



CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

CRAWFORD MEMORIAL HOSPITAL
CRAWFORD COUNTY, ILLINOIS

For The Fiscal Years Ended
April 30, 2020 and 2019

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Independent Auditors' Report

Board of Directors
Crawford Memorial Hospital
Robinson, Illinois

We have audited the accompanying consolidated financial statements of Crawford Memorial Hospital which comprise the consolidated statements of net position as of April 30, 2020 and 2019, and the related consolidated statements of revenues, expenses, and changes in net position and consolidated cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Crawford Memorial Hospital as of April 30, 2020 and 2019 and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5-13, be presented to supplement the basic financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Kenya, Ed + Brueckel LLP

Marion, Illinois
January 19, 2021

CRAWFORD MEMORIAL HOSPITAL

Management's Discussion and Analysis - Continued

Introduction

This management's discussion and analysis of the financial performance of Crawford Memorial Hospital provides an overview of the Hospital's financial activities for the year ended April 30, 2020. It should be read in conjunction with the accompanying financial statements of the Hospital.

Financial Highlights

- Cash increased in FY 2020 due mostly to the receipt of COVID-19 Relief Funds and a decrease in accounts receivable offset partially by a loss from operations.
- Limited use investments decreased in FY 2020 due to the retirement of bonds related to the system conversion and capital projects.
- FY 2020 had a decrease in Net Position of \$1,239,921 due mainly to an operating loss with the pandemic impact which decreased revenues and increased some direct related expenses. FY 2019 had a decrease in Net Position of \$1,073,628.
- The Hospital reported an operating loss of \$1,416,013 after a loss of \$781,970 in FY 2019.
- Net non-operating revenues increased \$467,750 due to increased tax support offset partially by bond issuance costs related to refinancing the 2010 and 2018 bonds.

Operating Results and Financial Performance

During fiscal year 2020 CMH derived most of its revenue from patient services and related which were down slightly from the year. Approximately 75.6% of the Hospital's patient revenue is dependent upon outpatient procedures ordered by physicians, while 16.9% is the result of inpatient admissions and 7.5% is generated from provider services in the Hospital's four rural health centers (RHCs).

The Hospital has entered into agreements with third-party payers, including governmental programs, under which payments for healthcare services provided to patients are based upon discounts from gross charges and predetermined per diem or per case rates. Provisions have been made in the financial statements for contractual adjustments, which represent the difference between the gross charges for services and the actual or anticipated payment.

CRAWFORD MEMORIAL HOSPITAL

Management's Discussion and Analysis - Continued

The Hospital derives a significant portion of its revenues caring for patients covered under government health programs, principally Medicare and Medicaid. In fiscal year 2020, gross inpatient revenues derived from the Medicare and Medicaid programs were 72.0% of total inpatient gross revenue compared to 68.5% in fiscal 2019. Outpatient revenues derived from both programs were 66.3% in fiscal 2020 compared to 61% in fiscal 2019. RHC revenues derived from both programs were 56.4% in 2020 compared to 56% in fiscal 2019. The table below presents the percentage of gross revenues for patient services by payer for all patient services rendered in fiscal years 2020 and 2019, respectively:

	<u>2020</u>	<u>2019</u>
Medicare	42.1%	39.0%
Medicaid	24.2%	25.2%
Commercial	28.8%	29.0%
Self-Pay	4.9%	6.8%

Using This Annual Report

The Hospital's financial statements consist of three statements - a consolidated statement of net position; a consolidated statement of revenues, expenses and changes in net position; and a consolidated statement of cash flows. These statements provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Hospital is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and accrual basis of accounting.

The Consolidated Statement of Net Position and Consolidated Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any Hospital's finances is "Is the Hospital, as a whole, better or worse off as a result of the year's activities?" The Consolidated Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report the information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net assets and changes in them. The Hospital's total net position- the difference between assets and liabilities - is one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Hospital's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Hospital.

CRAWFORD MEMORIAL HOSPITAL

Management's Discussion and Analysis - Continued

The Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

Table 1: Assets, Liabilities and Net Assets

Assets	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cash and short-term investments	\$ 19,949,945	\$ 4,903,341	\$ 5,431,408
Restricted cash and investments-current	1,958,565	2,887,159	1,203,396
Noncurrent cash and investments	<u>16,686,420</u>	<u>20,371,310</u>	<u>17,060,381</u>
Total cash and investments	38,594,930	28,161,810	23,695,185
Patient accounts receivable, net	6,691,120	7,124,821	4,804,703
Other current assets	6,471,587	2,686,247	2,258,427
Capital assets, net	36,499,334	39,495,671	36,799,712
Other noncurrent assets	<u>4,995,177</u>	<u>4,475,441</u>	<u>4,034,707</u>
Total Assets	<u>\$ 93,252,148</u>	<u>\$ 81,943,990</u>	<u>\$ 71,592,734</u>
Liabilities			
Long-term debt	\$ 25,696,653	\$ 21,754,152	\$ 11,010,000
Other current liabilities/deferred inflows	<u>20,383,096</u>	<u>11,777,518</u>	<u>11,096,786</u>
Total Liabilities	46,079,749	33,531,670	22,106,786
Net Position			
Invested in capital assets			
Net of related debt	13,875,932	15,372,784	24,624,969
Restricted for Debt Service	3,422,618	7,889,215	3,099,836
Restricted for COVID-19 Related Costs/losses	4,127,330		
Unrestricted	25,690,961	25,188,002	21,711,128
Non-controlling interest	<u>55,558</u>	<u>-37,681</u>	<u>50,015</u>
Total Net Position	<u>47,172,378</u>	<u>48,412,320</u>	<u>49,485,948</u>
Total Liabilities and Net Position	<u>\$ 93,252,148</u>	<u>\$ 81,943,990</u>	<u>\$ 71,592,734</u>

CRAWFORD MEMORIAL HOSPITAL

Management's Discussion and Analysis - Continued

2020

Crawford Memorial Hospital had several significant changes in its assets and liabilities during 2020, as shown in Table 1:

- Cash increased \$15,046,604 (193.1%) and investments decreased by \$3,684,890 (18.1%).
- Net patient accounts receivable decreased \$433,701 (6.1%).
- Deferred compensation investments increased \$519,736 slightly more than the prior year and (11.6%) overall.
- Total liabilities increased \$12,548,079 (37.4%) mainly due to the COVID-19 funds received including the Medicare Advance Payment and Paycheck Protection Program funds.

The COVID-19 Presidential Pandemic Emergency Declaration in March, 2020 resulted in decreased patient revenues during the last two months of FY 2020-approx \$3.6M with some of the decrease due to postponing elective surgeries. However, there was also a reduction in the normal patient access during this transition. Additionally, COVID related expenses were approx. \$400,000 higher than normal supply costs during the critical response months.

2019

Crawford Memorial Hospital had several significant changes in its assets and liabilities during 2019, as shown in Table 1:

- Net patient accounts receivable increased \$2,320,108 (48.3%), mainly due to the information system EMR conversion.
- Net capital assets grew by 7.3% or \$2,695,959.
- Deferred compensation investments increased \$440,734 (10.9%).
- Total liabilities increased \$11,424,884 (51.7%).

The \$10.1M of bonds issued by the Crawford Hospital District in July, 2018 were used to acquire the Cerner EMR system and fund capital projects including a renovation of the Imaging services area.

Operating Results and Changes in the Hospital's Net Position

In 2020, the Hospital's net position decreased \$1,039,942 as represented in Table 2. This decrease was due mostly to decreased revenues and increased operating expenses related to the COVID-19 pandemic, as previously noted.

