SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Southern Illinois Healthcare Foundation, Inc.
Sauget, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Southern Illinois Healthcare Foundation, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets and 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 financial statements based on our audits. We conducted our audits 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 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 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 financial statements.

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

Board of Directors
Southern Illinois Healthcare Foundation, Inc.

Basis for Qualified Opinion

The financial statements exclude Touchette Regional Hospital and Coles County Mental Health Association, Inc. dba: LifeLinks, controlled affiliates of the Organization. In our opinion, accounting principles generally accepted in the United States of America require that all controlled entities be accounted for as consolidated affiliates. If the financial statements of the controlled affiliates had been consolidated with those of the Organization, total assets and total liabilities would be increased by approximately $35,139,000 and $37,678,000 and $24,322,000 and $40,020,000 respectively, as of December 31, 2019 and 2018, respectively, and revenues and expenses would be increased by approximately $58,627,000 and $63,604,000 and $61,773,000 and $63,248,000, respectively, for the years then ended.

Qualified Opinion

In our opinion, except for the effects of not consolidating the controlled affiliates, as discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Organization as of December 31, 2019 and 2018, and the results of its activities and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information – Schedule of Expenditures of Federal Awards

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization’s internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Louis, Missouri
April 27, 2020

SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 4,435,256	$ 4,912,616
Certificates of Deposit	600,000	600,000
Accounts Receivable:		
Patients	2,664,542	4,589,162
Grants	126,519	344,939
Other	3,471,352	694,615
Prepaid Expenses and Other Current Assets	320,720	347,448
Total Current Assets	11,618,389	11,488,780
ASSETS LIMITED AS TO USE	1,043,014	790,549
PROPERTY AND EQUIPMENT, NET	17,961,621	19,774,119
Total Assets	$ 30,623,024	$ 32,053,448
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	$ 672,329	$ 412,655
Accounts Payable	1,578,951	2,101,165
Accrued Wages and Benefits	1,508,856	2,029,874
Accrued Compensated Absences	2,016,175	1,945,274
Deferred Grant Revenue	100,000	15,000
Total Current Liabilities	5,876,311	6,503,968
LONG-TERM DEBT, Less Current Maturities	5,254,886	5,930,082
OTHER LONG-TERM LIABILITIES	287,792	479,339
Total Liabilities	11,418,989	12,913,389
NET ASSETS		
Net Assets Without Donor Restrictions	19,204,035	19,140,059
Total Liabilities and Net Assets	$ 30,623,024	$ 32,053,448

See accompanying Notes to Financial Statements.

SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
REVENUE		
Patient Service Revenue	$ 40,843,443	$ 43,041,217
Federal Grant Funds	17,429,680	17,683,290
State and Other Grant Funds	173,154	277,544
Other Revenue	8,120,963	3,717,582
Interest Income	25,423	12,339
Total Revenue	66,592,663	64,731,972
EXPENSES		
Salaries and Wages	37,620,713	38,779,821
Employee Benefits	8,590,296	9,031,595
Contracted Services	11,801,178	11,836,336
Supplies	5,462,159	4,361,251
Travel	475,540	455,217
Other	431,756	357,211
Depreciation and Amortization	1,898,083	1,913,772
Interest	248,962	266,801
Total Expenses	66,528,687	67,002,004
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	63,976	(2,270,032)
Net Assets - Beginning of Year	19,140,059	21,410,091
NET ASSETS - END OF YEAR	$ 19,204,035	$ 19,140,059

See accompanying Notes to Financial Statements.

SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 63,976	$ (2,270,032)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,898,083	1,913,772
Provision for Bad Debts	523,275	1,177,810
(Increase) Decrease in:		
Patients Accounts Receivable	1,401,345	(27,192)
Grants Receivable	218,420	1,753,036
Other Receivable	(2,776,737)	767,861
Prepaid Expenses and Other Current Assets	26,728	280,565
Increase (Decrease) in:		
Accounts Payable	(522,214)	538,829
Accrued Wages and Benefits	(521,018)	(204,616)
Accrued Compensated Absences	70,901	(22,894)
Deferred Grant Revenue	85,000	-
Net Cash Provided by Operating Activities	467,759	3,907,139
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(85,585)	(996,477)
Change in Assets Limited as to Use	(444,012)	(122,589)
Net Cash Used by Investing Activities	(529,597)	(1,119,066)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	(415,522)	(545,797)
Advances on Long-Term Debt	-	205,440
Net Cash Used by Financing Activities	(415,522)	(340,357)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(477,360)	2,447,716
Cash and Cash Equivalents - Beginning of Year	4,912,616	2,464,900
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,435,256	$ 4,912,616
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Payments for Interest	$ 248,962	$ 266,801

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Southern Illinois Healthcare Foundation, Inc. (the Organization) is a Federally Qualified Health Center, with 32 locations throughout Southern Illinois. The Organization is dedicated to providing comprehensive primary health care services to residents of St. Clair, Madison, Fayette, Cumberland, Effingham, Macoupin, Marion, Moultrie, Coles, Randolph, and Richland counties in Illinois.

