

**CRAWFORD MEMORIAL HOSPITAL**  
**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEARS ENDED APRIL 30, 2021 AND 2020**

**CRAWFORD MEMORIAL HOSPITAL  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Crawford Memorial Hospital  
Robinson, Illinois

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Crawford Memorial Hospital which comprise the consolidated statement of net position as of April 30, 2021, and the related consolidated statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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, 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Other Auditors***

The 2020 consolidated financial statements of Crawford Memorial Hospital were audited by other auditors whose report dated January 19, 2021, expressed an unmodified opinion on those statements.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3 through 8 be presented to supplement the basic consolidated 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 financial statements, and other knowledge we obtained during our audit of the basic 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.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2021, on our consideration of Crawford Memorial Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Crawford Memorial Hospital's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

St. Louis, Missouri  
August 23, 2021

**CRAWFORD MEMORIAL HOSPITAL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED APRIL 30, 2021 AND 2020**

**Introduction**

Crawford Memorial Hospital, (Hospital) offers readers of our financial statements this narrative overview and analysis of the financial activities of the Hospital for the fiscal years ended April 30, 2021 and 2020. We encourage readers to consider the information presented here in conjunction with the Hospital's financial statements, including the notes thereto.

**Using This Annual Report**

The Hospital's consolidated financial statements consist of three statements: a statement of net position, a statement of revenues, expenses, and changes in net position, and a 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 the accrual basis of accounting.

**The Statements of Net Position and Statements 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 statements of net position and the statements of revenues, expenses and changes in net position report 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 position and changes in them. The Hospital's total net position, the difference between assets and liabilities, are 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.

**The Statement of Cash Flows**

The statement of cash flows reports cash receipts, cash payments and net changes in cash 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 during the reporting period.

**CRAWFORD MEMORIAL HOSPITAL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED APRIL 30, 2021 AND 2020**

**Financial Highlights**

- Cash increased in FY2021 due mostly to the receipt of COVID-19 Relief Funds and an increase in net income.
- Limited use investments increased in FY 2021 due to the reduced current portion of debt on the refinanced bonds offset.
- FY 2021 had an increase in Net Position of \$1,149,155 due mainly to an improved operating result with the continued pandemic impact which decreased revenues and increased some direct related expenses. FY 2020 had a decrease in Net Position of \$1,239,921.
- The Hospital reported an operating loss of \$1,599,675 after a loss of \$4,659,926 in FY 2020.
- Net non-operating revenues decreased \$671,175 due to a reduction in COVID-19 Provider Relief Funds partially offset by no bond issuance costs recognized for FY 2021.

**Net Position**

The Hospital's net position is the difference between its assets and liabilities reported on the statement of net position. Net position increased by \$1,149,155, 2%, in 2021 compared to a decrease in 2020 by \$1,239,921, 3%, compared to 2019, as shown in Table 1.

**Table 1: Statements of Net Position**

	2021	2020	2019
Cash and Cash Equivalents	\$ 24,610,815	\$ 19,949,648	\$ 4,903,341
Patient Accounts Receivable, Net	6,488,903	6,666,120	7,124,821
Other Current Assets	3,387,719	5,296,253	2,686,247
Current Portion of Noncurrent Cash and Investments	1,437,828	1,958,565	2,887,159
Noncurrent Cash and Investments	16,894,830	16,194,420	20,371,310
Capital Assets	32,936,238	36,499,334	39,495,671
Deferred Outflows of Resources	6,757,798	4,707,288	4,475,441
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 92,514,131</b>	<b>\$ 91,271,628</b>	<b>\$ 81,943,990</b>
Current Liabilities	\$ 19,498,521	\$ 14,019,177	\$ 7,302,077
Deferred Inflows of Resources	6,757,798	4,707,288	4,475,441
Long-Term Debt	17,936,258	25,372,764	21,754,152
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>44,192,577</b>	<b>44,099,229</b>	<b>33,531,670</b>
<b>Net Position</b>	<b>48,321,554</b>	<b>47,172,399</b>	<b>48,412,320</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 92,514,131</b>	<b>\$ 91,271,628</b>	<b>\$ 81,943,990</b>

**CRAWFORD MEMORIAL HOSPITAL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED APRIL 30, 2021 AND 2020**

**2021 Significant Changes**

The Hospital's significant changes in its assets and liabilities during 2021, as shown in Table 1:

- Cash increased \$4,661,167(23%) and investments increased by \$179,673 (1%) due mainly to \$4.1M Provider Relief Funds received in May, 2020 and the rest due to the overall net income.
- Net patient accounts receivable decreased \$177,217 (3%).
- Deferred compensation investments increased \$2,050,510 significantly more than the prior year and (44%) overall.
- Total liabilities and deferred inflows of resources increased \$93,348 (0%) with the increase in deferred compensation noted above, partially offset by a decrease bin Net Capital Assets: Depreciation and asset retirements exceeded capital purchases.

The COVID-19 pandemic effects continued in FY 2021 with the first six months patient revenues well below budget, but activity levels and service volumes rebounded well during the last half of the fiscal year. Patient revenues for the year were approximately \$100,000 below budget and the hospital incurred one-time expenses of approximately \$400,000 related to the dissolution of the Pain Management Joint Venture. This included valuations and acquisition costs for the minority interest. The hospital is continuing this service and early operating results are favorable.

**2020 Significant Changes**

The Hospital had two significant changes in its assets and liabilities during 2020, as shown in Table 1:

- Cash increased \$15,046,307 (307%) and investments decreased by \$4,176,890 (211%).
- Net patient accounts receivable decreased \$458,701 (6%).
- Deferred compensation investments increased \$231,847 slightly more than the prior year and (5%) overall.
- Total liabilities and deferred inflows of resources increased \$10,5672,559 (32%) 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, approximately \$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 approximately \$400,000 higher than normal supply costs during the critical response months.