CRAWFORD MEMORIAL HOSPITAL

Management's Discussion and Analysis - Continued

Table 2: Operating Results and Changes in Net Position

Operating Revenues	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net patient service revenue	\$ 46,288,159	\$ 48,007,019	\$ 44,852,175
Other	<u>3,829,636</u>	<u>721,194</u>	<u>1,366,499</u>
Total operating revenue	50,117,795	48,728,213	46,218,674
Operating Expenses			
Salaries, wages and employee benefits	28,578,694	27,746,175	26,534,485
Purchased services and professional fees	8,067,257	8,283,288	6,258,813
Depreciation and amortization	4,730,937	4,353,351	3,398,908
Supplies and other expenses	<u>10,156,920</u>	<u>9,127,369</u>	<u>8,898,451</u>
Total operating expense	<u>\$ 51,533,808</u>	<u>\$ 49,510,183</u>	<u>\$ 45,090,657</u>
Operating Income (Loss)	\$ (1,416,013)	\$ (781,970)	\$ 1,128,017
Non-operating Revenues (Expenses)			
Noncapital appropriations			
- Crawford County	1,015,803	115,099	530,802
Investment Income	400,670	451,343	156,222
Interest Expense	<u>(1,240,381)</u>	<u>(858,100)</u>	<u>(550,477)</u>
Total non-operating revenues (expenses)	<u>176,092</u>	<u>(291,658)</u>	<u>186,547</u>
Increase (decrease) in net assets	<u>\$ (1,239,921)</u>	<u>\$ (985,931)</u>	<u>\$ 1,314,564</u>

Operating Income

The first component of the overall change in the Hospital's net assets is its operating income - generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. Historically, the Hospital has reported an operating gain. Volumes lower than budget in the current fiscal year resulted in the operating loss for 2020. Since the Hospital receives less than 2% of its total revenue from taxes, it must, over time, generate income from operations or other non-operating sources in order to be able to pay for updating its buildings and equipment. In FY 2020 the lower than anticipated revenues and COVID related costs resulted in decreased margins. The overall Hospital margin was (\$2,024,475) lower than expected. For FY 2020 a loss of (\$1,239,921) is shown on Table 2. The Hospital must have facilities and technology that meet or exceed the current standard of care in order to provide the necessary health care services to residents of Crawford County and surrounding areas. Likewise, the Hospital also must generate operating income or other non-operating income in order to be able to make its payments on its long-term debt.

CRAWFORD MEMORIAL HOSPITAL

Management's Discussion and Analysis - Continued

2020

The Net Operating Loss in 2020 for the Hospital was due mainly to the COVID-19 pandemic impact as discussed in the Discussion section. In addition, the Hospital experienced some decrease in the normal respiratory cases during the winter months.

2019

The Net Operating Loss in 2019 for the Hospital was due in large part to the EMR system conversion as indicated in the Discussion section. In addition, the Hospital continued efforts to bring new services to the community that are needed but had not been fully supported in the past, including wound care and a walk-in-clinic.

Non-operating Revenues and Expenses

2020

Non-operating revenues and expenses consist primarily of appropriations from Crawford County (tax revenue) that increased \$900,704 or 682%. Investment income decreased \$50,673 due to decreased market values of securities held. Interest expense decreased \$93,434 or 10.9% from 2019 following bond repayment schedules.

2019

Non-operating revenues and expenses consist primarily of appropriations from Crawford County (tax revenue) that decreased \$415,703 or 78.3% due to the retirement of the 2003 bonds. Investment income increased by \$295,121 due to increased interest rates and the increase in available cash; Interest expense that increased \$357,623 or 71.5% with the new bond repayment schedules included.

The Hospital's Cash Flows

Changes in the Hospital's cash flows are consistent with changes in operating income and non-operating revenues and expenses plus funds received for COVID-19 relief, discussed earlier.

Capital Asset and Debt Administration

Capital Assets

2020

At the end of 2020, the Hospital had \$36,499,334 invested in capital assets net of accumulated depreciation, as detailed in Note E to the financial statements. During 2020, the Hospital acquired \$1,389,055 in department equipment in addition to Construction-In-Progress of \$1,690,540. Also in FY 2020 the Radiology/Imaging project was completed and capitalized in excess of \$2,928,368. For more detail see notes to financial statements.

CRAWFORD MEMORIAL HOSPITAL

Management's Discussion and Analysis - Continued

2019

At the end of 2019, the Hospital had \$39,495,671 invested in capital assets net of accumulated depreciation, as detailed in Note E to the financial statements. During 2019, the Hospital acquired \$885,040 in department equipment in addition to Construction-In-Progress of \$2,858,398. For more detail see notes to financial statements.

2020

At April 30, 2020, the Hospital had \$25,696,653 in long-term obligations outstanding. In addition for FY 2020 the Hospital had \$6,779,442 due to the Medicare Program for Medicare Advance Payments.

2019

At April 30, 2019, the Hospital had \$21,754,152 in long-term obligations outstanding.

CRAWFORD MEMORIAL HOSPITAL

Management's Discussion and Analysis - Continued

Budgetary Highlights:

	Original <u>Budget</u>	FY 20 <u>Actual</u>
Patient Revenue		
Inpatient	\$ 17,202,236	\$ 16,635,481
Outpatient	83,119,888	74,548,730
Skilled Nursing Facility	0	0
Rural Health Clinics	<u>10,205,627</u>	<u>7,388,400</u>
Total Patient Revenue	110,527,751	98,572,611
Revenue Deductions		
Medicare	28,234,322	24,569,524
Medicaid	19,224,790	17,988,215
Other Payers	8,574,696	7,097,531
Net Bad Debt	<u>3,414,294</u>	<u>2,629,182</u>
Total Revenue Reductions	<u>59,448,102</u>	<u>52,284,452</u>
Net Patient Revenue	51,079,649	46,288,159
Other Operating Revenue	<u>1,215,641</u>	<u>3,829,636</u>
Total Net Operating Revenue	52,295,290	50,117,795
Operating Expenses		
Salaries and Wages	23,387,720	22,866,435
Employee Benefits	4,746,520	5,712,259
Physician Fees	3,911,259	3,699,838
Purchased Services	5,051,270	5,095,600
Supplies	5,689,429	5,789,425
Utilities	917,077	909,774
Maintenance and Repairs	1,316,474	994,345
Insurance	729,286	962,121
Depreciation and Amortization	4,627,414	4,730,937
Miscellaneous	<u>931,840</u>	<u>773,074</u>
Total Operating Expenses	<u>51,308,289</u>	<u>51,533,808</u>
Net Operating Income (Loss)	987,001	(1,416,013)
Non-Operating Income/(Expense)		
Tax Revenue	479,740	1,015,803
Investment Income	445,072	400,670
Interest Expense	<u>(872,411)</u>	<u>(1,240,381)</u>
Total Non-Operating Income (Loss)	<u>52,401</u>	<u>176,092</u>
Excess (Deficiency) of Revenue Over Expense	<u>\$ 1,039,402</u>	<u>\$ (1,239,921)</u>

CRAWFORD MEMORIAL HOSPITAL

Management's Discussion and Analysis - Continued

For the year ended April 30, 2020 the Hospital implemented a moderate budget to follow the prior year EMR system conversion. The Total Net Operating Revenue budget was not achieved, due in large part to the impact of the COVID-19 pandemic as previously discussed. The Total Operating Expenses were \$225,519 or 0.4% over budget and net revenues from all sources were \$2,053,804 under budget for a net income variance of \$2,279,323 from budget.