The Organization is governed by a volunteer Board of Directors, a group of local residents who lend their expertise in the areas of law, business, health care administration, and as consumers. The Board also takes an active role in establishing the fee schedule and other policies used to manage the Organization. In addition to income generated from patient revenue, the Organization is partially funded by grants from the US Department of Health and Human Services, Illinois Department of Health and other agencies. The Organization has not elected to use the 10% de minimis cost rate as allowed under the Uniform Guidance.

Controlled Affiliate

Effective May 1, 1993 the Organization's Board of Directors became the sole corporate member of the corporation known as Touchette Regional Hospital (TRH) as provided in the TRH Bylaws. The Organization and TRH are separate legal entities, however, the Organization's Board of Directors, as sole member, reserve certain high-level approval rights over TRH and as a result TRH is considered a controlled affiliate of the Organization. The Organization has not consolidated TRH's financial statements for the years ending December 31, 2019 and 2018.

Effective August 1, 2016, the Organization's Board of Directors became the sole corporate member of the corporation known as Coles County Mental Health Association, Inc. dba: LifeLinks as provided in the LifeLinks Bylaws. The Organization and LifeLinks are separate legal entities, however, the Organization's Board of Directors, as sole member, reserves certain high-level approval rights over LifeLinks and as a result LifeLinks is considered a controlled affiliate of the Organization. The Organization has not consolidated LifeLinks' financial statements for the years ending December 31, 2019 and 2018.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Include net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. At times, the governing board can designate, from net assets without donor restrictions, net assets for a board-designated endowment or other purposes. At December 31, 2019 and 2018, the governing board has not made this designation.

Net Assets With Donor Restrictions – Include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. At December 31, 2019 and 2018, there were no net assets with donor restrictions that were temporary or perpetual in nature. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor restriction or by law.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding assets limited as to use.

Patient Receivables

Patient accounts receivable are stated at net realizable value. Receivables are reduced by an allowance for estimated third-party contractual adjustments and an allowance for estimated uncollectible amounts, which are based on past experience. The Organization provides care to patients regardless of their ability to pay. A minimum payment is requested at each visit, but if the patient is unable to pay at the time of visit, they are subsequently billed. All patient account balances receive a statement every 28 days. Patient account balances that are $20 and less than 180 days old are automatically written off as small balance write-offs. Patient account balances that are $20 or more and greater than 90 days old from the date that the balance became the patient’s responsibility are sent a letter requesting payment. If after two to three weeks there has been no response, the account is sent to a collection agency and written off to bad debt expense.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method.

Assets Limited as to Use

Assets limited as to use include restricted assets held under a letter of credit agreement and amounts restricted for a debt service reserve.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. The Organization's policy is to capitalize assets with an original cost of more than $3,500 and a useful life beyond a year.

Donations of property and equipment are reported at fair value as an increase in net assets without donor restrictions unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in net assets without donor restrictions when the donated asset is placed in service.

Patient Service Revenue

The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include prospectively determined rates per encounter, reimbursed costs, and fee-for-service rates at or below charges. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payers as final settlements are determined.

For uninsured patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided. A significant portion of the Organization's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Organization records a significant provision for bad debts related to uninsured patients in the period the services are provided. The Organization also records a provision for doubtful accounts related to third-party payers for services provided.

Sliding Fee Adjustments (Charity Care)

The Organization has a policy of providing care to uninsured patients who meet certain criteria under its policy at amounts less than its established rates or without charge. However, all patients are requested to pay a minimum fee for each visit, although no patient is denied services because of inability to pay. Since management does not expect payment for this care, the services that are discounted from the established rates are excluded from revenue. During the years ended December 31, 2019 and 2018, the Organization provided approximately $1,878,000 and $1,868,000, respectively, of discounted services under this policy based on gross charges.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Electronic Health Record Incentive Payments

As discussed in Note 10, the Organization received funds under the Electronic Health Records (EHR) Incentive Program during 2019 and 2018. The Organization recognizes the revenue when management is reasonably assured they will meet all meaningful use objectives and any other specific grant requirements that are applicable, *e.g.*, electronic transmission of quality measures to CMS in the second and subsequent payment years is made.

