment"); and

BE IT FURTHER RESOLVED, that the Seventh Amendment may contain such provisions, terms, conditions, covenants, warranties and representations as the Designated Person may in his or her sole discretion deem advisable, necessary or expedient; and

BE IT FURTHER RESOLVED, that the Designated Person is hereby authorized, directed and empowered for and on behalf of and in the name of the Debtor now and from time to time hereafter, as he or she in his or her sole discretion deems advisable, necessary, expedient, convenient or proper, to: (a) execute and deliver to the Lender such agreements, instruments and documents as the Lender may request or require to effectuate the purpose and intent of the Seventh Amendment or these Resolutions; and/or (b) amend, modify, alter, extend, renew or otherwise change any of the provisions, terms, conditions, covenants, guaranties or representations contained in the Seventh Amendment; and

BE IT FURTHER RESOLVED, that the Designated Person is hereby authorized, directed and empowered to do and perform all acts and things he or she deems advisable, necessary, expedient, convenient or proper in order to consummate fully all of the transactions contemplated under the Seventh Amendment or these Resolutions; and

BE IT FURTHER RESOLVED, that this meeting hereby ratifies, approves and confirms any and all acts and things that the Designated Person has done or may do in any way relating to or arising from or in connection with the Seventh Amendment and these Resolutions and such acts and things of the Designated Person shall at all times receive full faith and credit by the Lender without the necessity of inquiry by the Lender; and

BE IT FURTHER RESOLVED, that the authorizations herein set forth shall remain in full force and effect for the term of the Seventh Amendment and all renewal terms thereof and the Secretary of the Debtor is hereby authorized and directed to furnish to the Lender a copy of these Resolutions."

Mike Herlihy

Jerry Finis

Jerry Finis



Jim Arnbruster

Being all of the Officers of the Board of Directors of Debtor

EXHIBIT A

Written Consent of the Officers of the Board of Directors of Marklund Children's Home

December 1, 2024

"RESOLVED, that Gilbert Fonger, the President of MARKLUND CHILDREN'S HOME (the "Debtor"), or any other officer or person from time to time designated by the Board of the Debtor (each such person being hereinafter referred to as the "Designated Person") is hereby authorized, directed and empowered now and from time to time hereafter to make, execute and deliver for and on behalf of and in the name of the Debtor any and all documents required in connection with that certain Limited Waiver and Seventh Amendment to Loan Agreement dated as of the date hereof, by and among Debtor, MARKLUND CHARITIES, an Illinois not-for-profit corporation, and ST. CHARLES BANK & TRUST COMPANY, N.A., a national banking association ("Lender") (the "Seventh Amendment"); and

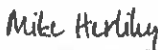
BE IT FURTHER RESOLVED, that the Seventh Amendment may contain such provisions, terms, conditions, covenants, warranties and representations as the Designated Person may in his or her sole discretion deem advisable, necessary or expedient; and

BE IT FURTHER RESOLVED, that the Designated Person is hereby authorized, directed and empowered for and on behalf of and in the name of the Debtor now and from time to time hereafter, as he or she in his or her sole discretion deems advisable, necessary, expedient, convenient or proper, to: (a) execute and deliver to the Lender such agreements, instruments and documents as the Lender may request or require to effectuate the purpose and intent of the Seventh Amendment or these Resolutions; and/or (b) amend, modify, alter, extend, renew or otherwise change any of the provisions, terms, conditions, covenants, guaranties or representations contained in the Seventh Amendment; and


BE IT FURTHER RESOLVED, that the Designated Person is hereby authorized, directed and empowered to do and perform all acts and things he or she deems advisable, necessary, expedient, convenient or proper in order to consummate fully all of the transactions contemplated under the Seventh Amendment or these Resolutions; and

BE IT FURTHER RESOLVED, that this meeting hereby ratifies, approves and confirms any and all acts and things that the Designated Person has done or may do in any way relating to or arising from or in connection with the Seventh Amendment and these Resolutions and such acts and things of the Designated Person shall at all times receive full faith and credit by the Lender without the necessity of inquiry by the Lender; and

BE IT FURTHER RESOLVED, that the authorizations herein set forth shall remain in full force and effect for the term of the Seventh Amendment and all renewal terms thereof and the Secretary of the Debtor is hereby authorized and directed to furnish to the Lender a copy of these Resolutions."