Future Outlook and Fiscal 2021 Business Plan

Management believes the hospital industry will continue to be under significant pressure to control costs and maintain reasonable rates while providing higher quality services. The Hospital has implemented the mandated Price transparency requirements regarding machine readable charge master data effective 1/1/21. Although the net effect of the legislation on hospitals is yet to be determined, the hospital industry anticipates some pressure on reimbursement rates. One of the Hospital's main challenges as a small rural hospital is to compete for the recruitment and retention of primary care physicians. A plan developed last year with the Hospital serving as a location for clinical training of physicians for rural communities. This program has helped another Illinois Critical Access Hospital add nine physicians to its medical staff.

The Hospital will continue to strive to reduce costs and to increase quality of patient services with the ultimate goal to be able to continue the Hospital's mission.

As always, the Hospital continuously strives to provide quality patient care. New service areas are consistently reviewed based on the needs of the residents of the county. Plans and decisions made for the Hospital in Fiscal 2021 will always be made in the best interests of the patient. At the end of 2018 the Hospital implemented an agreement that will provide orthopedic surgery coverage 24/7 which will allow many traumas that were transferred in the past to be admitted and taken care in the Hospital. During FY 2020 the Hospital closed its Skilled Nursing Facility due to ongoing annual operating losses from low occupancy. Also during FY 2020 the Hospital refinanced existing bonds to take advantage of lower interest rates and also has been evaluating the revenues available from investments and other sources. A key focus will continue to be resolution of the patient accounts receivable and working with third party payer as needed. Significant improvements were made in reducing the accounts receivable which had increased during the EMR system conversion in the prior year.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to Hospital Administration by telephoning (618) 544-3131.

CRAWFORD MEMORIAL HOSPITAL
CONSOLIDATED STATEMENTS OF NET POSITION
April 30

	ASSETS		LIABILITIES AND NET POSITION	
	2020	2019	2020	2019
CURRENT ASSETS			CURRENT LIABILITIES	
Cash	\$ 19,949,945	\$ 4,903,341	Current maturities of long-term debt	\$ 2,415,048
Assets whose use is limited - required for current liabilities	1,958,565	2,887,159	Accounts payable	
Patient accounts receivable			Trade	1,207,600
Less estimated uncollectibles of \$2,031,000 in 2020 and \$3,820,000 in 2019	6,691,120	7,124,821	Accrued liabilities	
Third-party reimbursement programs	-	131,887	Payroll and related expenses	2,541,256
Taxes receivable	474,657	289,882	Third-party reimbursement programs	370,000
Grant receivable - HHS provider relief funds	4,127,330	-	Other current liabilities	520,131
Supplies	1,140,727	1,083,995		
Prepaid expenses and other	728,873	1,180,483	Total current liabilities	7,054,035
Total current assets	35,071,217	17,601,568	LONG-TERM LIABILITIES	
			Medicare advance payments	6,779,442
ASSETS WHOSE USE IS LIMITED			Long term-debt, net of current maturities	25,696,653
By bond indenture	1,464,053	5,002,056		
By board designation	15,222,367	15,369,254	Total long-term liabilities	32,476,095
	16,686,420	20,371,310	DEFERRED INFLOWS OF RESOURCES	
			Deferred compensation obligations	4,707,288
CAPITAL ASSETS			Deferred revenue inflows - CARES ACT	1,842,331
Land	540,645	540,645		
Depreciable capital assets, net of accumulated depreciation	35,958,689	38,955,026	Total liabilities and deferred inflows of resources	46,079,749
Total capital assets, net of accumulated depreciation	36,499,334	39,495,671	NET POSITION	
			Invested in capital assets net of related debt	13,875,932
DEFERRED OUTFLOWS OF RESOURCES			Restricted For:	
Deferred compensation investments	4,707,288	4,475,441	Debt service	3,422,618
Other	287,889	-	COVID-19 related cost and losses	4,127,330
			Unrestricted	25,690,961
Total current assets	4,995,177	4,475,441	Noncontrolling interest	55,558
	\$ 93,252,148	\$ 81,943,990	Total net position	47,172,399
				\$ 81,943,990

The accompanying notes are an integral part of these statements.

CRAWFORD MEMORIAL HOSPITAL
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years ended April 30

	<u>2020</u>	<u>2019</u>
Patient service revenue	\$ 47,554,575	\$ 50,705,809
Less: Provision for bad debt	1,266,416	2,698,790
	<hr/>	<hr/>
Net patient service revenue	46,288,159	48,007,019
HHS provider relief funds	3,243,913	-
Other operating revenue	585,723	721,194
	<hr/>	<hr/>
	50,117,795	48,728,213
Operating expenses		
Salaries	22,866,435	23,038,871
Employees' benefits	5,712,259	4,707,304
Specialists' fees	3,699,838	3,788,027
Food	258,640	281,146
Utilities	909,774	909,031
Repairs and maintenance	994,345	1,366,645
Drugs and pharmaceuticals	2,204,660	1,938,439
Other supplies and expenses	10,156,920	9,127,369
Depreciation	4,730,937	4,353,351
	<hr/>	<hr/>
Total operating expenses	51,533,808	49,510,183
	<hr/>	<hr/>
Income (loss) from operations	(1,416,013)	(781,970)
Nonoperating revenues (expenses)		
Investment and other income	400,670	451,343
Interest expense	(764,666)	(858,100)
Bond issuance cost	(475,715)	-
Tax support	1,015,803	115,099
	<hr/>	<hr/>
Total nonoperating revenues (expenses)	176,092	(291,658)
	<hr/>	<hr/>
Excess (deficiency) of revenue and gains over expenses and losses	(1,239,921)	(1,073,628)
(Income) Loss attributable to the noncontrolling interest	(91,857)	87,697
	<hr/>	<hr/>
Increase (Decrease) in unrestricted net position attributable to the parent entity	\$ (1,331,778)	\$ (985,931)
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The accompanying notes are an integral part of these statements.

CRAWFORD MEMORIAL HOSPITAL
CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION
Years Ended April 30

	<u>2020</u>	<u>2019</u>
Unrestricted Net Position:		
Excess (deficiency) of revenue and gains over expenses and losses	\$ (1,239,921)	\$ (1,073,628)
Noncontrolling interest contribution (distribution)	-	-
Increase (decrease) in unrestricted net position	(1,239,921)	(1,073,628)
Restricted Net Position:		
Net assets released from restrictions	-	-
INCREASE (DECREASE) IN NET POSITION	(1,239,921)	(1,073,628)
Net position, beginning of year	48,412,320	49,485,948
Net position, end of year	<u>\$ 47,172,399</u>	<u>\$ 48,412,320</u>
Controlling interest	\$ 47,116,841	\$ 48,450,001
Noncontrolling interest	55,558	(37,681)
	<u>\$ 47,172,399</u>	<u>\$ 48,412,320</u>

The accompanying notes are an integral part of these statements.