Grant Revenue

The Organization receives support from various federal, state, and local government agencies. Grant receipts are subject to restrictions on the use of funds placed by the grantor. The Organization administers these funds in accordance with grantor guidelines. Grant revenue under cost reimbursement arrangements is recognized as expenses are incurred. Amounts incurred but not yet reimbursed are reported as grant receivables. Amounts received but not yet earned are reported as deferred grant revenue.

Excess (Deficit) of Revenues Over Expenses

The statement of activities includes deficit of revenues over expenses. Changes in net assets without donor restriction which are excluded from operations, consistent with industry practice, include capital grants and contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purposes of acquiring such assets and the related releases).

Income Taxes

The Organization has been recognized as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization applies the income tax standard for uncertain tax positions. This standard clarifies the accounting for uncertainty in income taxes recognized in an Organization's financial statements in accordance with the income tax standard. This standard prescribes recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized.

Functional Allocation of Expenses

The functional expenses presented in note 12, presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Recent Accounting Pronouncements – ASU 2016-02

FASB issued ASU 2016-02 in February of 2016 pertaining to recording of leases. While the standard will not be effective for the Organization until the year ending December 31, 2021, the standard can be adopted as early as the year ending December 31, 2016. Early adoption has not been exercised. Implementation of the new standard can result in changes to the reporting and disclosure of leases. Management is in the process of evaluating the impact on the Organization.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements – ASU 2016-18

In November 2016, FASB issued Accounting Standards (ASU) 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*. This ASU was issued to clarify guidance on the classification and presentation of restricted cash in the statement of cash flows and reduce diversity in practice. The amendments to this ASU require that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and restricted cash or restricted cash equivalents. Therefore, restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The consolidated financial statements reflect the application of ASU 2016-18 using a retrospective approach to each period presented.

Adopted Accounting Pronouncements – ASU 2014-09

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. This provision amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

Effective January 1, 2019, the Organization adopted FASB ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) using the full retrospective method of transition. This ASU covered and replaced existing revenue recognition guidance, including industry-specific guidance and requires revenue to be recognized in an amount that reflects the consideration the entity expects to be entitled to in an exchange of goods or services. The adoption of this ASU did not result in changes to previously reported revenues, other than presentation.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation. The reclassifications had no effect on the changes in net assets.

NOTE 2 PATIENT SERVICE REVENUE

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

NOTE 2 PATIENT SERVICE REVENUE (CONTINUED)

Performance obligations are determined based on the nature of the services provided. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services or patients receiving services in outpatient clinics or in their homes (home care). The Hospital measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and the Organization does not believe it is required to provide additional goods or services to the patient.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Organization uses a portfolio approach to account for categories of patient contracts as a collective group, rather than recognizing revenue on an individual contract basis. The portfolios consist of major payor classes for inpatient revenue and outpatient revenue. Based on the historical collection trends and other analysis, The Organization believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Hospital's policy, and/or implicit price concessions provided to uninsured patients. Estimated contractual adjustments and discounts are based on contractual agreements, its discount policy (or policies), and historical experience. Estimated implicit price concessions are based on its historical collection experience with this class of patients.

NOTE 2 PATIENT SERVICE REVENUE (CONTINUED)

The Organization has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between Organization's billings at list price and the amounts reimbursed by Medicare, Medicaid, Blue Cross, and certain other third-party payors; any differences between estimated third-party reimbursement settlements for prior years and subsequent final settlements. Contractual adjustments under third-party reimbursement programs are accrued on an estimated basis in the period the related services are rendered and are adjusted in future periods as final settlements are determined. A summary of the basis of reimbursement with major third-party payors follows:

Medicare

Beginning on October 1, 2014, Medicare & Medicaid Services (CMS) implemented a change in payment rates to a Prospective Payment System (PPS) for FQHCs under Medicare Part B. Under the FQHC PPS, Medicare pays FQHCs based on the lesser of their actual charges or the PPS rate for all FQHC services furnished to a beneficiary on the same day when a medically necessary, face-to-face FQHC visit is furnished to a Medicare beneficiary. The FQHC PPS base rate is adjusted for each FQHC by the FQHC geographic adjustment factor (GAF), based on the geographic practice cost indices (GPCIs) used to adjust payments under the Medicare Physician Fee Schedule (MPFS).