**CRAWFORD MEMORIAL HOSPITAL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED APRIL 30, 2021 AND 2020**

**Table 2: Operating Results and Changes in Net Position**

	2021	2020	2019
<b>Operating Revenues</b>			
Net Patient Service Revenue	\$ 53,021,885	\$ 46,288,037	\$ 48,007,019
Other Revenue	1,456,023	575,456	721,194
Total Operating Revenues	<u>54,477,908</u>	<u>46,863,493</u>	<u>48,728,213</u>
<b>Operating Expenses</b>			
Salaries, Wages, and Employee Benefits	30,250,177	28,578,694	27,746,175
Purchased Services and Professional Fees	9,477,710	7,670,002	8,283,288
Supplies and Other Expenses	11,443,547	10,543,786	9,127,369
Depreciation and Amortization	4,906,149	4,730,937	4,353,351
Total Operating Expenses	<u>56,077,583</u>	<u>51,523,419</u>	<u>49,510,183</u>
<b>Operating Loss</b>	(1,599,675)	(4,659,926)	(781,970)
<b>Nonoperating Revenues (Expenses)</b>			
Investment Income	366,076	401,903	451,343
Provider Relief Grants	1,990,716	3,243,913	-
Property Taxes	1,040,423	1,015,803	115,099
Gain on Sale of Capital	(23,913)	-	-
Bond Issuance Costs	-	(476,948)	-
Interest Expense	(624,472)	(764,666)	(858,100)
Total Nonoperating Revenues (Expenses)	<u>2,748,830</u>	<u>3,420,005</u>	<u>(291,658)</u>
<b>Increase (Decrease) in Net Position</b>	<u>\$ 1,149,155</u>	<u>\$ (1,239,921)</u>	<u>\$ (1,073,628)</u>

**Operating Loss**

The first component of the overall change in the Hospital's net position is its operating income or loss generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. The year 2021 saw an operating loss of \$1,599,675. In the prior two years, the Hospital has reported operating loss of \$4,659,926 and \$781,970 in 2020 and 2019, respectively.

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 building and equipment as well as providing the resources to maintain a viable health care facility. 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 significant long-term debt obligations.



**CRAWFORD MEMORIAL HOSPITAL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED APRIL 30, 2021 AND 2020**

**2021 Operating Results**

Operating loss for 2021 improved by \$3,060,251 as compared to 2020, as shown in Table 2. The Hospital had three primary components of the operating changes:

- Net Patient Revenue increased \$6,733,848 (15%).
- Total expense increased \$4,554,164 (9%).

The Net Operating Loss in 2021 for the Hospital was due mainly to the COVID-19 pandemic impact as discussed in the Discussion section. In addition, the Hospital experienced some additional expenses discussed previously under Significant Changes with the dissolution of the pain management joint venture and acquisition of the minority interest.

**2020 Operating Results**

Operating loss for 2020 increased by \$3,877,956 as compared to 2019, as shown in Table 2. The Hospital had two primary components of the operating changes:

- Net Patient Revenue decreased \$1,718,982 (4%).
- Total expense increased \$2,001,182 (4%).

The Net Operating Loss in 2020 for the Hospital was due mainly to the COVID-19 pandemic impact as discussed in Note 14. In addition, the Hospital experienced some decrease in the normal respiratory cases during the winter months.

**Nonoperating Revenues and Expenses**

Nonoperating revenues and expenses consist primarily of tax revenue appropriations from Hamilton County, investment income and interest expense.

**2021 Results** – Tax revenue increased \$24,620 or 2%, due the increase in county tax levy, as allowed by statute. Investment income decreased \$35,827 or 9%, due to decreased market values of securities held. Interest expense decreased by \$140,194 or 18% due to a decrease of interest rates on outstanding revenue bonds, refinanced in 2020.

**2020 Results** – Tax revenue increased \$900,704 or 783%, due the increase in county tax levy, as allowed by statute. Investment income decreased \$49,440 or 11%, due to decreased market values of securities held. Interest expense decreased by \$93,434 or 11% from 2019 following bond repayment schedules.

**The Hospital's Cash Flows**

Changes in the Hospital's cash flows are consistent with changes in operating results and nonoperating revenues and expenses, discussed earlier.

**Capital Assets**

At April 30, 2021 and 2020, the Hospital had \$32,936,238 and \$36,499,334, respectively, invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the consolidated financial statements.

**CRAWFORD MEMORIAL HOSPITAL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED APRIL 30, 2021 AND 2020**

**Debt**

At April 30, 2021 and 2020, the Hospital had \$25,292,147 and \$27,787,812, respectively, in revenue bonds, payroll protection program note payable, and capital leases outstanding.

**Other Economic Factors**

FY21 continued to bring additional challenges for the Hospital and the healthcare industry as the operational and clinical ramifications of the COVID-19 pandemic, after taking hold in March 2020. The Hospital swiftly and aggressively modified key hospital functions to effectively provide care to the communities served. Although the Hospital responded well, inpatient and outpatient volumes were negatively impacted by COVID-19 beginning in March 2020 as State of Illinois mandated "stay at home" orders were enacted and the Illinois Department of Public Health issued hospital directives to cancel outpatient elective surgical procedures, and continued to be impacted through most of FY21.

Under the CMS Flexibilities to Fight COVID-19, many healthcare regulations were waived or modified in an effort to assist hospitals' response during the on-going COVID-19 pandemic. Promising improvements in telemedicine reimbursement continue to encourage telemedicine utilization in the industry to minimize potential disease exposure.

In spite of the difficulties COVID-19 created, the Hospital maintained a strong financial foothold while achieving exceptional quality of care during unprecedented times.

**Contacting the Hospital's Financial Management**

This financial report is designed to provide our patients, suppliers, creditors, and Crawford County taxpayers with a general overview of the Hospital's financial condition and to show its accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact Hospital Administration by telephoning, (618) 544-3131.