CRAWFORD MEMORIAL HOSPITAL
CONSOLIDATED STATEMENTS OF CASH FLOWS
Year ended April 30

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Receipts from and on behalf of patients	\$ 47,223,747	\$ 44,180,014
Payments to suppliers and contractors	(18,411,479)	(17,145,332)
Payments to employees	(28,660,869)	(27,872,818)
Other receipts and payments, net	1,544,637	721,194
	<hr/>	<hr/>
NET CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES	1,696,036	(116,942)
Cash flows from noncapital financing activities		
Medicare advance payments	6,779,442	-
Property taxes supporting operations	831,028	91,490
	<hr/>	<hr/>
NET CASH PROVIDED BY NONCAPITAL		
FINANCING ACTIVITIES	7,610,470	91,490
Cash flows from capital and related financing activities		
Purchase of property and equipment	(1,734,600)	(7,049,310)
Bond issue costs	(475,715)	-
Retirements of bonds	(17,340,000)	-
Bond premium	1,738,128	-
Bond premium amortization	(40,085)	-
Call on bond premium	(287,889)	-
Proceeds from bond refunding	15,500,000	13,162,951
Proceeds from Paycheck Protection Program	5,488,299	-
Interest paid on long-term debt	(764,666)	(858,100)
Principal payments on capital lease	(1,117,528)	-
Principal payments on long-term debt	(240,000)	(1,214,807)
	<hr/>	<hr/>
NET CASH PROVIDED BY (USED IN) CAPITAL		
AND RELATED FINANCING ACTIVITIES	725,944	4,040,734
Cash flows from investing activities		
Cash (invested in) withdrawn from assets whose use is limited:		
Bond indenture funds	4,466,597	(4,789,379)
Board designated funds	146,887	(205,313)
Income on investments	400,670	451,343
	<hr/>	<hr/>
NET CASH PROVIDED BY (USED IN) INVESTING		
ACTIVITIES	5,014,154	(4,543,349)
Net increase (decrease) in cash	15,046,604	(528,067)
Cash at beginning of year	4,903,341	5,431,408
	<hr/>	<hr/>
Cash at end of year	\$ 19,949,945	\$ 4,903,341
	<hr/>	<hr/>

The accompanying notes are an integral part of these statements.

CRAWFORD MEMORIAL HOSPITAL
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
Year ended April 30

	<u>2020</u>	<u>2019</u>
Reconciliation of operating net cash provided by operating activities:		
Income (loss) from operations	\$ (1,416,013)	\$ (781,970)
Adjustments to reconcile operating income to net cash flows used in operating activities:		
Depreciation and amortization	4,730,937	4,353,351
Changes in:		
Patient accounts receivable	433,701	(2,320,118)
Grant receivable - HHS provider relief funds	(4,127,330)	-
Third party reimbursement programs	2,344,218	(1,506,887)
Supplies	(56,732)	149,773
Prepaid expenses and other current assets	451,610	(422,097)
Accounts payable	(154,935)	12,079
Accrued payroll and related expenses	(82,175)	(126,643)
Other current liabilities	(427,245)	525,570
Net cash provided by (used in) by operating activities	<u>\$ 1,696,036</u>	<u>\$ (116,942)</u>

The accompanying notes are an integral part of these statements.

CRAWFORD MEMORIAL HOSPITAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2020 and 2019

NOTE A | DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Organization*

Crawford Memorial Hospital (the Hospital) is a 25 bed not-for-profit acute care hospital which is owned and operated by the Crawford Hospital District in Crawford County, Illinois. The Hospital primarily earns revenue by providing inpatient, outpatient, emergency care and home health services to area residents. The Hospital also operates three rural health clinics in the same geographic area.

2. *Principles of Consolidation*

The consolidated financial statements of Crawford Memorial Hospital (the Hospital) include the accounts of Crawford Memorial Hospital Pain Management, LLC (the LLC), an Illinois for-profit limited liability company of which 51% is owned by Crawford Memorial Hospital. The LLC has a December 31 year end. All significant intercompany accounts and transactions have been eliminated in consolidation.

3. *Enterprise Fund Accounting*

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

4. *Use of Estimates*

The preparation of financial statements in conformity with 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 financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. *Cash Equivalents*

The Hospital considers all liquid investments which are not included in assets whose use is limited and which generally have original maturities of three months or less to be cash equivalents. There were no cash equivalents at April 30, 2020 and 2019.

CRAWFORD MEMORIAL HOSPITAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2020 and 2019

NOTE A | DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6. *Assets Whose Use is Limited*

Assets whose use is limited include assets set aside by the Board of Directors for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes, and assets set aside in accordance with bond indenture agreements.

7. *Accounts Receivable*

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for Medicare, Medicaid, commercial, and self-pay in order to estimate the appropriate allowance for doubtful accounts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts, if necessary, (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

8. *Tax Revenues*

The Hospital receives tax support by means of county property tax levies. Revenue from taxes is recorded on a calendar year basis and, accordingly, taxes receivable represents taxes for the preceding calendar year.

At April 30, 2020 and 2019, the Hospital had property taxes receivable designated for operations as follows:

	<u>2020</u>	<u>2019</u>
Operations support	\$ 474,657	\$ 289,882

The Hospital also has \$492,000 of property tax receivable designated for debt service included in Assets Whose Use Is Limited.

CRAWFORD MEMORIAL HOSPITAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2020 and 2019

NOTE A | DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

9. *Supplies and Prepayments*

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method or market. Market is considered the lower of prevailing replacement cost or net realizable value. Prepayment balances consisted of prepaid expenditures for insurance premiums, dues and subscriptions, service contracts, and other miscellaneous expenses. The Hospital's prepayments are not resources available for expenditures.

10. *Capital Assets*

Capital asset acquisitions over \$5,000 having a useful life of one year or more are recorded at the date of acquisition. The Hospital's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land are depreciated or amortized (in case of capital leases) using the straight-line method of depreciation following the guidelines of the American Hospital Association.

Typical capital assets lives as are follows:

Land Improvements	15 to 20 years
Buildings and Building Improvements	20 to 40 years
Equipment, Computers and Furniture	3 to 7 years

11. *Compensated Absences*

Hospital policies permit most employees to accumulate vacation and holiday benefits that can be realized as paid time off. The expense and the related liability are recognized when benefits are earned. The liability for compensated absences is computed using the regular pay and termination pay rates in effect at the statement of net position date.

12. *Net Position*

Net position of the hospital is classified into the following components. *Net position invested in capital assets net of related debt* consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings used to finance the purchase or construction of those assets. *Restricted expendable net position* is noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the hospital. *Unrestricted net position* is the remaining net assets that do not meet the definition of *invested in capital assets net of related debt* or *restricted*. *Noncontrolling interest* is net assets of the Crawford Memorial Hospital Pain Management, LLC which is the 49% not owned by the Hospital.

When both restricted and unrestricted resources are available for use, it is the Hospital's policy to use externally restricted resources first.

CRAWFORD MEMORIAL HOSPITAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2020 and 2019

NOTE A | DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

13. Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

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

14. Charity Care

The Hospital provides charity care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient services revenue.

15. Income Taxes

Providing an essential function for the Robinson, IL community, the Hospital is exempt from income taxes under section 115 of the Internal Revenue Code and 70 ILCS 910 of Illinois Hospital District Law.

The Hospital has also been recognized as exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and a similar provision of state law.

16. Electronic Health Records Incentive Payments

The Hospital is currently in Stage 3 and the final stage of the Electronic Health Records program. The Hospital has received 100% of eligible funds.

CRAWFORD MEMORIAL HOSPITAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2020 and 2019

NOTE A | DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Payments under the Medicaid program are based upon a statutory formula, as determined by the state, which is approved by CMS. Medicaid EHR incentive revenues are recognized when received. Accordingly, the Hospital recognized \$0 and \$42,500 of Medicaid EHR revenues as of April 30, 2020 and 2019, respectively.

17. Grants and Contributions

From time to time, the Hospital receives grants as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expense.

