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January 30, 2018

VIA FEDERAL EXPRESS

Courtney Avery
Illinois Health Facilities & Services
Review Board
525 W. Jefferson Street
2nd Floor
Springfield, IL 62761

Re: **Audit #13-011**

Dear Ms. Avery:

Enclosed is the audit required with respect to the above referenced project. The project completion date was 11/30/2017 and the final cost report was submitted on October 19, 2017. Thank you.

Very truly yours,

Clare E. Connor

Clare E. Connor

Enclosure
cc: Mike Constantine
Ann Sherline
DM_US 88527107-1.037442.0118

Presence Saint Joseph Hospital – Chicago

Schedule of Project Cost and Sources of Funds for Project No. 13-011
Period from May 14, 2013 (date of certificate of need permit approval) to July 20, 2017

RSM

RSM US LLP

Independent Auditor's Report

To the Board of Directors
Presence Saint Joseph Hospital – Chicago
Chicago, Illinois

Report on the Schedule

We have audited the accompanying Schedule of Project Cost and Sources of Funds for Project No. 13-011 (the "Schedule") of Presence Saint Joseph Hospital – Chicago (the "Hospital") for the period from May 14, 2013 (date of certificate of need permit approval) to July 20, 2017, and the related notes to the Schedule.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of the Schedule in accordance with the terms of the Illinois Health Facilities Planning Act 20 ILCS 3960 and Title 77 Illinois Administrative Code Part 1130.770, "Project Completion, Final Realized Costs and Cost Overruns," as described in Note 2; this includes determining the basis of accounting is an acceptable basis for the preparation of the Schedule in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, 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 Schedule 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 Schedule.

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

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Opinion
In our opinion, the Schedule referred to above presents fairly, in all material respects, the project cost and sources of funds for Project No. 13-011 of Presence Saint Joseph Hospital – Chicago for the period from May 14, 2013 (date of certificate of need permit approval) to July 20, 2017, in accordance with terms of the basis of accounting described in Note 2.

Basis of Presentation
We draw attention to Note 2 to the Schedule, which describes that the Schedule was prepared for the purpose of complying with the terms of the Illinois Health Facilities Planning Act 20 ILCS 3960 and Title 77 Illinois Administrative Code 1130.770, "Project Completion, Final Realized Costs and Cost Overruns," which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

RSM US LLP

Chicago, Illinois
January 26, 2018

Presence Health – Presence Saint Joseph Hospital

Schedule of Project Cost and Sources of Funds for Project No. 13-011

Period from May 14, 2013 (date of certificate of need permit approval) to July 20, 2017

Description of Costs	Approved Permit Amount	Actual	Variance
Preplanning Costs	$ 1,159,500	$ 628,211	$ 531,289
Site Survey and Soil Investigation	18,000	552,261	(534,261)
Site Preparation	85,000	633,021	(548,021)
Off Site Work	-	-	-
New Construction Contracts	84,165,540	96,360,138	(12,194,598)
Modernization Contracts	11,095,944	12,809,059	(1,713,115)
Contingencies	6,045,860	-	6,045,860
Architectural/Engineering Fees	5,275,137	6,848,609	(1,573,472)
Consulting and Other Fees	3,191,454	4,659,222	(1,467,768)
Movable and Other Equipment	34,406,072	20,086,701	14,319,371
Bond Issuance Expense	-	-	-
Net Interest Expense During Construction	9,569,625	4,597,721	4,971,904
Fair Market Value of Leased Space or Equipment	-	-	-
Other Costs to be Capitalized	1,944,000	2,715,337	(771,337)
Acquisition of Building or Other Property	-	-	-
Total Project Cost	$ 156,956,132	$ 149,890,280	$ 7,065,852
Cash - Presence Health	$ 45,356,132	$ 36,001,467	$ 9,354,665
Cash - Hammes	25,700,000	32,305,827	(6,605,827)
Mortgage - Hammes	85,900,000	81,582,986	4,317,014
Total Sources of Funds	$ 156,956,132	$ 149,890,280	$ 7,065,852

See notes to Schedule of Project Cost and Sources of Funds for Project No. 13-011.

Presence Health – Presence Saint Joseph Hospital

Notes to Schedule of Project Cost and Sources of Funds for Project No. 13-011

Period from May 14, 2013 (date of certificate of need permit approval) to July 20, 2017

Note 1. Description of Project

Presence Saint Joseph Hospital – Chicago (the "Hospital") is a not-for-profit acute care hospital providing inpatient and outpatient services to residents of the Lincoln Park, Lakeview, Uptown, North Center, Avondale neighborhoods and surrounding areas located on the near north lake shore of Chicago, Illinois. The Hospital is a member of the Presence Health Network.

The Illinois Health Facilities and Services Review Board (HFSRB) approved Project #13-011 (the "Project") on March 24, 2013, and issued a permit in the amount of $156,956,132 to the Hospital with an anticipated completion date of November 30, 2016. On April 26, 2016, a permit renewal was granted until November 30, 2017, and a notice of project completion was issued July 20, 2017.

The Project consists of the construction of a nine-story building adjacent and connected by a bridge to the Hospital and the renovation of selected areas with the existing hospital structure. The first floor of the new building includes oncology services, retail space and public space; the second through fourth floors consist of a parking garage; the fifth through sixth floors will house hospital outpatient services; and the seventh through ninth floors will be developed as medical offices.

A special purpose entity formed and owned by Hammes Company Healthcare Real Estates Services LLC leases the ground from the Hospital and will own, develop, finance and manage the building.

Note 2. Basis of Presentation

The Schedule was prepared for the purpose of complying with the terms of the Illinois Health Facilities Planning Act 20 ILCS 3960 and Title 77 Illinois Administrative Code 1130.770 "Project Completion, Final Realized Costs and Cost Overruns," and is not intended to be a complete presentation of Presence Health – Presence Saint Joseph Hospital's sources and uses of funds, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, the Schedule is not intended to be a complete presentation of the Hospital's sources and uses of funds in conformity with accounting principles generally accepted in the United States of America.

The Schedule is presented on the accrual basis of accounting. The amounts presented in the Schedule only relate to Project No.13-011.

Note 3. Subsequent Events

Management of the Hospital has evaluated subsequent events through January 26, 2018, which is the date the Schedule was available to be issued, for possible measurement and/or disclosure effects on the Schedule.