Medicaid

Services rendered to Medicaid program beneficiaries were reimbursed at the all-inclusive rate (AIR) established by the Department of Healthcare and Family Services. The rate is updated annually by the Department.

Other

The Organization has also entered into payment agreements with various commercial insurance carriers. The basis for reimbursement under these agreements includes established fee schedules, usual and customary rates, and percentage of charges.

Uninsured

For uninsured patients that do not qualify for sliding fee discount, the Organization recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, an increased portion of the Organization's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Organization records a significant provision for bad debts related to uninsured patients in the period the services are provided.

NOTE 2 PATIENT SERVICE REVENUE (CONTINUED)

Revenue from the Medicare and Medicaid programs accounted for approximately 72% and 73% of the Organization's patient revenue for the years ended December 31, 2019 and 2018, respectively. Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Hospital. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved.

Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Additional revenue recognized due to the changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended December 31, 2019 and 2018.

The Organization provides care to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balance (for example, copays, and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amount the Organization expects to collect based on its collection history with those patients. Patients who meet the Organization's criteria for charity care are provided care without charge. Such amounts determined to qualify as charity care are not reported as revenue.

NOTE 2 PATIENT SERVICE REVENUE (CONTINUED)

The Organization has determined the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement/payment methodologies
- Length of patient's service/episode of care
- Geography of the service location
- Method of reimbursement (fee for service or capitation)
- The Organization's line of business that provided the service (for example, primary care)

For the years ended December 31, 2019 and 2018, all of the patient service revenue recognized by the Organization was from goods and services that transfer to the customer over time.

NOTE 3 LIQUIDITY AND AVAILABILITY

As of December 31, 2019 and 2018, the Organization has a working capital of $5,742,078 and $4,984,812, respectively, and averages days cash on hand of 29 and 31, respectively.

Financial assets available for general expenditure within one year of the balance sheet date, consist of the following:

	2019	2018
Cash and Cash Equivalents	$ 4,435,256	$ 4,912,616
Certificates of Deposit	600,000	600,000
Accounts Receivable, Net	6,262,413	5,628,716
Total	$ 11,297,669	$ 11,141,332

As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in short term investments and CDs. These investments do not have donor-imposed restrictions placed upon them and can be sold or used when needed.

NOTE 4 ASSETS LIMITED AS TO USE

The composition of assets limited as to use at December 31, 2019 and 2018 is shown in the following table.

	2019	2018
Certificates of Deposit:		
Restricted for Letter of Credit Agreement	$ 406,779	$ -
Restricted Under Debt Agreement	118,680	102,120
Preferred Stock Restricted by Captive Insurance Agreement	39,000	39,000
Cash Restricted by Captive Insurance Agreement	478,555	649,429
Total Assets Limited as to Use	$ 1,043,014	$ 790,549

NOTE 5 PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2019 and 2018 is as follows:

	2019	2018
Land	$ 600,143	$ 600,143
Buildings	28,312,455	28,294,295
Furniture and Equipment	5,876,863	6,009,729
Operating Equipment	3,018,072	2,873,780
Vehicles	147,647	147,647
Construction in Progress	-	288,186
Subtotal	37,955,180	38,213,780
Less: Accumulated Depreciation	(19,993,559)	(18,439,661)
Property and Equipment, Net	$ 17,961,621	$ 19,774,119

Depreciation expense recognized on property and equipment, combined with amortization on the Statement of Activities and Changes in Net Assets, was $1,898,083 and $1,913,772 for the year ended December 31, 2019 and 2018, respectively.

NOTE 6 LONG-TERM DEBT

A summary of long-term debt at December 31, 2019 and 2018 follows:

Description	2019	2018
Loan Payable to a bank with interest at 4.25%, monthly payments of $11,287 collateralized by various buildings and property. A final payment estimated at $912,058 is due on August 25, 2022.	$ 1,144,177	$ 1,228,364
Loan Payable to a bank with interest at 4.80%, monthly payments of $1,333 collateralized by buildings at 621 and 701 Water Street, Cahokia, Illinois, final payment due February 23, 2021.	193,592	200,152
Loan Payable to a bank with interest at 4.10%, monthly payment of $2,445, final payment of $361,211 due December 22, 2020, collateralized by building at 200 S. Lincoln, O'Fallon, Illinois.	373,078	386,816
Loan Payable to United States Department of Agriculture (USDA) with interest at 3.50%, monthly payments of $13,340, collateralized by a building at 1200 N. East St., Olney, Illinois, a final payment due October 15, 2032.	1,652,703	1,753,024
Capital lease obligation for equipment with monthly payments of $4,912, rate of imputed interest of 3.56%, final payment due April 1, 2019.	-	3,829
Loan Payable to a bank with interest at 4.5%, monthly payment of $9,691, collateralized by equipment. A final payment due November 3, 2019.	-	103,693
Loan Payable to a bank with interest at 4.25%, monthly payment of $2,378, collateralized by land and building. A final payment due September 26, 2021.	341,673	355,375
Loan Payable to a bank with interest at 4.22%, monthly payment of $15,440, collateralized by the McKinley Health Center, Granite City, Illinois. A final payment due September 26, 2021.	2,221,992	2,311,484
Total Long-Term Debt	5,927,215	6,342,737
Less: Current Maturities of Long-Term Debt	(672,329)	(412,655)
Long-Term Debt, Net of Current Maturities	$ 5,254,886	$ 5,930,082

NOTE 6 LONG-TERM DEBT (CONTINUED)

Future Maturities

Scheduled principal repayments on long-term debt and total payments on capital lease obligations are as follows:

Year Ending December 31,	Long-Term Debt
2020	$ 672,329
2021	2,848,969
2022	1,076,091
2023	115,370
2024	119,474
Thereafter	1,094,982
Total	$ 5,927,215

Debt Reserve

The USDA loan requires that a debt reserve be established. The reserve requires monthly payments of $1,380 until an amount of $165,600 is accumulated. Accordingly, these funds are included as assets limited as to use in the financial statements.

Line of Credit Agreement

The Organization had a line of credit agreement with a bank in the amount of $3,000,000. The line of credit expired in December 2018, with no subsequent renewal. The present interest rate was prime plus 2.75%. The line of credit was secured by a lien on accounts receivable. The outstanding balance at December 31, 2019 and 2018 was $-0-.

Covenants

The provisions of the business loan agreement as it relates to the line of credit and loans payable to bank entered into as described above contains various restrictive covenants related to financial and operational matters and require certain measures of financial performance be satisfied. For the year ended December 31, 2019 management has identified that they are in compliance with the covenants under the business loan agreement.

NOTE 7 OPERATING LEASES

The Organization leases clinic and office space and equipment under noncancelable operating leases expiring through 2027. The future minimum payments under these leases are:

Years Ending December 31,	Clinic/Office Space	Office Equipment
2020	$ 630,810	$ 69,067
2021	314,625	69,067
2022	136,086	57,556
2023	102,486	-
2024	102,486	-
Thereafter	2,617,817	-
Total	$ 3,904,310	$ 195,690

The Organization also has leases on a month-to-month basis. For those leases there are no future minimum lease payments.

Total rent expense for the years ended December 31, 2019 and 2018, was approximately $2,124,000 and $2,158,000, respectively.

NOTE 8 RELATED PARTY TRANSACTIONS

Shared Services Agreements

The Organization and TRH maintain several agreements where the Organization performs certain services for TRH. For the years ending December 31, 2019 and 2018, the Organization received approximately $693,000 and $1,495,000, respectively, and had a current receivable of approximately $1,046,000 and $183,000, respectively, from TRH for services performed.

The Organization utilizes certain TRH services and personnel. For the years ending December 31, 2019 and 2018 the Organization reimbursed TRH approximately $2,016,000 and $2,070,000, respectively, for those services. Included in accounts payable at December 31, 2019 and 2018 are approximately $292,000 and $330,000, respectively, which represents amounts owed to TRH.

The Organization utilizes certain LifeLinks services and personnel. For the years ending December 31, 2019 and 2018 the Organization reimbursed LifeLinks approximately $300,000 and $247,000, respectively, for those services. Included in accounts payable at December 31, 2019 and 2018 are approximately $7,900 and $7,800, respectively, which represents amounts owed to LifeLinks.

Rental Agreements

TRH rents space from the Organization in two locations. The Organization received approximately $59,000 and $64,000, respectively, in rental income during years ending December 31, 2019 and 2018.