In April 2020, the Hospital received approximately \$7,400,000 in HHS Provider Relief Funds for COVID-19 related cost and loss revenues.

18. Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 presentation. The reclassifications had no effect on the changes in net position.

NOTE B | DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to the Hospital. The Hospital follows a policy that requires banks to collateralize balances over the Federal Depository Insurance Corporation (FDIC) insured amount.

At April 30, 2020, the Hospital's deposits were covered by federal depository insurance or collateralized by U.S. Government securities subject to joint-custody safekeeping receipts issued by custodial financial institutions or uninsured. No legal opinion has been obtained regarding the enforceability of claims which might arise under the custodial arrangements.

CRAWFORD MEMORIAL HOSPITAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2020 and 2019

NOTE B | DEPOSITS AND INVESTMENTS

At April 30, 2020, the Hospital had bank balances as follows:

	<u>2020</u>
Insured	\$ 6,268,987
Uninsured, collateralized by securities and repurchase agreements	21,887,520
Uninsured and not covered by securities	<u>4,381,346</u>
	<u>\$ 32,547,853</u>
Carrying value:	
Cash	\$ 19,949,945
Certificates of Deposit	11,978,519
Repurchase Agreement	356,611
Money Market	<u>1,095</u>
	<u>\$ 32,286,170</u>

Investments

As of April 30, 2020 and 2019, the Hospital had the following investments and maturities, all of which were held in the Hospital's name by several custodial banks that are agents of the Hospital.

April 30, 2020

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Less than 6 months</u>	<u>6-12 Months</u>	<u>1-5 years</u>	<u>More than 5 years</u>
Certificate of Deposit	\$ 11,978,519	\$ 3,035,639	\$ 2,016,988	\$ 5,265,387	\$ 1,660,505
Money Market	1,095	1,095	-	-	-
Repurchase Agreement	356,611	356,611	-	-	-
Direct Government and Agency Fixed Income Investments	5,816,760	722,125	1,558,182	2,613,813	922,640
Total	<u>\$ 18,152,985</u>	<u>\$ 4,115,470</u>	<u>\$ 3,575,170</u>	<u>\$ 7,879,200</u>	<u>\$ 2,583,145</u>

CRAWFORD MEMORIAL HOSPITAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2020 and 2019

NOTE B | DEPOSITS AND INVESTMENTS

April 30, 2019

<u>Investment Type</u>	<u>Carrying value</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-5 years</u>
Certificates of Deposit	\$ 18,936,385	\$ 8,638,449	\$ 10,297,936	\$ -
Money Market	1,610	1,610	-	-
Repurchase Agreement	301,787	301,787	-	-
Direct Government and Agency Fixed Income Investments	3,696,603	1,390,449	1,888,541	417,613
Interest Receivable	<u>322,084</u>	<u>322,084</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 23,258,469</u>	<u>\$10,654,379</u>	<u>\$ 12,186,477</u>	<u>\$ 417,613</u>

Interest Rate Risk - Interest rate risk is the risk that the fair value of an investment will decline as interest increases. Due to the Hospital's type of investments at April 30, 2020 and 2019, certificates of deposits, interest rate risk is not significant.

Credit Risk - Credit risk is the risk that the financial counterparty will fail to meet its defined obligations. State statutes authorize the Hospital to invest only in direct obligations of the U.S. Government or its agencies; direct obligations of any financial institution that is insured by the Federal Deposit Insurance Corporation; short-term obligations of corporations rated A or better by at least two standard rating services; obligations of the State of Illinois and its political subdivisions; insured accounts of credit unions located in the State of Illinois; Illinois Public Treasurer's Investment Pool; certain money market mutual funds where the portfolio is limited to U.S. Government securities; and certain repurchase agreements.

Concentration of Credit Risk - The Hospital does not place a limit in the amount it may invest in any one issuer.

CRAWFORD MEMORIAL HOSPITAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2020 and 2019

NOTE B | DEPOSITS AND INVESTMENTS

The carrying amounts of deposits and investments are included in the Hospital's statements of net position as follows:

	<u>2020</u>	<u>2019</u>
Carrying amount		
Deposits	\$ 19,949,945	\$ 4,903,341
Investments	<u>18,152,985</u>	<u>23,258,469</u>
	<u>\$ 38,102,930</u>	<u>\$ 28,161,810</u>

Deposits and Investments consist of the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 19,949,945	\$ 4,903,341
Assets whose use is limited:		
Required for current liabilities	1,472,988	2,887,159
By bond indenture	<u>1,457,630</u>	<u>5,002,056</u>
Total bond indenture	2,930,618	7,889,215
By board designation	<u>15,222,367</u>	<u>15,369,254</u>
	<u>\$ 38,102,930</u>	<u>\$ 28,161,810</u>

NOTE C | FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There are three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities
- Level 2 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 Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

CRAWFORD MEMORIAL HOSPITAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2020 and 2019

NOTE C | FAIR VALUES OF FINANCIAL INSTRUMENTS

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of net position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Certificate of Deposits - valued at amortized cost, which approximates fair value.

Money Market Accounts - valued at the closing price reported by the fund sponsor from an actively traded exchange.

Direct Government and Agency Fixed Income Investments - Fair values are based on quoted market prices.

Repurchase Agreements - valued at contract value, which approximate for a value.

Input levels by investment category of the Hospital's financial instruments at April 30, 2020 are as follows:

<u>Investment Category</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Certificates of Deposit	\$ 11,978,519	\$ 4,942,555	\$ 7,035,964	\$ -
Money Market Accounts	1,095	1,095	-	-
Repurchase Agreement	356,611	356,611	-	-
Direct Government and Agency Fixed Income Investments	<u>5,816,760</u>	<u>5,816,760</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 18,152,985</u>	<u>\$ 11,117,021</u>	<u>\$ 7,035,964</u>	<u>\$ -</u>

CRAWFORD MEMORIAL HOSPITAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2020 and 2019

NOTE C | FAIR VALUES OF FINANCIAL INSTRUMENTS

Input levels by investment category of the Hospital's financial instruments at April 30, 2019 are as follows:

<u>Investment Category</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Certificates of Deposit	\$ 18,936,385	\$ 18,936,385	\$ -	\$ -
Money Market Accounts	1,610	1,610	-	-
Repurchase Agreement	301,787	301,787	-	-
Direct Government and Agency Fixed Income Investments	<u>3,696,603</u>	<u>3,696,603</u>	-	-
Total	<u>\$ 22,936,385</u>	<u>\$ 22,936,385</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE D | ACCOUNTS RECEIVABLE

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. Patient accounts receivable reported as current assets by the Hospital at April 30, 2020 and 2019 consisted of these amounts:

	<u>2020</u>	<u>2019</u>
Receivable from patients and their insurance carriers	\$ 5,403,856	\$ 7,678,283
Receivable from Medicare	2,666,082	1,438,440
Receivable from Medicaid	<u>652,182</u>	<u>1,828,098</u>
Total patients accounts receivable	8,722,120	10,944,821
Less allowance for uncollectible amounts	<u>2,031,000</u>	<u>3,820,000</u>
Patient accounts receivable, net	<u>\$ 6,691,120</u>	<u>\$ 7,124,821</u>

CRAWFORD MEMORIAL HOSPITAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2020 and 2019

NOTE E | PROPERTY AND EQUIPMENT

Capital asset additions, retirements and balances for the years ended April 30, 2020 and 2019 were as follows:

	Balance April 30, <u>2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance April 30, <u>2020</u>
Property, plant and equipment being depreciated:				
Land improvements	\$ 1,282,487	\$ 43,230	\$ -	\$ 1,325,717
Buildings and building improvements	53,668,292	-	2,928,368	56,596,660
Departmental equipment	<u>18,740,078</u>	<u>-</u>	<u>1,389,055</u>	<u>20,129,133</u>
	73,690,857	43,230	4,317,423	78,051,510
Less accumulated depreciation:				
Land improvements	(677,476)	(50,040)	-	(727,516)
Buildings and building improvements	(26,348,966)	(2,820,403)	36,770	(29,132,599)
Departmental equipment	<u>(10,520,294)</u>	<u>(1,860,494)</u>	<u>71,250</u>	<u>(12,309,538)</u>
	<u>(37,546,736)</u>	<u>(4,730,937)</u>	<u>108,020</u>	<u>(42,169,653)</u>
	36,144,121	(4,687,707)	4,425,443	35,881,857
Property, plant and equipment not being depreciated:				
Construction in progress	2,810,905	1,690,540	(4,424,613)	76,832
Land	<u>540,645</u>	<u>-</u>	<u>-</u>	<u>540,645</u>
	<u>3,351,550</u>	<u>1,690,540</u>	<u>(4,424,613)</u>	<u>617,477</u>
Total capital assets, net	<u>\$ 39,495,671</u>	<u>\$ (2,997,167)</u>	<u>\$ 830</u>	<u>\$ 36,499,334</u>

CRAWFORD MEMORIAL HOSPITAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2020 and 2019

NOTE E | PROPERTY AND EQUIPMENT

Construction in progress at April 30, 2020 represents ongoing projects for dietary software and system upgrade, consolidated communications, GE healthcare software and a Trane HVAC system with an estimated cost of completion in the aggregate amount of approximately \$76,200.

	Balance April 30, <u>2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance April 30, <u>2019</u>
Property, plant and equipment being depreciated:				
Land improvements	\$ 1,115,487	\$ 167,000	\$ -	\$ 1,282,487
Buildings and building improvements	53,699,863	-	(31,571)	53,668,292
Departmental equipment	<u>13,960,576</u>	<u>5,071,391</u>	<u>(291,889)</u>	<u>18,740,078</u>
	68,775,926	5,238,391	(323,460)	73,690,857
Less accumulated depreciation:				
Land improvements	(631,391)	(46,085)	-	(677,476)
Buildings and building improvements	(23,458,574)	(2,921,963)	31,571	(26,348,966)
Departmental equipment	<u>(9,421,205)</u>	<u>(1,385,303)</u>	<u>286,214</u>	<u>(10,520,294)</u>
	<u>(33,511,170)</u>	<u>(4,353,351)</u>	<u>317,785</u>	<u>(37,546,736)</u>
	35,264,756	885,040	(5,675)	36,144,121
Property, plant and equipment not being depreciated:				
Construction in progress	1,044,311	2,808,398	(1,041,804)	2,810,905
Land	<u>490,645</u>	<u>50,000</u>	<u>-</u>	<u>540,645</u>
	<u>1,534,956</u>	<u>2,858,398</u>	<u>(1,041,804)</u>	<u>3,351,550</u>
Total capital assets, net	<u>\$ 36,799,712</u>	<u>\$ 3,743,438</u>	<u>\$ (1,047,479)</u>	<u>\$ 39,495,671</u>

CRAWFORD MEMORIAL HOSPITAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2020 and 2019

NOTE F | LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

A schedule of changes in the Hospital's noncurrent liabilities for 2020 and 2019 is as follows:

	Balance April 30, <u>2019</u>	<u>Additions</u>	<u>Retirements</u>	Balance April 30, <u>2020</u>	Amounts Due Within <u>One Year</u>
Bonds payable					
General obligation bonds					
2019 (f)	\$ -	\$ 6,375,000	\$ -	\$ 6,375,000	\$ 475,000
2020 (g)	-	9,125,000	-	9,125,000	570,000
2018 (b)	10,100,000	-	(10,100,000)	-	-
2012 (c)	3,770,000	-	(240,000)	3,530,000	245,000
Taxable general					
obligation bonds (d)	7,240,000	-	(7,240,000)	-	-
Capital lease (h)	450,587	-	(92,608)	357,979	100,128
Capital lease (i)	2,562,300	-	(1,024,920)	1,537,380	1,024,920
Payment Protection Program (j)	-	5,488,299	-	5,488,299	-
Bond Premiums	-	1,738,128	(40,085)	1,698,043	-
	<u>\$ 24,122,887</u>	<u>\$ 22,726,427</u>	<u>\$(18,737,613)</u>	<u>\$ 28,111,701</u>	<u>\$ 2,415,048</u>

	Balance April 30, <u>2018</u>	<u>Additions</u>	<u>Retirements</u>	Balance April 30, <u>2019</u>	Amounts Due Within <u>One Year</u>
Bonds payable					
General obligation bonds					
2003 (a)	\$ 200,000	\$ -	\$(200,000)	\$ -	\$ -
2018 (b)	-	10,100,000	-	10,100,000	503,687
2012 (c)	4,000,000	-	(230,000)	3,770,000	240,000
Taxable general					
obligation bonds (d)	7,690,000	-	(450,000)	7,240,000	500,000
Revenue bonds (e)	242,000	-	(242,000)	-	-
Capital lease (h)	42,743	500,651	(92,807)	450,587	100,128
Capital lease (i)	-	2,562,300	-	2,562,300	1,024,920
	<u>\$ 12,174,743</u>	<u>\$ 13,162,951</u>	<u>\$(1,214,807)</u>	<u>\$ 24,122,887</u>	<u>\$ 2,368,735</u>

CRAWFORD MEMORIAL HOSPITAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2020 and 2019

NOTE F | LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

- (a) General obligation bonds, series 2003, with interest ranging from 2.81% to 5.04% per annum payable semi-annually, principal paid annually. Final bond payment was February 1, 2019.
- (b) General obligation bonds, series 2018, issued August 7, 2018 in the amount of \$10,100,000 with an interest rate of 3.94% per annum payable semi-annually, principal paid annually, maturing January 1, 2034. This bond was refunded on March 20, 2020.
- (c) General obligation bonds series 2012, in the amount of \$4,000,000 with interest ranging from 3.05% to 4.45% per annum payable semi-annually, principal paid annually, maturing December 1, 2031.
- (d) Taxable general obligation bonds, series 2010, in the amount of \$10,370,000 with interest ranging from 1.9% to 6.75% per annum payable semi-annually, principal paid annually, maturing January 1, 2031. Taxable general obligation bonds, series 2010A, in the amount of \$130,000 with interest of 2.5% per annum payable semi-annually, principal paid annually, maturing January 1, 2031. These bonds were refunded October 1, 2019.
- (e) Hospital revenue bonds, series 2003, with interest ranging from 2.81% to 5.04% per annum payable semi-annually, principal paid annually. The final payment on the bond was February 1, 2019.
- (f) General obligation bonds, series 2019, issued October 1, 2019 in the amount of \$6,375,000 with an interest rate of 4% per annum payable semi-annually, principal paid annually, maturing January 1, 2031.
- (g) General obligation bonds, series 2020, issued March 20, 2020 in the amount of \$9,125,000 with an interest rate of 4% per annum payable semi-annually, principal paid annually, maturing January 1, 2034.
- (h) Capital lease obligation for equipment. The lease is for 60 months with interest and principal payable in monthly installments totaling \$9,602 beginning December 2018 through October 2023.
- (i) Capital obligation for implementation of electronic medical record system. Payments are due in quarterly installments of approximately \$265,000 beginning July 2019 through October 2021.