**CRAWFORD MEMORIAL HOSPITAL  
CONSOLIDATED STATEMENTS OF NET POSITION  
APRIL 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 24,610,815	\$ 19,949,648
Current Portion of Noncurrent Cash and Investments	1,437,828	1,958,565
Patients Accounts Receivable	6,488,903	6,666,120
Property Taxes Receivable	972,411	966,657
Grant Receivable - HHS Provider Relief Funds	-	2,284,999
Supplies	1,146,316	1,140,727
Estimated Third-Party Payor Settlements Receivable	450,000	-
Prepaid Expenses and Other	818,992	903,870
Total Current Assets	<u>35,925,265</u>	<u>33,870,586</u>
<b>NONCURRENT CASH AND INVESTMENTS</b>		
Designated by Board of Trustees	15,750,183	15,570,510
Held by Bond Indenture	<u>2,582,475</u>	<u>2,582,475</u>
Total Investments	18,332,658	18,152,985
Less: Current Portion	<u>(1,437,828)</u>	<u>(1,958,565)</u>
Noncurrent Cash and Investments, Net of Current Portion	16,894,830	16,194,420
<b>CAPITAL ASSETS, NET</b>	32,936,238	36,499,334
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Compensation Investments	<u>6,757,798</u>	<u>4,707,288</u>
 Total Assets and Deferred Outflows of Resources	 <u><u>\$ 92,514,131</u></u>	 <u><u>\$ 91,271,628</u></u>

See accompanying Notes to Consolidated Financial Statements.

**CRAWFORD MEMORIAL HOSPITAL**  
**CONSOLIDATED STATEMENTS OF NET POSITION (CONTINUED)**  
**APRIL 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	\$ 7,355,889	\$ 2,415,048
Accounts Payable:		
Trade	1,878,475	1,207,303
Accrued Liabilities:		
Payroll and Related Expenses	2,724,021	2,503,822
Interest	182,828	218,988
Other Accrued Expenses	675,129	524,574
Medicare Advance Payments	6,682,179	6,779,442
Estimated Third-Party Payor Settlements Payable	-	370,000
Total Current Liabilities	<u>19,498,521</u>	<u>14,019,177</u>
<b>LONG-TERM DEBT</b> , Net of Current Maturities	<u>17,936,258</u>	<u>25,372,764</u>
Total Liabilities	37,434,779	39,391,941
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Compensation Obligations	<u>6,757,798</u>	<u>4,707,288</u>
Total Liabilities and Deferred Inflows of Resources	44,192,577	44,099,229
<b>NET POSITION</b>		
Net Investment in Capital Assets	13,132,390	13,875,932
Restricted by Bond Indenture	2,582,475	2,582,475
Unrestricted	<u>32,606,689</u>	<u>30,713,992</u>
Total Net Position	<u>48,321,554</u>	<u>47,172,399</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 92,514,131</u></u>	<u><u>\$ 91,271,628</u></u>

See accompanying Notes to Consolidated Financial Statements.

**CRAWFORD MEMORIAL HOSPITAL  
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
YEARS ENDED APRIL 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUES</b>		
Net Patient Revenue	\$ 53,021,885	\$ 46,288,037
Other Revenue	1,456,023	575,456
Total Operating Revenues	<u>54,477,908</u>	<u>46,863,493</u>
<b>OPERATING EXPENSES</b>		
Salaries and Wages	23,257,014	22,866,435
Employee Benefits	6,993,163	5,712,259
Supplies	6,202,197	5,262,474
Purchased Services	5,215,373	3,675,964
Medical Specialist Fees	4,262,337	3,994,038
IT Expense	1,718,341	1,583,191
Repairs, Maintenance, and Utilities	1,853,397	1,939,565
Insurance Expense	898,889	962,120
Other Expenses	770,723	796,436
Depreciation and Amortization	4,906,149	4,730,937
Total Operating Expenses	<u>56,077,583</u>	<u>51,523,419</u>
<b>OPERATING LOSS</b>	(1,599,675)	(4,659,926)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment Income	366,076	401,903
Provider Relief Grants	1,990,716	3,243,913
Property Taxes	1,040,423	1,015,803
Bond Issuance Costs	-	(476,948)
Loss on Sale of Capital	(23,913)	-
Interest Expense	(624,472)	(764,666)
Total Nonoperating Revenues	<u>2,748,830</u>	<u>3,420,005</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</b>	1,149,155	(1,239,921)
Net Position - Beginning of the Year	<u>47,172,399</u>	<u>48,412,320</u>
<b>NET POSITION - END OF THE YEAR</b>	<u><u>\$ 48,321,554</u></u>	<u><u>\$ 47,172,399</u></u>

See accompanying Notes to Consolidated Financial Statements.

**CRAWFORD MEMORIAL HOSPITAL  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED APRIL 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Patients and Third-Party Payors	\$ 52,379,102	\$ 47,248,625
Payments to Suppliers and Contractors	(27,013,404)	(24,284,200)
Payments to Employees	(23,036,815)	(22,986,044)
Other Receipts and Payments, Net	1,456,023	575,456
Net Cash Provided by Operating Activities	<u>3,784,906</u>	<u>553,837</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
County Tax Revenue	1,034,669	831,028
Proceeds from Issuance of Long-Term Debt	-	5,488,299
Receipt of HHS Provider Relief Grant Funds	4,275,715	958,914
Medicare Advance Payments	(97,263)	6,779,442
Net Cash Provided by Noncapital Financing Activities	<u>5,213,121</u>	<u>14,057,683</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Bond Issuance Costs	-	(475,715)
Retirement of Bonds	-	(17,340,000)
Bond Premium, Net of Amortization	-	1,593,142
Proceeds from Bond Refunding	-	15,500,000
Principal Payments on Long-Term Debt	(2,495,665)	(1,357,528)
Interest Paid on Long-Term Debt	(660,632)	(764,666)
Purchases of Capital Assets	(1,366,966)	(1,734,600)
Net Cash Used by Capital and Related Financing Activities	<u>(4,523,263)</u>	<u>(4,579,367)</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>		
Change in Noncurrent Cash and Investments	(179,673)	4,613,484
Income on Investments	366,076	400,670
Net Cash Provided by Investing Activities	<u>186,403</u>	<u>5,014,154</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	4,661,167	15,046,307
Cash and Cash Equivalents - Beginning of Year	<u>19,949,648</u>	<u>4,903,341</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 24,610,815</u></u>	<u><u>\$ 19,949,648</u></u>

See accompanying Notes to Consolidated Financial Statements.