NOTE 8 RELATED PARTY TRANSACTIONS (CONTINUED)

Other Long-Term Liability

TRH deposited funds with the Organization which were used by the Organization to obtain a letter of credit, the TRH portion of which is $-0- and $308,000 at December 31, 2019 and 2018. The letter of credit acts as a guarantee of payment to certain third parties providing worker's compensation insurance coverage in accordance with specified terms and conditions. The letter of credit is secured by the assignment of certificates of deposit, held by the Organization, at December 31, 2019 and 2018. This amount is due to TRH and is presented as another long-term liability as there is no current plan for repayment to TRH and the deposit is restricted.

In addition, TRH deposited funds with the Organization which were used by the Organization as a security deposit, the TRH portion of which is $171,000 at December 31, 2019 and 2018. This deposit acts as a guarantee of payment to certain third parties providing worker's compensation insurance coverage through a captive insurance agreement, in accordance with specified terms and conditions. This amount is due to TRH and is presented as another long-term liability as there is no current plan for repayment to TRH and the deposit is restricted.

NOTE 9 RETIREMENT PLAN

The Organization has a defined contribution pension plan. For the years ended December 31, 2019 and 2018 the Organization made contributions to the plan of approximately $1,034,000 and $1,156,000, respectively. The plan is available to any full-time or part-time employee after a half year of employment. For eligible participating employees who have completed one year of service, the Organization matches up to 4% of their salary.

NOTE 10 ELECTRONIC HEALTH RECORD INCENTIVE PROGRAM

The Electronic Health Record (EHR) incentive program was enacted as part of the American Recovery and Reinvestment Act of 2009 (ARRA) and the Health Information Technology for Economic and Clinical Health (HITECH) Act. These Acts provided for incentive payments under both the Medicare and Medicaid programs to eligible hospital and providers that demonstrate meaningful use of certified EHR technology. The incentive payments are made based on a statutory formula and are contingent on the Organization continuing to meet the escalating meaningful use criteria. For the first payment year, the Organization must attest, subject to an audit, they have adopted, implemented, or upgraded certified EHR technology used in achieving meeting the meaningful use criteria.

For the subsequent payment year, the Organization must demonstrate meaningful use for the entire year. The incentive payments are generally made over a six-year period.

The Organization received incentive payments of approximately $655,000 and $748,000 for the years ended December 31, 2019 and 2018, respectively, which are included in other operating revenues.

NOTE 11 SELF-FUNDED HEALTH INSURANCE PLAN

The Organization maintains a self-funded health insurance plan that is administered by a third-party administrator who recommends current funding under the plan. At December 31, 2019 and 2018, the Organization has estimated a liability of approximately $574,000 and $306,000 for incurred but unreported claims included in accrued wages and benefits on the accompanying statement of financial position, respectively. The Organization has recognized approximately $4,370,000 and $4,564,000 in total employer health insurance expenses for the years ended December 31, 2019 and 2018, respectively.

NOTE 12 FUNCTIONAL EXPENSES

The Organization provides health care services to residents within its geographic location. Expenses related to providing these services by functional class for the years ended December 31, 2019 and 2018 are estimated to be:

2019

	Program Services					
	Medical Care and Behavioral Health	Dental Care	Other Community Based Programs	Total Program Services	Management and General	Total
Salaries and Wages	$ 29,565,107	$ 1,299,211	$ 2,230,408	$ 33,094,726	$ 4,525,987	$ 37,620,713
Employee Benefits	6,852,736	99,459	386,083	7,338,278	1,252,018	8,590,296
Contracted Services	2,033,234	135,517	5,297,028	7,465,779	4,335,399	11,801,178
Supplies	2,786,726	236,111	2,313,083	5,335,920	126,239	5,462,159
Travel	50,345	134	111,296	161,775	313,765	475,540
Other	187,817	3,557	8,562	199,936	231,820	431,756
Depreciation and Amortization	4,164	111,017	1,782,902	1,898,083	-	1,898,083
Interest	-	-	149,602	149,602	99,360	248,962
Total	$ 41,480,129	$ 1,885,006	$ 12,278,964	$ 55,644,099	$ 10,884,588	$ 66,528,687

2018

	Program Services					
	Medical Care and Behavioral Health	Dental Care	Other Community Based Programs	Total Program Services	Management and General	Total
Salaries and Wages	$ 31,068,286	$ 1,477,305	$ 2,094,721	$ 34,640,312	$ 4,139,509	$ 38,779,821
Employee Benefits	7,075,331	111,630	536,990	7,723,951	1,307,644	9,031,595
Contracted Services	1,615,636	80,803	5,514,864	7,211,303	4,625,033	11,836,336
Supplies	2,678,653	263,360	633,344	3,575,357	785,894	4,361,251
Travel	45,302	280	106,986	152,568	302,649	455,217
Other	215,120	-	6,087	221,207	136,004	357,211
Depreciation and Amortization	6,201	114,529	1,793,042	1,913,772	-	1,913,772
Interest	-	-	160,000	160,000	106,801	266,801
Total	$ 42,704,529	$ 2,047,907	$ 10,846,034	$ 55,598,470	$ 11,403,534	$ 67,002,004