CRAWFORD MEMORIAL HOSPITAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2020 and 2019

NOTE F | LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

(j) On April 17, 2020, the Hospital received loan proceeds in the amount of \$5,488,299 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months.

In accordance with generally accepted accounting principles, the loan was recorded as a liability pursuant to conditional contribution requirements. Accordingly, as the conditions for the loan forgiveness are substantially met, the Hospital will recognize contribution revenue and the liability will be reduced. As of April 30, 2020, the conditions for forgiveness had not been met and the full amount of the loan is recorded as a liability. The Hospital expects the loan to be fully forgiven.

Scheduled principal and interest payments on long-term debt and payments on capital lease obligations as of April 30, 2020 are as follows:

Year ending	<u>Long-Term Debt</u>		<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
April 30				
2021	\$ 1,290,000	\$ 668,565	\$ 1,125,048	\$ 15,101
2022	3,985,435	739,454	612,588	15,101
2023	4,072,864	662,654	100,128	15,101
2024	1,360,000	597,417	57,595	7,539
2025	1,400,000	545,177	-	-
2026-2030	7,900,000	1,859,762	-	-
2031-2034	4,510,000	388,212	-	-
	<u>\$ 24,518,299</u>	<u>\$ 5,461,241</u>	<u>\$ 1,895,359</u>	<u>\$ 52,842</u>

The Hospital is obligated under leases for equipment that are accounted for as capital leases. Assets under capital leases at April 30, 2020, totaled \$4,204,988, less accumulated depreciation of \$759,241 and at April 30, 2019, totaled \$4,204,988, less accumulated depreciation of \$196,068.

CRAWFORD MEMORIAL HOSPITAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2020 and 2019

NOTE F | LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

The Crawford Hospital District levies a direct property tax to provide for the payment of principal and interest on the 2019 general obligation bonds.

The bond ordinance for the series 2020 and 2019 Bonds require the Hospital to deposit each month certain amounts into the bond funds. These funds can only be expended for specific purposes as outlined in the Bond Ordinance. Accordingly, these funds are included in assets whose use is limited.

The Hospital has pledged all revenues as payment for the bonds.

NOTE G | NET PATIENT SERVICE REVENUE

The Hospital has agreements with third party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third party payors follows:

- Medicare - The Hospital is a Critical Access Hospital (CAH) under the Medicare program. As a CAH, the Hospital receives cost reimbursement for the majority of Medicare patient care services.

The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

- Medicaid - Inpatient services are reimbursed at prospectively determined rates per discharge. These rates are generally based upon Medicare inpatient rates plus additional payments for certain services rendered by the Hospital. Outpatient services are reimbursed based upon defined allowable rates.
- Blue Cross - Inpatient services are reimbursed at established rates but are subject to retroactive cost settlement.

Revenue from the Medicare and Medicaid programs accounted for a significant portion of the Hospital's net patient revenue for the years ended 2020 and 2019. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

CRAWFORD MEMORIAL HOSPITAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2020 and 2019

NOTE G | NET PATIENT SERVICE REVENUE

The Hospital has also entered into payment agreements with certain commercial insurance carriers, HMOs, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Schedule of patient service revenue net of contractual allowances and discounts consist of the following for the years ended April 30, 2020 and 2019.

April 30, 2020

	<u>Medicare</u>	<u>Medicaid</u>	<u>Commercial</u>	<u>Blue Cross</u>	<u>Private Pay</u>	<u>Total</u>
Gross Revenue	\$ 42,100,909	\$ 23,821,435	\$ 8,803,855	\$ 19,351,302	\$ 4,495,110	\$ 98,572,611
Contractual Allowance	<u>(24,569,524)</u>	<u>(17,988,215)</u>	<u>(3,795,430)</u>	<u>(3,206,977)</u>	<u>(95,124)</u>	<u>(49,655,270)</u>
	<u>\$ 17,151,385</u>	<u>\$ 5,833,220</u>	<u>\$ 5,008,425</u>	<u>\$ 16,044,325</u>	<u>\$ 4,399,986</u>	48,917,341
						Provision for Bad Debt (1,266,416)
						Charity Care Adjustments <u>(1,362,766)</u>
						Net Patient Service Revenue <u>\$ 46,288,159</u>

April 30, 2019

	<u>Medicare</u>	<u>Medicaid</u>	<u>Commercial</u>	<u>Blue Cross</u>	<u>Private Pay</u>	<u>Total</u>
Gross Revenue	\$ 39,880,460	\$ 25,833,738	\$ 9,797,361	\$ 19,696,022	\$ 6,978,386	\$ 102,185,967
Contractual Allowance	<u>(25,939,828)</u>	<u>(17,662,466)</u>	<u>(4,775,343)</u>	<u>(1,074,550)</u>	<u>(1,095)</u>	<u>(49,453,282)</u>
	<u>\$ 13,940,632</u>	<u>\$ 8,171,272</u>	<u>\$ 5,022,018</u>	<u>\$ 18,621,472</u>	<u>\$ 6,977,291</u>	52,732,685
						Provision for Bad Debt (2,698,790)
						Charity Care Adjustments <u>(2,026,876)</u>
						Net Patient Service Revenue <u>\$ 48,007,019</u>

CRAWFORD MEMORIAL HOSPITAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2020 and 2019

NOTE G | NET PATIENT SERVICE REVENUE

Illinois Hospital Medicaid Assessment Program

The Hospital has recorded additional Medicaid revenue from the State of Illinois Hospital Assessment Program. Under the assessment program not-for-profit 501(c)(3) hospitals contribute money to a fund in the form of a tax assessment based on their adjusted gross income. Governmental type hospitals are exempt from the tax, but make small monthly contributions to the fund. The fund receives a Federal match from the Medicare program and the money is then redistributed to hospitals based on a complex formula. The purpose of the program is to distribute funds to hospitals that serve a disproportionate number of low income patients.

The redistribution formula was revised in July 2018. Under the revised formula, the Hospital's assessment program payments from the fund has decreased from the prior year.

The effects of this program in the statements of revenues, expenses and changes in net position for the years ended April 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Additional Medicaid payments included in net patient service revenue	<u>\$ 2,163,981</u>	<u>\$ 2,357,940</u>

The provider assessment program has been an important component in providing positive cash flows to support Hospital operations.

NOTE H | UNCOMPENSATED CARE AND COMMUNITY BENEFIT

Consistent with its mission, the Hospital provides medical care to all patients regardless of their ability to pay. In addition, the Hospital provides services intended to benefit the poor and underserved, including those persons who cannot afford health insurance because of inadequate resources and/or those who are uninsured or underinsured. The Hospital also provides services to enhance the health status of the communities in which it operates.

CRAWFORD MEMORIAL HOSPITAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2020 and 2019

NOTE H | UNCOMPENSATED CARE AND COMMUNITY BENEFIT

The Hospital uses an overall cost to charge ratio to calculate the unpaid cost of Medicare, Medicaid and charity care. The following amounts reflect the quantifiable costs of the community benefit for the year ended April 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Benefits for the poor and the broader community		
Charity care	\$ 723,000	\$ 999,000
Medicare	4,101,000	5,663,000
State Medicaid and other public aid programs	<u>6,023,000</u>	<u>4,528,000</u>
 Total community benefit	 <u>\$ 10,847,000</u>	 <u>\$ 11,190,000</u>

Charity care represents the cost (determined using a cost-to-charge ratio) of services provided to patients who cannot afford health care services due to inadequate resources. All or a portion of a patient's services may be considered charity care for which no payment is anticipated in accordance with the Hospital's established policies. Amounts classified as charity care are not reported as revenue in the statements of revenues, expenses and changes in net position.