Mike Herlihy



Jerry Finis

Jim Armbruster

Being all of the Officers of the Board of Directors of Debtor

Certificate Of Completion

Envelope Id: B4D80C30A6734D6788A5E0D9A98ACB91

Status: Sent

Subject: Complete with Docusign: Marklund Charities - Secretary Certificate - Resolutions (Seventh Amend...

Source Envelope:

Document Pages: 4

Signatures: 8

Envelope Originator:

Certificate Pages: 5

Initials: 0

Cassandra Snetsinger

AutoNav: Enabled

9700 W. Higgins Road

Envelopeid Stamping: Enabled

Rosemont, IL 60018

Time Zone: (UTC-06:00) Central Time (US & Canada)

csnetsinger@elginstatebank.com

IP Address: 161.199.76.16

Record Tracking

Status: Original

Holder: Cassandra Snetsinger

Location: DocuSign

11/26/2024 3:18:38 PM

csnetsinger@elginstatebank.com

Signer Events

Mike Herlihy

mjh@olssonroofing.com

President

Security Level: Email, Account Authentication (None), Authentication

Signature

Signed by:

MIKEA511-1377170

Timestamp

Sent: 11/26/2024 3:25:24 PM

Viewed: 11/27/2024 9:27:25 AM

Signed: 11/27/2024 9:28:17 AM

Signature Adoption: Pre-selected Style

Using IP Address: 12.16.216.254

Authentication Details

ID Check:

Transaction: 31033680422475

Result: passed

Vendor ID: LexisNexis

Type: iAuth

Recipient Name Provided by: Recipient

Information Provided for ID Check: Address

Performed: 11/27/2024 9:27:18 AM

Question Details:

passed property.street.in.city.real

passed property.purchased.when.fake

passed county.lived.single.real

passed vehicle.historical.color.real

passed vehicle.association.real

passed vehicle.historical.association.real

Electronic Record and Signature Disclosure:

Accepted: 11/27/2024 9:27:25 AM

ID: 365ffd14-0a70-4c1c-af7d-d0642b8db823

Company Name: St. Charles Bank & Trust Company, N.A.

Jerry Finis

jfinis@outlook.com

Security Level: Email, Account Authentication (None), Authentication

Signed by:

JERRYA1F6A8220499

Sent: 11/27/2024 9:28:19 AM

Viewed: 11/27/2024 9:38:22 AM

Signed: 11/27/2024 9:38:43 AM

Signature Adoption: Pre-selected Style

Using IP Address: 24.17.189.95

Authentication Details

ID Check:

Transaction: 31033680697695

Result: passed

Vendor ID: LexisNexis

Type: iAuth

Recipient Name Provided by: Recipient

Information Provided for ID Check: Address,

SSN9, SSN4, DOB

Performed: 11/27/2024 9:38:12 AM

Question Details:

passed person.known.single.fake

passed vehicle.color.real

passed vehicle.historical.association.real

passed property.county.real

passed property.association.single.real

failed county.lived.single.real

Electronic Record and Signature Disclosure:

Accepted: 11/27/2024 9:38:22 AM

ID: 7bcb48b7-7629-426d-85b2-f43c560a48c0

Company Name: St. Charles Bank & Trust Company, N.A.

Signer Events Jim Ambruster jka@atmiprecast.com Security Level: Email, Account Authentication (None), Authentication Electronic Record and Signature Disclosure: Not Offered via DocuSign	Signature	Timestamp Sent: 11/27/2024 9:38:45 AM
In Person Signer Events	Signature	Timestamp
Editor Delivery Events	Status	Timestamp
Agent Delivery Events	Status	Timestamp
Intermediary Delivery Events	Status	Timestamp
Certified Delivery Events	Status	Timestamp
Carbon Copy Events	Status	Timestamp
Witness Events	Signature	Timestamp
Notary Events	Signature	Timestamp
Envelope Summary Events Envelope Sent	Status Hashed/Encrypted	Timestamps 11/26/2024 3:25:24 PM
Payment Events	Status	Timestamps
Electronic Record and Signature Disclosure		

ELECTRONIC RECORD AND SIGNATURE DISCLOSURE

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- ii. send us an email to e-sign@wintrust.com and in the body of such request you must state your email, full name, mailing address, and telephone number.