**CRAWFORD MEMORIAL HOSPITAL**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED APRIL 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (1,599,675)	\$ (4,659,926)
Adjustments to Reconcile Operating Loss to Net Cash		
'Provided by Operating Activities:		
Depreciation and Amortization	4,906,149	4,730,937
(Increase) Decrease in Current Assets:		
Patients Accounts Receivable	177,217	458,701
Other Receivables, Supplies and Prepaid Expenses	79,289	219,881
Increase (Decrease) in Current Liabilities:		
Amounts Due from/to Third-Party Payors	(820,000)	501,887
Accounts Payable	671,172	(155,232)
Accrued Salaries, Vacation and Other Expenses	220,199	(119,609)
Other Current Liabilities	150,555	(422,802)
Net Cash Provided by Operating Activities	<u>\$ 3,784,906</u>	<u>\$ 553,837</u>

*See accompanying Notes to Consolidated Financial Statements.*

**CRAWFORD MEMORIAL HOSPITAL  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION**

**Organization**

Crawford Memorial Hospital (the Hospital) is a 25-bed nonprofit 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.

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Hospital and the Crawford Memorial Hospital Pain Management, LLC, an Illinois for-profit limited liability company, of which, the Hospital owned 51% as of April 30, 2020, and acquired the remaining 49% as of April 1, 2021. Given the change in control to 100% during 2021, the presentation of the April 30, 2020 Net Position and Change in Net Position is presented consistent with the April 30, 2021 presentation.

**Tax Exempt Status**

The Hospital is exempt from income taxes under provisions of the Internal Revenue Code (IRC) as a political subdivision of the state of Illinois.

**Use of Estimates**

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

**Standards of Accounting and Financial Reporting**

The accompanying financial statements have been presented in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles) in accordance with the American Institute of Certified Public Accountants' audit and accounting guide, Health Care Entities, and other pronouncements applicable to health care organizations and guidance from the Governmental Accounting Standards Board (GASB), where applicable.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, cash and cash equivalents are considered to be highly liquid investments with an original maturity of 90 days or less, which are not included in noncurrent cash and investments.

**Noncurrent Cash and Investments**

Noncurrent cash and investments 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.



**CRAWFORD MEMORIAL HOSPITAL  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION  
(CONTINUED)**

**Supplies**

Supply inventories are stated at the lower of cost or net realizable value using the first in, first-out method.

**Patient Accounts Receivable**

The Hospital provides an allowance for bad debts based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Patient services are provided on an unsecured basis. Payment is required upon receipt of the invoice. The Hospital bills third-party payors directly and bills the patient when the patient's liability is determined. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account. An estimated allowance of approximately \$1,310,000 and \$2,056,000 was recorded at April 30, 2021 and 2020, respectively.

**Capital Assets**

The Hospital's capital assets are reported at historical cost. Capital assets are depreciated on a straight-line basis over the estimated useful life of each asset following guidelines of the American Hospital Association. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective useful lives. Amortization of assets subject to leases is reported as part of depreciation expense. The following estimated useful lives are being used by the Hospital:

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

**Net Position**

The net position of the Hospital is classified in three components. Net investment in capital assets are capital assets net of accumulated depreciation, reduced by total outstanding debt used to finance the purchase or construction of those assets. Restricted-expendable net position is noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital. Unrestricted net position are remaining net position that do not meet the definition of invested in capital assets net of related debt or restricted-expendable net position.

**Operating Revenues and Expenses**

The Hospital's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Nonexchange revenues and expenses, including interest income, property taxes and interest expense are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services.

**CRAWFORD MEMORIAL HOSPITAL  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION  
(CONTINUED)**

**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. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

**Charity Care**

The Hospital provides care to patients who meet certain criteria under its charity care policies 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 as revenue. Charges excluded from revenue under the Hospital's Charity Care policy were approximately \$1,374,000 and \$1,363,000 for the years ended April 30, 2021 and 2020, respectively.

**County Tax Revenue**

The Hospital received property tax revenue used to support operations of approximately \$668,000 and \$524,000 for the years ended April 30, 2021 and 2020, respectively. The Hospital also received property tax revenue of approximately \$372,000 and \$492,000 to meet required debt service agreements for the years ended April 30, 2021 and 2020, respectively.

Taxes are assessed in January and are primarily received in the following December and January. Assets and revenues arising from property taxes levied for operating purposes are recognized in the year levied as those taxes are first permitted to be used in that year.

**Grants and Contributions**

From time to time, the Hospital receives grants and 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 that are unrestricted or that are restricted to a specific operating purpose are reported as other operating revenues. Amounts restricted to capital acquisitions and provider relief grants are reported after nonoperating revenues and expenses.

**Reclassifications**

Certain reclassifications have been made to the 2020 consolidated financial statements to conform to the 2021 presentation. The reclassifications had no effect on the changes in net assets.

**CRAWFORD MEMORIAL HOSPITAL  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION  
(CONTINUED)**

**Subsequent Events**

In preparing these consolidated financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through August 23, 2021, the date the consolidated financial statements were available to be issued.

**NOTE 2 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 designated as a critical access hospital. This designation provides for most inpatient and outpatient services to be reimbursed on a cost basis methodology. The Hospital's clinics are designated rural health clinics, which are also reimbursed on a cost basis methodology. The Hospital is reimbursed 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. The Hospital's Medicare cost reports have been finalized by the Medicare fiscal intermediary through April 30, 2016.

**Medicaid**

Inpatient and substantially all outpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates. In addition, the Hospital qualifies for additional payments under the State of Illinois Medicaid hospital assessment program. The Program has been modified and extended through December 31, 2022.