Unpaid cost of Medicare and Medicaid and other public programs represents the cost (determined using a cost to charge ratio) of providing services to beneficiaries of public programs, including state Medicaid and indigent care programs, in excess of payments for those services.

The Hospital also provides a significant amount of uncompensated care for patients which is not included above, but is reported on the statements of revenues, expenses and changes in net position as a provision for uncollectible accounts. Many of those patients are uninsured or underinsured but did not apply for or qualify for charity care. During the years ending April 30, 2020 and 2019, the Hospital reported bad debt expense; at cost of \$672,000 and \$1,330,000.

NOTE I | OPERATING LEASES

Lease expense charged to operations was \$210,650 and \$190,465 for the years ended April 30, 2020 and 2019, respectively.

The Hospital is committed to future minimum operating lease payments as follows:

2021	\$	41,400
2022	\$	22,950

CRAWFORD MEMORIAL HOSPITAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2020 and 2019

NOTE J | ADVERTISING

Advertising costs are expensed as incurred. Advertising expense was \$147,390 and \$134,758 for the years ended April 30, 2020 and 2019, respectively.

NOTE K | RETIREMENT PLANS

SECTION 453(b)

Effective January 1, 1991 the Hospital established a defined contribution retirement plan covering substantially all employees after completion of one year of service and 1,000 hours of service and attainment of age 21. The plan was revised on January 1, 2019 to eliminate the age requirement for eligibility and the previous Hospital 4% contribution was changed to include funded by employer discretionary contribution/match as determined by the Board of Trustees with a designated 50% match of employee contributions up to a maximum of 4%. The match is based on the employee percentage or dollar amount contribution in the 403(b) and/or the 457(b). Pension expense charged to operations during years ended April 30, 2020 and 2019 was \$512,106 and \$738,750. There were 219 and 216 participating employees during 2020 and 2019 respectively. Vesting of employer contributions occurs on a graduated schedule based on years of service with full vesting after six years of service. Plan provisions and contributions are established by the Crawford Memorial Hospital Board of Directors. Contributions to the plan may be directed by participants to their choice of different funds with varying levels of risk.

The Hospital also has 403(b) pension plans which also allow discretionary Hospital contributions. No Hospital contributions were made to this plan in 2020 and 2019.

SECTION 457(b)

The Hospital provides a defined contribution retirement plan (the 457(b) Plan) under Section 457(b) of the IRC. The 457(b) Plan became effective on December 1, 2003. To be eligible to participate, the participant must be classified as hospital-employed physician and employees that are not certified registered nurse anesthetists. The 457(b) Plan allows eligible employees to contribute a specific percentage or dollar amount of their gross earnings on a pretax basis, subject to Internal Revenue Code limitations. There are no employer matching contributions. Employee contributions are held in a trust fund. Until paid or made available to the participant or beneficiary, all deferred amounts and investment earnings related to deferral amounts are solely the property and rights of the Hospital and are subject to claims of the Hospital's general creditors. Participants' rights under the 457(b) Plan are equal to those of a general creditor of the Hospital. As of April 30, 2020 and 2019, the 457(b) Plan assets totaled \$4,707,288 and \$4,475,441, respectively, and are included in other assets and in deferred compensation in the accompanying consolidated statements of financial position.

CRAWFORD MEMORIAL HOSPITAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2020 and 2019

NOTE L | RELATED PARTIES

Crawford Memorial Hospital Foundation (the Foundation) was established for the benefit of Crawford Memorial Hospital. The bylaws also provide that in the absence of donor restrictions, the Foundation has discretionary control over the amounts to be distributed to the Hospital. The “unaudited” assets and net assets of the Foundation were \$306,157 for the year ended April 30, 2020 and \$307,671 for the year ended April 30, 2019, respectively.

NOTE M | CONTINGENCIES

Risk Management

The Hospital is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets, business interruption, errors and omissions, employee injuries and illness, natural disasters, medical malpractice, and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. While settled claims have not exceeded this commercial coverage in any of the three preceding years, any large claims could adversely impact future years’ premium costs. Adjustments of estimated to actual expenses, if any, are included in the periods such adjustments are determined.

Employee Health Insurance

The Hospital maintains a partially self-funded employee health benefit plan. It is self-funded to a maximum of \$100,000 per individual per plan year. Coverage amounts in excess of this limit have been obtained by means of a stop-loss policy. The Hospital is responsible for amounts not covered by the insurance policy and accrues the expense of its share of claims, if any, plus unasserted claims and unreported incidents occurring during the year by estimating the probable ultimate cost of any related claims. Such estimates are based on the Hospital’s past claim experience. The Hospital recognized \$377,651 and \$265,000 in 2020 and 2019, respectively, for unpaid claims.

Professional Liability Insurance

The Hospital purchases medical malpractice insurance under a claims-made policy from the Illinois Provider Trust (IPT). Under such a policy, only claims made and reported to the insurer are covered during the policy term, regardless of when the incident giving rise to the claim occurred. The coverage per claim is \$20,000,000, with no aggregate or deductible. Although the premium is fixed and not retrospectively rated, all members of the ITP are subject to additional retrospective contributions if deemed necessary by the ITP Actuary and Board of Trustees. At this time, no retrospective contributions are anticipated. Based on the Hospital's own claim experience, \$30,000 was accrued as of April 30, 2020 and 2019.

CRAWFORD MEMORIAL HOSPITAL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2020 and 2019

NOTE N | MEDICARE ADVANCE PAYMENT

The passage of the Coronavirus Aid, Relief and Economic Security (CARES) Act on March 27, 2020, amended the existing Accelerated Payments Program to provide additional benefits and flexibilities, including extended repayment timeframes, to the subset of providers specifically referenced in the CARES Act, including inpatient hospitals, children's hospitals, certain cancer hospitals, and critical access hospitals.

On April 17, 2020, the Hospital received accelerated payments in the amount of \$6,779,442.

Repayment is delayed until one year after the payment was issued. After that first year, Medicare will automatically recoup 25% of Medicare payments otherwise owed to the provider or supplier for eleven months. At the end of the eleven-month period, recoupment will increase to 50% for another six months. If the provider or supplier is unable to repay the total amount of the original advance during this twenty-nine month period, the Center for Medicare and Medicaid Services will issue letters requiring repayment of any outstanding balance, subject to an interest rate of four percent.

NOTE O | SUBSEQUENT EVENTS

Management evaluated all events and transactions that occurred after April 30, 2020 through January 19, 2021 the date we issued these financial statements.

As a result of the Coronavirus Disease 2019, which was declared a pandemic on March 11, 2020, the United States, State and Local Governments, and other countries have taken measures that have suddenly limited economic output. Due to the decline in economic activity, Crawford Memorial Hospital is faced with a sudden uncertainty as of the date of this report. Revenue declined in the last month of fiscal year 2020 and is expected to continue to decline in the near future. Management is actively monitoring the situation and the impact to its operations. Due to the economic impact of the Coronavirus, the Hospital received \$958,914 in fiscal year 2020 and another \$4,127,330 on May 6, 2020 for an aggregate amount totaling \$5,086,244 of Provider Relief Funds as a part of the CARES Act stimulus funding, which was enacted March 27, 2020.

The short-term and long-term effects of the Coronavirus on the Hospital's operations are uncertain as of the date of this report.