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SECRETARY'S CERTIFICATE OF MARKLUND CHARITIES

December 1, 2024

I, Jim Arnbruster, do hereby certify that:

1. I am the Secretary of MARKLUND CHARITIES (the "Debtor"), a not-for-profit corporation duly organized, existing and in good standing under the laws of the State of Illinois.
2. I am the keeper of the books and records of the Debtor.
3. The following named persons are all the present Officers of the Debtor; each duly qualified and acting as such, with their signatures set opposite their names:

<u>Name</u>	<u>Position</u>	<u>Signature</u>
Mike Herlihy	Chairman	_____
Jerry Finis	Vice Chairman	_____
Jerry Finis	Treasurer	_____
Jim Arnbruster	Secretary	

4. The Articles of Incorporation of the Debtor, together with all amendment thereto, have not been further amended since delivered to the Lender on June __, 2022 and remain in full force and effect as of the date hereof.

5. The By-Laws of the Debtor, together with all amendment thereto, have not been further amended since delivered to the Lender on June __, 2022 and remain in full force and effect as of the date hereof.

6. Attached hereto as **Exhibit A** is a true and correct copy of the Corporate Resolutions duly adopted by the Officers of the Board of Directors of the Debtor in accordance with the Debtor's Bylaws which have not been modified, amended or rescinded, and remain in full force and effect as of the date hereof.

6. No procedures are pending or contemplated for the dissolution of the Debtor.

IN WITNESS WHEREOF, I have hereunto subscribed my name as Secretary of the Debtor as of the Date first written above.



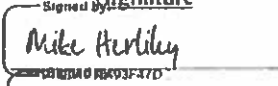

Jim Arnbruster

SECRETARY'S CERTIFICATE OF MARKLUND CHARITIES

December 1, 2024

I, Jim Armbruster, do hereby certify that:

- 1. I am the Secretary of MARKLUND CHARITIES (the "Debtor"), a not-for-profit corporation duly organized, existing and in good standing under the laws of the State of Illinois.
- 2. I am the keeper of the books and records of the Debtor.
- 3. The following named persons are all the present Officers of the Debtor; each duly qualified and acting as such, with their signatures set opposite their names:

<u>Name</u>	<u>Position</u>	<u>Signature</u>
Mike Herlihy	Chairman	
Jerry Finis	Vice Chairman & Treasurer	
Jim Armbruster	Secretary	_____

4. The Articles of Incorporation of the Debtor, together with all amendment thereto, have not been further amended since delivered to the Lender on June __, 2022 and remain in full force and effect as of the date hereof.

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6. Attached hereto as **Exhibit A** is a true and correct copy of the Corporate Resolutions duly adopted by the Officers of the Board of Directors of the Debtor in accordance with the Debtor's Bylaws which have not been modified, amended or rescinded, and remain in full force and effect as of the date hereof.

6. No procedures are pending or contemplated for the dissolution of the Debtor.

IN WITNESS WHEREOF, I have hereunto subscribed my name as Secretary of the Debtor as of the Date first written above.

Jim Armbruster

EXHIBIT A

Written Consent of the Officers of the Board of Directors of Marklund Charities

December 1, 2024

"RESOLVED, that Gilbert Fonger, the President of MARKLUND CHARITIES (the "Debtor"), or any other officer or person from time to time designated by the Board of the Debtor (each such person being hereinafter referred to as the "Designated Person") is hereby authorized, directed and empowered now and from time to time hereafter to make, execute and deliver for and on behalf of and in the name of the Debtor any and all documents required in connection with that certain Limited Waiver and Seventh Amendment to Loan Agreement dated as of the date hereof, by and among Debtor, MARKLUND CHILDREN'S HOME, an Illinois not-for-profit corporation, and ST. CHARLES BANK & TRUST COMPANY, N.A., a national banking association ("Lender") (the "Seventh Amendment"); and

BE IT FURTHER RESOLVED, that the Seventh Amendment may contain such provisions, terms, conditions, covenants, warranties and representations as the Designated Person may in his or her sole discretion deem advisable, necessary or expedient; and

BE IT FURTHER RESOLVED, that the Designated Person is hereby authorized, directed and empowered for and on behalf of and in the name of the Debtor now and from time to time hereafter, as he or she in his or her sole discretion deems advisable, necessary, expedient, convenient or proper, to: (a) execute and deliver to the Lender such agreements, instruments and documents as the Lender may request or require to effectuate the purpose and intent of the Seventh Amendment or these Resolutions; and/or (b) amend, modify, alter, extend, renew or otherwise change any of the provisions, terms, conditions, covenants, guaranties or representations contained in the Seventh Amendment; and