Under the assessment plan the Hospital received approximately \$2,482,000 and \$2,164,000 in payments for the years ended April 30, 2021 and 2020, respectively. This additional reimbursement represented approximately 5% of the Hospital's net patient revenue for the years ended 2021 and 2020. The programs are subject to future modification through legislative action, specifically related to Medicaid reform initiatives.

**Other**

The Hospital has also entered into payment agreements with Blue Cross and other commercial insurance carriers. The basis for reimbursement under these agreements includes discounts from established charges and prospectively determined rates.

**Uninsured**

For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, an increased 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.

**CRAWFORD MEMORIAL HOSPITAL  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2021 AND 2020**

**NOTE 2 NET PATIENT SERVICE REVENUE (CONTINUED)**

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. The change in 2021 and 2020 net patient service revenue was a decrease of approximately \$63,000 and \$600,000, respectively, due to prior year retroactive adjustments in excess of amounts previously estimated.

The following is a reconciliation of gross patient service revenue to net patient service revenue:

	2021	2020
Gross Patient Service Revenue	\$ 109,887,046	\$ 97,209,845
Discounts and Adjustments:		
Medicare Program	30,064,023	24,569,524
Medicaid Program	16,633,609	17,988,215
Other	7,522,809	7,058,083
Provision for Bad Debts	2,644,720	1,305,986
Total Discount and Adjustments	<u>56,865,161</u>	<u>50,921,808</u>
Net Patient Service Revenue	<u>\$ 53,021,885</u>	<u>\$ 46,288,037</u>

**NOTE 3 ACCOUNTS RECEIVABLE**

Patient accounts receivable reported as current assets by the Hospital at April 30 consist of these amounts:

	2021	2020
Receivables From:		
Patients and Their Insurance Carriers	\$ 4,640,004	\$ 5,403,856
Medicare	2,161,882	2,666,082
Medicaid	997,148	652,182
Total Patient Accounts Receivable	7,799,034	8,722,120
Less Allowance for Uncollectible Amounts	<u>(1,310,131)</u>	<u>(2,056,000)</u>
Patient Accounts Receivable, Net	<u>\$ 6,488,903</u>	<u>\$ 6,666,120</u>

**CRAWFORD MEMORIAL HOSPITAL**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2021 AND 2020**

**NOTE 4 DEPOSITS AND INVESTMENTS**

**Deposits**

**Custodial Credit Risk** – Custodial credit risk is the risk that in the event of a bank failure, the Hospital deposits may not be returned to it in full. The Hospital has a deposit policy which requires banks to collateralize deposits with securities at a fair market value equal to 100% of the funds on deposit, less insured amounts. Collateral securities must be held by the Hospital or a disinterested third party.

The Hospital had bank balances as follows at April 30:

	2021	2020
Insured FDIC	\$ 500,000	\$ 500,000
Collateralized by Securities Held by the Pledging Financial Institution	24,110,815	19,449,648
Total	<u>\$ 24,610,815</u>	<u>\$ 19,949,648</u>

**Investments**

At April 30, 2021 and 2020, the Hospital had the following investments and maturities (in years):

Investment Type	2021				
	Fair Value	Less Than 1	1 to 5	6 to 10	Greater Than 10
Certificates of Deposit	\$ 9,498,472	\$ 6,505,416	\$ 1,281,946	\$ 1,711,110	\$ -
U.S. Government and Corporate Fixed Income Investments	8,334,678	1,617,673	4,493,505	2,223,500	-
Money Markets	490,661	490,661	-	-	-
Accrued Interest	8,847	8,847	-	-	-
Total	<u>\$ 18,332,658</u>	<u>\$ 8,622,597</u>	<u>\$ 5,775,451</u>	<u>\$ 3,934,610</u>	<u>\$ -</u>

  

Investment Type	2020				
	Fair Value	Less Than 1	1 to 5	6 to 10	Greater Than 10
Certificates of Deposit	\$ 11,978,519	\$ 5,052,627	\$ 5,265,387	\$ 1,660,505	\$ -
U.S. Government and Corporate Fixed Income Investments	5,816,760	2,280,307	2,613,813	922,640	-
Repurchase Agreement	356,611	356,611	-	-	-
Money Markets	1,095	1,095	-	-	-
Total	<u>\$ 18,152,985</u>	<u>\$ 7,690,640</u>	<u>\$ 7,879,200</u>	<u>\$ 2,583,145</u>	<u>\$ -</u>

**Interest Rate Risk** – Interest rate risk is the risk that the fair value of an investment will decline as the interest rate increases. Due to the Hospital's type of investments at April 30, 2021 and 2020, certificates of deposits, direct government and agency fixed income investments, interest rate risk is not significant.

**CRAWFORD MEMORIAL HOSPITAL  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2021 AND 2020**

**NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Credit Risk** – Credit risk is the risk that the financial counterparty will fail to meet its defined obligations. The Illinois Public Funds Investment Act allows funds belonging to the Hospital to be invested. Funds may be invested in the following types of securities within certain limitations: United States government securities, securities backed by the full faith and credit of the United States, bank certificates of deposit, commercial paper, money market mutual funds, public treasurers' investment pool, and repurchase agreements. The Hospital does not place a limit in the amount it may invest in any one issuer.