NOTE 13 SIGNIFICANT CONCENTRATIONS AND CREDIT RISK

Government Funding

Over 70% and 76% of the Organization's revenues for the years ending December 31, 2019 and 2018, respectively, were generated from either government sponsored health programs or government funded grant programs. The programs are dependent upon continued funding from these government agencies and the legislative acts that impact the programs.

Net Patient Receivables

The Organization 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 payers at December 31, 2019 and 2018, is:

	2019	2018
Medicare	17 %	10 %
Medicaid	40	59
Self Pay	16	15
Other Third-Party Payers	27	16
Total	100 %	100 %

FDIC Coverage

The Organization maintains cash balances at several financial institutions. FDIC insurance coverage is $250,000 for all accounts at a financial institution. At times, cash balances may have been in excess of insured limits.

NOTE 14 COMMITMENTS AND CONTINGENCIES

Medical Malpractice Insurance Coverage and Claims

The Organization is covered under the provision of the Federal Tort Claims Act (FTCA) for malpractice. The FTCA is a government-funded program which allows community health centers and other qualified providers to be covered for malpractice.

Grants

The Organization has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a review or audit by the grantor may become a liability of the Organization. Such amounts will be recognized in the period they become known.

Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. This coverage has not changed significantly from the previous year. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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, 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 Organization 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.

Litigation

The Organization is involved in various legal actions in the normal course of business. The actions are in various stages of processing, and some may ultimately be brought to trial. In the opinion of management, adequate provision has been made for amounts expected to be paid under the policy's deductible limits for unasserted claims not covered by the policy and any other uninsured liability.

NOTE 15 CAPTIVE INSURANCE ARRANGEMENTS

Churchill Casualty

The Organization has workers' compensation, general liability, and auto insurance through Churchill Casualty, LTD., domiciled in the Cayman Islands. As a subscriber to Churchill Casualty, the Organization has funds on deposit in a subscriber account of approximately $343,000 and $137,000 at December 31, 2019 and 2018, respectively. In addition, the Organization has approximately $305,000 and $304,000 reserved as collateral for this plan as of December 31, 2019 and 2018, respectively. The amounts in the subscriber account and reserve for collateral are included in assets limited as to use on the statement of financial position. Capital contributions of $36,000 are recorded as an investment at December 31, 2019 and 2018 using the cost basis and are also included in assets limited as to use on the statement of financial position.

Churchill Casualty is responsible for the first $400,000 per claim and the reinsurer is responsible for amounts over $400,000 up to $1,000,000 per claim and $25,000,000 in the aggregate. Depending on loss history and adequacy of capital, Churchill Casualty may, but is not obligated to, return a portion of premiums paid. Conversely, the Organization may be called upon to contribute additional funds to its subscriber account to maintain adequate capital in Churchill Casualty.

NOTE 15 CAPTIVE INSURANCE ARRANGEMENTS (CONTINUED)

Everest Property Insurance Company

The Organization has commercial property insurance, which is effective January 1, 2019, through Everest Property Insurance Company, domiciled in the Cayman Islands. A capital contribution of $3,000 is recorded as an investment at December 31, 2019, using the cost basis and are included in assets limited as to use on the statement of financial position. Everest may, but is not obligated to, return a portion of premiums paid.

NOTE 16 INVESTMENT IN LIMITED LIABILITY COMPANIES

The Organization owns 49% interest in 5525 W Diversey MM, LLC, which is the managing member of 5525 W Diversey Manor Apartments LLC, an Illinois limited liability company. The purpose of the company is to provide decent, safe, and affordable housing for low-income persons. 5525 W Diversey MM, LLC owns a 0.01% interest in Diversey Manor Apartments LLC. In connection with the construction, development, and operations of this project, the Organization has undertaken the following obligations:

- Development Completion Guaranty – The Organization has guaranteed the completion of the project in substantial accordance with the plans and with terms, conditions, and provisions of the construction loan and operating agreement, on or before the construction completion date and lead-up in accordance with the projections.
- Operating Deficit Guaranty – The Organization agrees to advance funds in the form of a loan(s) as necessary to pay any operating deficits of the project that may occur during the operating deficit guaranty period.