BE IT FURTHER RESOLVED, that the Designated Person is hereby authorized, directed and empowered to do and perform all acts and things he or she deems advisable, necessary, expedient, convenient or proper in order to consummate fully all of the transactions contemplated under the Seventh Amendment or these Resolutions; and

BE IT FURTHER RESOLVED, that this meeting hereby ratifies, approves and confirms any and all acts and things that the Designated Person has done or may do in any way relating to or arising from or in connection with the Seventh Amendment and these Resolutions and such acts and things of the Designated Person shall at all times receive full faith and credit by the Lender without the necessity of inquiry by the Lender; and

BE IT FURTHER RESOLVED, that the authorizations herein set forth shall remain in full force and effect for the term of the Seventh Amendment and all renewal terms thereof and the Secretary of the Debtor is hereby authorized and directed to furnish to the Lender a copy of these Resolutions."

Mike Herlihy

Jerry Finis

Jerry Finis



Jim Ambruster

Being all of the Officers of the Board of Directors of Debtor

EXHIBIT A

Written Consent of the Officers of the Board of Directors of Marklund Charities

December 1, 2024

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Mike Hertley

Mike Hertley

Jerry Finis

Jerry Finis

Jim Armbruster

Being all of the Officers of the Board of Directors of Debtor

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Signer Events

Mike Herlthy

mjh@olssonroofing.com

President

Security Level: Email, Account Authentication (None), Authentication

Signature

Signature Adoption: Pre-selected Style

Using IP Address: 12.16.216.254

Timestamp

Sent: 11/26/2024 3:25:24 PM

Viewed: 11/27/2024 9:27:25 AM

Signed: 11/27/2024 9:28:17 AM

Authentication Details

ID Check:

Transaction: 31033680422475

Result: passed

Vendor ID: LexisNexis

Type: iAuth

Recipient Name Provided by: Recipient

Information Provided for ID Check: Address

Performed: 11/27/2024 9:27:18 AM

Question Details:

passed property.street.in.city.real

passed property.purchasedwhen.fake

passed county.lived.single.real

passed vehicle.historical.color.real

passed vehicle.association.real

passed vehicle.historical.association.real

Electronic Record and Signature Disclosure:

Accepted: 11/27/2024 9:27:25 AM

ID: 365ffd14-0e70-4c1c-af7d-d0642b8db823

Company Name: St. Charles Bank & Trust Company, N.A.

Jerry Finis

jfinis@outlook.com

Security Level: Email, Account Authentication (None), Authentication

Signature Adoption: Pre-selected Style

Using IP Address: 24.17.189.95

Sent: 11/27/2024 9:28:19 AM

Viewed: 11/27/2024 9:38:22 AM

Signed: 11/27/2024 9:38:43 AM

Authentication Details

ID Check:

Transaction: 31033680697695

Result: passed

Vendor ID: LexisNexis

Type: iAuth

Recipient Name Provided by: Recipient

Information Provided for ID Check: Address, SSN9, SSN4, DOB

Performed: 11/27/2024 9:38:12 AM

Question Details:

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passed vehicle.color.real

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passed property.county.real

passed property.association.single.real

failed county.lived.single.real

Electronic Record and Signature Disclosure:

Accepted: 11/27/2024 9:38:22 AM

ID: 7bcb48b7-7629-426d-85b2-f43c560a46c0

Company Name: St. Charles Bank & Trust Company, N.A.

Signer Events Jim Armbruster jka@atmlprecast.com Security Level: Email, Account Authentication (None), Authentication Electronic Record and Signature Disclosure: Not Offered via DocuSign	Signature	Timestamp Sent: 11/27/2024 9:38:45 AM
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Carbon Copy Events	Status	Timestamp
Witness Events	Signature	Timestamp
Notary Events	Signature	Timestamp
Envelope Summary Events Envelope Sent	Status Hashed/Encrypted	Timestamps 11/26/2024 3:25:24 PM
Payment Events	Status	Timestamps
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Section V, Financial Feasibility
Criterion 1120.130(a) – Financial Viability Waiver

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

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

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

Table 1120.130(b)				
Financial Viability Ratios				
Marklund Children’s Home Consolidated Financial Statements				
	Category A or Category B (last three years)			Category B (Projected)
	2022	2023	2024	2027
Current Ratio	1.25	1.13	1.4	1.2
Net Margin Percentage	12.8%	0.9%	6.9%	8.5%
Percent Debt to Total Capitalization	4%	13%	8%	3.7%
Projected Debt Service Coverage	19.78	8.13	14.36	1.7
Days Cash on Hand	56	47	0	245
Cushion Ratio	14	14	0	27