**Summary of Carrying Values**

The carrying value of deposits and investments are included in the Hospital's consolidated statements of net position as of April 30 as follows:

	2021	2020
Carrying Value:		
Deposits	\$ 24,610,815	\$ 19,949,648
Certificates of Deposit	9,507,319	11,978,519
U.S. Government and Corporate Fixed Income Investments	8,334,678	5,816,760
Repurchase Agreement	-	356,611
Money Market	490,661	1,095
Total	<u>\$ 42,943,473</u>	<u>\$ 38,102,633</u>
Included in the Following Statements of Net Position:		
Cash and Cash Equivalents	\$ 24,610,815	\$ 19,949,648
Noncurrent Cash and Investments:		
Designated by Board of Trustees	15,750,183	15,570,510
Held by Bond Indenture	2,582,475	2,582,475
Total	<u>\$ 42,943,473</u>	<u>\$ 38,102,633</u>

**Investment Income**

Investment income consisted of the following for the years ended April 30:

	2021	2020
Interest and Dividend Income	\$ 359,677	\$ 400,670
Net Change in Fair Value of Investments	6,399	1,233
Total	<u>\$ 366,076</u>	<u>\$ 401,903</u>

**CRAWFORD MEMORIAL HOSPITAL**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2021 AND 2020**

**NOTE 5 CAPITAL ASSETS**

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

	Balance April 30, 2020	Additions and Transfers	Retirements	Balance April 30, 2021
Land	\$ 540,645	\$ -	\$ -	\$ 540,645
Land Improvements	1,325,717	-	(43,230)	1,282,487
Buildings and Improvements	56,596,661	-	(447,272)	56,149,389
Equipment	20,129,133	650,554	(554,019)	20,225,668
Construction in Progress	76,831	759,642	-	836,473
Total at Historical Cost	78,668,987	1,410,196	(1,044,521)	79,034,662
Less Accumulated Depreciation for:				
Land Improvements	727,516	49,998	-	777,514
Buildings and Improvements	29,132,597	3,121,708	(447,271)	31,807,034
Equipment	12,309,540	1,734,443	(530,107)	13,513,876
Total Accumulated Depreciation	42,169,653	4,906,149	(977,378)	46,098,424
Capital Assets, Net	<u>\$ 36,499,334</u>	<u>\$ (3,495,953)</u>	<u>\$ (67,143)</u>	<u>\$ 32,936,238</u>
	Balance April 30, 2019	Additions and Transfers	Retirements	Balance April 30, 2020
Land	\$ 540,645	\$ -	\$ -	\$ 540,645
Land Improvements	1,282,487	43,230	-	1,325,717
Buildings and Improvements	53,668,292	2,965,139	(36,770)	56,596,661
Equipment	18,740,078	1,460,305	(71,250)	20,129,133
Construction in Progress	2,810,905	(2,734,074)	-	76,831
Total at Historical Cost	77,042,407	1,734,600	(108,020)	78,668,987
Less Accumulated Depreciation for:				
Land Improvements	677,476	50,040	-	727,516
Buildings and Improvements	26,348,966	2,820,401	(36,770)	29,132,597
Equipment	10,520,294	1,860,496	(71,250)	12,309,540
Total Accumulated Depreciation	37,546,736	4,730,937	(108,020)	42,169,653
Capital Assets, Net	<u>\$ 39,495,671</u>	<u>\$ (2,996,337)</u>	<u>\$ -</u>	<u>\$ 36,499,334</u>

**Construction in Progress**

Construction in progress as of April 30, 2020 represents the initial planning of a new clinic and an orthopedic lab. Total expected cost of the orthopedic project approximately \$1,400,000 and is expected to be completed in November 2021, which is being financed from operating cash.

**CRAWFORD MEMORIAL HOSPITAL  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2021 AND 2020**

**NOTE 6 LONG-TERM DEBT**

The following schedule summarizes the changes related to the outstanding long-term debt at April 30:

	Balance April 30, 2020	Additions	Reductions	Balance April 30, 2021	Amounts Due Within One Year
2020 General Obligation Bonds	\$ 9,125,000	\$ -	\$ (568,322)	\$ 8,556,678	\$ 510,000
2019 General Obligation Bonds	6,375,000	-	(475,000)	5,900,000	490,000
2012 General Obligation Bonds	3,530,000	-	(245,000)	3,285,000	255,000
Bond Premium	1,374,154	-	(82,296)	1,291,858	-
Payroll Protection Program Loan	5,488,299	-	-	5,488,299	5,488,299
Capital Leases	1,895,359	-	(1,125,047)	770,312	612,590
Total Long-Term Debt	<u>\$ 27,787,812</u>	<u>\$ -</u>	<u>\$ (2,495,665)</u>	<u>\$ 25,292,147</u>	<u>\$ 7,355,889</u>

  

	Balance April 30, 2019	Additions	Reductions	Balance April 30, 2020	Amounts Due Within One Year
2020 General Obligation Bonds	\$ -	\$ 9,125,000	\$ -	\$ 9,125,000	\$ 570,000
2019 General Obligation Bonds	-	6,375,000	-	6,375,000	475,000
2018 General Obligation Bonds	10,100,000	-	(10,100,000)	-	-
2012 General Obligation Bonds	3,770,000	-	(240,000)	3,530,000	245,000
2010 General Obligation Bonds	7,240,000	-	(7,240,000)	-	-
Bond Premium	-	1,738,128	(363,974)	1,374,154	-
Payroll Protection Program Loan	-	5,488,299	-	5,488,299	-
Capital Leases	3,012,887	-	(1,117,528)	1,895,359	1,125,048
Total Long-Term Debt	<u>\$ 24,122,887</u>	<u>\$ 22,726,427</u>	<u>\$ (19,061,502)</u>	<u>\$ 27,787,812</u>	<u>\$ 2,415,048</u>

**2020 General Obligation Hospital Refunding Bonds**

The 2020 General Obligation Hospital Refunding Bonds are in the original amount of \$9,125,000 dated March 20, 2020, which bear interest at 4.0%. The Bonds are payable in bi-annual installments through January 1, 2034. They are secured by the revenues of the Hospital and ad valorem taxes levied. All of the Bonds still outstanding may be redeemed, at par, on January 1, 2030, or any interest payment date thereafter. A portion of the proceeds was used to pay off the 2018 General Obligation Hospital Bonds.

**2019 General Obligation Hospital Refunding Bonds**

The 2019 General Obligation Hospital Refunding Bonds are in the original amount of \$6,375,000 dated October 1, 2019 which bear interest at 4.0%. The Bonds are payable in bi-annual installments through January 1, 2031. They are secured by the revenues of the Hospital and ad valorem taxes levied. A portion of the proceeds was used to pay off the 2010 General Obligation Hospital Bonds.