The Organization owns 49% interest in 2031-37 N. Milwaukee MM, LLC, which is the managing member of 2031-37 North Milwaukee LLC, an Illinois limited liability company. The purpose of the company is to provide decent, safe, and affordable housing for low-income persons. 2031-37 N. Milwaukee MM, LLC owns a 0.01% interest in 2031-37 North Milwaukee LLC. In connection with the construction, development, and operations of this project, the Organization has undertaken the following obligations:

- Obligation to Complete Construction – The Organization has guaranteed the completion of the project in substantial accordance with the loan documents and the project documents on or before the completion date.
- Operating Deficit Contributions – The Organization agrees to advance funds in the form of a loan(s) as necessary to pay any operating deficits of the project for a period of time as specified in the operating agreement.
- Obligation to Purchase Interest of Investor Member – The Organization is obligated to purchase the Investor Member's Interest plus interest and expenses if the project is not placed into service by December 31, 2019, or if the project does not meet any other target dates as set forth in the agreement.

CliftonLarsonAllen LLP
CLAconnect.com

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
Southern Illinois Healthcare Foundation, Inc.
Sauget, 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 financial statements of Southern Illinois Healthcare Foundation, Inc., (the Organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 27, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Louis, Missouri
April 27, 2020

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Southern Illinois Healthcare Foundation, Inc.
Sauget, Illinois

Report on Compliance for Each Major Federal Program

We have audited the Southern Illinois Healthcare Foundation, Inc.'s, (the Organization), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2019. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of audit findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Board of Directors
Southern Illinois Healthcare Foundation, Inc.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Louis, Missouri
April 27, 2020

SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

SECTION I SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: *Modified*

Internal control over financial reporting:

- Material weakness(es) identified? _______yes __X__ no
- Significant deficiency(ies) identified not considered to be material weakness(es)? _______yes __X__ none reported

Noncompliance material to financial statements noted? ______ yes __X__ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ______yes __X__ no
- Significant deficiency(ies) identified not considered to be material weakness(es)? ______ yes __X__ none reported

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ______yes __X__ no

Identification of Major Federal Programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.224	Consolidated Health Centers

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? ______ yes ___X_no

SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

SECTION II FINANCIAL STATEMENT FINDINGS

NO FINDINGS IN THE CURRENT YEAR

SECTION III FEDERAL AWARD FINDINGS

NO FINDINGS IN THE CURRENT YEAR

SOUTHERN ILLINOIS HEALTHCARE FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Programs:				
Consolidated Health Centers	93.224	H80CS00195	$ -	$ 15,564,168
Consolidated Health Centers-SUD	93.224		-	154,114
Consolidated Health Centers-AIMS	93.224		-	9,927
Subtotal CFDA 93.224			-	15,728,209
Rural Communities Opioid Response Planning	93.912	G25RH33004	-	56,565
Eliminating Disparities in Perinatal Health (Healthy Start Initiative)	93.926	14H49MC00049	22,988	210,085
Eliminating Disparities in Perinatal Health (Healthy Start Initiative)	93.926	14H49MC00049	42,305	642,913
Subtotal CFDA 93.926			65,293	852,998
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	14H76HA00579	9,558	178,891
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	14H76HA00579	-	270,129
Subtotal CFDA 93.918			9,558	449,020
Cooperative Agreement to Support Navigators in Federally-Facilitated and State Partnership Exchanges	93.332	NAVCA0227A	-	84,031
Pass-through programs from:				
IL Public Health Association:				
Regional Implementation Grant	93.944	14-140-05	-	82,139
St. Clair County Health Department:				
Ryan White Part B Case Management	93.917	75780031E	-	37,745
Ryan White Part B Case Management	93.917	75780031E	-	100,541
Ryan White Part B Food Vouchers	93.917	75780031E	-	7,010
Ryan White Part B Food Vouchers	93.917	75780031E	-	20,586
Ryan White Part B Social Work Conference	93.917	75780031E	-	3,383
Subtotal CFDA 93.917			-	169,265
Total Federal Awards			$ 74,851	$ 17,422,227

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

This schedule includes the federal grant activity of Southern Illinois Healthcare Foundation, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, Cost Principles for Non-Profit Organizations, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Organization has not elected to use the 10% de minimis cost rate as allowed under the Uniform Guidance.