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

Marklund Children's Home Consolidated Financial Statements
Financial Viability Ratios

	Standard	2022	2023	2024
Current Ratio				
Current Assets		\$8,407,412	\$7,737,498	\$8,571,687
Current Liabilities		\$6,731,626	\$6,831,939	\$6,142,345
Current Ratio	> 1.5	1.25	1.13	1.40
Net Margin Percentage				
Net Income		\$ 4,794,670	\$ 308,529	\$ 2,637,562
Net Operating Revenues		\$ 37,356,229	\$ 34,997,062	\$ 38,226,561
Net Margin Percentage	> 2.5%	12.8%	0.9%	6.9%
Long-Term Debt to Capitalization				
Long-Term Debt		\$2,169,751	\$7,764,894	\$5,133,093
Equity		\$56,565,708	\$53,313,895	\$59,152,281
Long-Term Debt to Capitalization	< 80%	4%	13%	8%
Projected Debt Service Coverage				
Net Income		\$ 4,794,670	\$ 308,529	\$ 2,637,562
Depreciation/Amortization		2,780,659	2,805,238	2,863,145
Interest Expense		-	-	-
Interest Expense and Principal Payments		383,069	383,069	383,069
Projected Debt Service Coverage	> 1.50	19.78	8.13	14.36
Days Cash on Hand				
Cash		\$ 508,538	\$ 54,492	\$ 54,263
Investments		\$5,007,600	\$5,206,472	\$0
Board Designated Funds		\$0	\$0	\$0
Operating Expense		\$ 38,665,369	\$ 43,266,803	\$ 46,684,497
Depreciation		\$ 2,780,659	\$ 2,805,238	\$ 2,863,145
Days Cash on Hand	> 45 Days	56	47	0
Cushion Ratio				
Cash		\$ 508,538	\$ 54,492	\$ 54,263
Investments		\$5,007,600	\$5,206,472	\$0
Board Designated Funds		\$0	\$0	\$0
Interest Expense and Principal Payments		\$383,069	\$383,069	\$383,069
Cushion Ratio	> 3.0	14	14	0

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

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

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

Re: Reasonableness of Financing Arrangements

Dear Chair Savage:

I hereby certify under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109 and pursuant to 77 Ill. Admin. Code § 1120.140(a) that the total estimated project costs and related costs will be funded in part by borrowing because borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period. I further certify the selected form of debt financing for the project is the lowest net cost available.

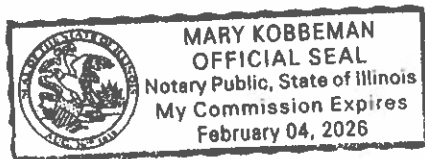


Gilbert Fonger
President & CEO
Marklund Children's Home
Marklund Charities

Subscribed and sworn to me
This 21 day of January, 2025



Notary Public



Attachment - 30A

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

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

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

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

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (list below) CLINICAL	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New Mod.		Gross Sq. Ft. New Circ.*		Gross Sq. Ft. Mod. Circ.*		Const. \$ (A x C)	Mod. \$ (B x E)	
CLINICAL									
Residential	\$458.38		17,143				\$7,857,955		\$7,857,955
Residential		\$97.67			24,700			\$2,412,529	\$2,412,529
Contingency	\$45.84		17,143				\$785,795		\$785,795
TOTAL CLINICAL	\$504.21	\$97.67	17,143		24,700		\$8,643,750	\$2,412,529	\$11,056,279
NON- CLINICAL									
Admin/ Mechanical	\$458.51		902				\$413,577		\$413,577
Admin/ Mechanical		\$67.00			1,300			\$87,100	\$87,100
Contingency	\$45.85		902				\$41,358		\$41,358
TOTAL NON- CLINICAL	\$504.36	\$67.00	902		1,300		\$454,935	\$87,100	\$542,035
TOTAL	\$504.22	\$96.14	18,045		26,000		\$9,098,685	\$2,499,629	\$11,598,314
* Include the percentage (%) of space for circulation									

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

Operating Expenses	\$8,260,490
Resident Days	28,012
Operating Costs per Resident Day	\$294.89

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

Capital Costs	\$1,527,719
Resident Day	28,012
Capital Costs per Resident Day	\$54.54

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

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