**2018 General Obligation Hospital Bonds**

The 2018 General Obligation Hospital Bonds are in the original amount of \$10,100,000 with an interest rate at 3.94%. The Bonds are payable in bi-annual installments through January 1, 2034. These bonds were refunded March 20, 2020.



**CRAWFORD MEMORIAL HOSPITAL  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2021 AND 2020**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

**2012 General Obligation Hospital Bonds**

The 2012 General Obligation Hospital Bonds are in the original amount of \$4,000,000 dated April 18, 2012 which bear interest from 3.05% to 4.45%. The Bonds are payable in bi-annual installments through December 1, 2031. They are secured by the revenues of the Hospital and ad valorem taxes levied.

**2010 General Obligation Taxable Hospital Bonds**

The 2010 General Obligation Taxable Hospital Bonds are 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.

**Bond Premium**

Certain General Obligation Bonds were issued at a premium of \$1,738,129, which is presented net of accumulated amortization of \$446,270 and \$363,974 as of April 30, 2021 and 2020, respectively. The bond premium is being amortized over the effective interest rate method. Amortization included in interest expense for the years ended April 30, 2021 and 2020 was \$82,296 and \$363,974, respectively.

**Restrictive Covenants**

The Hospital is subject to certain financial and non-financial covenants under the terms of their Bond Indenture. The restrictive financial covenants include minimum insurance coverage, minimum revenues available for debt service of at least 1.25 and restrictions on additional debt. Management believes they have complied with the requirements of the bond covenants as of April 30, 2021.

**Payroll Protection Program Note Payable**

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (CARES Act) was signed into law, in response to the economic effects of the COVID-19 virus. The CARES Act added a new Paycheck Protection Program (PPP) to the SBA's section 7(a) lending program. Through PPP an SBA approved financial institution, provide a loan bearing an interest rate of 1%, with a two-year term, with a six-month deferral of interest payments, and interest accruing during deferment. There are various eligibility and usage guidelines, which may result in full or partial loan forgiveness, at which time the loan amount forgiven will be recognized consistent with grant revenue. On April 17, 2020 the Hospital secured a PPP loan in the amount of \$5,488,299. Any portion of the PPP loan that is not forgiven will be subject to repayment with interest only payments commencing November 2020 and matures on April 17, 2022 at which time the entire principal balance is due. As of April 30, 2021, 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.

**CRAWFORD MEMORIAL HOSPITAL**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2021 AND 2020**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

**Capital Leases**

Capital leases include leases for the following medical equipment with maturities through 2024:

	2021	2020
Equipment	\$ 4,204,988	\$ 4,204,988
Less: Accumulated Depreciation	(1,322,041)	(759,241)
Total	<u>\$ 2,882,947</u>	<u>\$ 3,445,747</u>
Depreciation Expense	<u>\$ 562,801</u>	<u>\$ 563,173</u>

**Future Maturities**

Future maturities on long-term debt are as follows:

<u>Year Ending April 30,</u>	<u>Bonds and Notes Payable</u>		<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 6,743,299	\$ 697,063	\$ 612,590	\$ 15,101
2023	1,315,000	647,500	100,128	15,101
2024	1,360,000	597,418	57,594	8,798
2025	1,400,000	545,178	-	-
2026	1,460,000	490,998	-	-
2027-2031	6,440,000	1,368,765	-	-
2032-2036	4,511,678	388,210	-	-
Total	<u>\$ 23,229,977</u>	<u>\$ 4,735,130</u>	<u>\$ 770,312</u>	<u>\$ 39,000</u>

**NOTE 7 EMPLOYEE RETIREMENT PLANS**

**457 Pension Plan**

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, 2021 and 2020, the 457(b) Plan assets totaled \$6,757,798 and \$4,707,288, 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, 2021 AND 2020**

**NOTE 7 EMPLOYEE RETIREMENT PLANS (CONTINUED)**

**453 Pension Plan**

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, 2021 and 2020 was \$482,799 and \$390,222, 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 2021 and 2020.

**NOTE 8 SELF-FUNDED INSURANCE**

Substantially all of the Hospital's employees are eligible to participate in the Hospital's health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to limits provided for in an agreement with its insurance plan administrator. At April 30, 2021 and 2020, the Hospital has a net liability of approximately \$489,000 and \$378,000 for unpaid claims, respectively. The Hospital has recognized approximately \$4,728,000 and \$3,550,000 in total employer health insurance expense for the years ended April 30, 2021 and 2020, respectively.

**NOTE 9 340B OUTPATIENT DRUG DISCOUNT PROGRAM**

During the year ended April 30, 2021, the Hospital began participation in the 340B outpatient drug discount program administered by the Office of Pharmacy Affairs of the Health Resources and Services Administration (HRSA). Under this program, the Hospital receives discounts on eligible purchases of outpatient pharmaceuticals. The Hospital also contracts with certain local pharmacies to assist them in providing outpatient drugs to the Hospital's patients. The Hospital purchases outpatient drugs at 340B outpatient drug discount prices to replenish those dispensed to outpatients on the Hospital's behalf. The Hospital recognized income from these contacts of \$808,843, net of expenses of \$322,123 in 2021.

Regulations associated with this program are complex and eligibility for the program is determined annually. Changes in 340B outpatient drug discount program regulations could have a significant impact on the operations of the Hospital.

**CRAWFORD MEMORIAL HOSPITAL  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2021 AND 2020**

**NOTE 10 RELATED PARTIES**

**Foundation**

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 \$332,616 and \$306,157 for the years ended April 30, 2021 and 2020, respectively. The Foundation contributions paid to the Hospital from the Foundation were \$6,024 and \$3,165 during the years ended April 30, 2021 and 2020, respectively.

**Management**

The Hospital has entered into an administrative services agreement with Quorum Health Resources, LLC, effective July 1, 2017 through June 2022. The agreement includes the provision of certain key staff, development of business plans, group purchasing, and other consulting. The contract may be terminated by either party upon expiration or with cause by providing 30 days written notice. The total amount paid to Quorum by the Hospital for the years ended April 30, 2021 and 2020 are approximately \$1,115,000 and \$929,000, respectively, and includes administrative fees, reimbursement of director's compensation, and other direct expenses.

**NOTE 11 RISK MANAGEMENT**

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than worker's compensation, malpractice coverage, and employee health insurance. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Hospital has joined together with other providers of health care services to form the Illinois Provider Trust and the Illinois Compensation Trust, two risk pools currently operating as common risk management and insurance programs for their members. The Hospital pays annual premiums to the Pools for its general liability and professional liability torts and employee injuries insurance coverage.

The Pools' governing agreements specify that the Pools will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

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 \$2,000,000, 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, 2021 and 2020.

**CRAWFORD MEMORIAL HOSPITAL**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**APRIL 30, 2021 AND 2020**

**NOTE 12 COMMITMENTS AND CONTINGENCIES**

**Litigation**

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's insurance program (discussed elsewhere in these notes); for example, allegations regarding performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Litigation based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

**Healthcare Legislation and Regulation**

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, and government healthcare program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers.

Violation of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in substantial compliance with fraud and abuse as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations is subject to government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

**NOTE 13 CONCENTRATION OF CREDIT RISK**

**Patient Accounts Receivable**

The Hospital grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors at April 30 is:

	<u>2021</u>	<u>2020</u>
Medicare	34 %	26 %
Medicaid	22	28
Patients and Other Third-Party Payors	44	46
Total	<u>100 %</u>	<u>100 %</u>

**CRAWFORD MEMORIAL HOSPITAL  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2021 AND 2020**

**NOTE 14 COVID-19 FUNDING**

During the year ended April 30, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. The impact of the COVID-19 pandemic on the Hospital has resulted in reductions in patient related volumes and revenues and increased expenses for the period of March 16, 2020 through April 30, 2021. Management believes the Hospital has taken appropriate actions to mitigate the negative impact. The full impact of the ongoing pandemic is unknown and cannot be reasonably estimated as of April 30, 2021.

Through April 30, 2021, the Hospital has received the following governmental funds: Provider Relief Funds (PRF) from HHS of approximately \$5,236,000, Medicare Advance Payment of approximately \$6,779,000 and a Payroll Protection Program (PPP) Loan from the Small Business Administration (SBA) of approximately \$5,488,000 (see Note 6).

**Provider Relief Funds**

The Hospital is using the PRF to cover increased expenses and lost revenue directly attributable to COVID-19. Management determined that the Hospital had incurred reductions in revenues and increased expenses and has recognized provider relief funds in grants of \$1,990,716 and \$3,243,913 for the years ended April 30, 2021 and 2020, respectively. As of April 30, 2021 and 2020, the consolidated statements of net position reflect Provider Relief Grants Receivable of approximately \$-0- and \$2,284,999, respectively.

**Medicare Accelerated and Advance Payment Program**

As a result of the 2019 Novel Coronavirus (COVID-19) pandemic, the Centers for Medicare & Medicaid Services (CMS) expanded the current Accelerated and Advance Payment Program to a broader group of Medicare Part A and B providers. Providers who submit a request to the appropriate Medicare Administrative Contractor (MAC) and meet the required qualifications can receive up to 6 months of Medicare payments in advance of the services being performed.

CMS established the repayment of these accelerated payments to begin one year after the date of issuance of the original payment. Beginning at one year from the date the payment was issued and continuing for 11 months, claims processed by the MAC will begin to be offset against the outstanding balance to recoup the advanced payment at a rate of 25%; after the 11 months end, payments will be recouped at a rate of 50% for another six months; and after the six months end, a letter for any remaining balance of the accelerated or advance payment(s) will be issued. If such a letter is issued, the Hospital will have 30 days from the date of the letter to repay the balance in full. The Hospital received accelerated payments in April 2020 in the amount of \$6,779,442. The remaining balance of \$6,682,179 at April 30, 2021 is expected to be fully recouped within the Hospital's next fiscal period. Therefore, as of April 30, 2021 \$6,682,179 is presented on the consolidated statement of net position as Medicare Advance Payments.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Crawford Memorial Hospital  
Robinson, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Crawford Memorial Hospital which comprise the statement of net position as of April 30, 2021, and the related consolidated statements of revenues, expenses and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated August 23, 2021.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be a material weakness. We consider the deficiency described in the accompanying schedule of findings and responses listed as 2021-001 to be a material weakness.

### **Compliance and Other Matters**

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

### **Hospital's Response to Findings**

The Hospital's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Hospital's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



**CliftonLarsonAllen LLP**

St. Louis, Missouri  
August 23, 2021



**CRAWFORD MEMORIAL HOSPITAL  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED APRIL 30, 2021**

**2021-01 SEGREGATION OF DUTIES**

**Condition**

During the performance of the audit, we gained an understanding of internal control processes. As such, we noted the lack of adequate segregation of duties within the various revenue, disbursement and payroll cycles.

**Criteria or specific requirement**

In any system of internal accounting control, one primary goal is adequate segregation of duties. Because of the way certain duties are assigned and carried out within the various accounting cycles, an adequate segregation of duties and responsibilities is not always present.

**Context**

It is the responsibility of management to implement effective internal control processes or mitigating controls to ensure accuracy of all financial records and safeguarding of assets.

**Effect**

The potential exists that a misstatement or misappropriation of assets could occur and not be prevented or detected by the Hospital's internal controls.

**Cause**

Duties are not adequately segregated, and monitoring or other compensating controls are insufficient.

**Recommendation**

Management should review roles and responsibilities throughout the various cycles to assure proper segregation of duties. In the limited situations where complete segregation of duties is not viable, review controls should be implemented to effectively mitigate the risk of the segregation of duties.

**Views of responsible officials and planned corrective actions**

Management is in agreement and will continue to review roles and responsibilities related to current duties and implement mitigating controls.