

March 1, 2016

Mr. George Roate
Illinois Health Facilities and Services Review Board
525 W Jefferson Street 2nd floor
Springfield, IL 62761

RECEIVED

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HEALTH FACILITIES &
SERVICES REVIEW BOARD

Re: Certificate of Need Project #16-003
Endoscopy Ambulatory Surgical Treatment Center
1415 S. Arlington Heights Road
Arlington Heights

Dear Mr Roate

In response to your request, I have attached a presentation of financial viability ratios for the proposed project. The analysis incorporates financial information on NWG Partners.

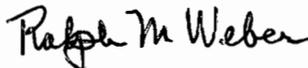
There are three organizational entities related to the physician involvement in the project: NWG Partners, NWG Investments, and Northwest Endo Center, LLC. Northwest Endo Center, LLC is the proposed licensee and operating entity; it is the joint venture with Northwest Community Healthcare. It and NWG Investments were recently formed in December, 2015. Both entities have no financial history to report in support of the project.

As a result, the financial ratio analysis uses information on NWG Partners. NWG Partners owns the real estate for the proposed ASTC, and has the line of credit to support the physician participation in the joint venture. The members of NWG Partners also include many of the physicians who expect to be involved in the joint venture. As a result, its financial performance is a good representation of the funding and operational strength behind the physician participation in the project. A set of ratio projections for NWG Investments is included for year 2018; some of the ratios cannot be calculated because NWG Investments will have no debt.

In addition to the summary ratio analysis, a more detailed table is attached, showing financial data from NWG Partners' recent years financial statements and the formulas used in the methodologies to compute the ratios. Also attached is the NWG Partners financial statement for 2014. 2015 is not yet final; the nine month financial statement through September 30 was included in the permit application.

If you have any questions, please contact me.

Sincerely,



Ralph Weber
847-791-0830

Att: Summary Financial Viability Ratios
Supporting worksheet / methodology
NWG Partners Financial Statement, 2014

Cc: Mitchell Bernsen, MD

Dorene Savage

Jim Donenberg, Warady & Davis, LLP

Brad Buxton, Vice President, Strategy & Business Development, NCH

FINANCIAL RATIOS

Definition	NWG Partners					Standard	Projected NWG Investments 2018	Standard
	Historical			Projected				
	2012	2013	2014	2015	2018			
RATIOS								
<u>Current Ratio</u> Current Assets/Current Liabilities	2.20	0.91 *	2.08	2.77	6.21	>1.5	2.07	>1.5
<u>Net Margin Percentage</u> Net Income/Net Operating Rev x 100	50.10	44.26	54.91	58.54	56.79	>3.5	41.68	>3.5
<u>Long Term Debt to Capitalization</u> Long Term Debt/(LT Debt plus Net Assets) x 100	62.80%	62.81%	57.45%	54.23%	65.62% **	<80%	0.00%	<80%
<u>Projected Debt Service Coverage</u> (Net Inc + Depr + Int + Amort.) / (Principal Pmts + Int)	2.10	1.94 *	1.93	2.82	3.26	>1.75	No Debt	**** >1.75
<u>Days Cash on Hand</u> (Cash + Investments + Board Desig Fds) / (Operating Exp less Depr)/365 days	652	582	729	638	1,224	>45 days	366.01	>45 days
<u>Cushion Ratio</u> (Cash + Investments + Board Desig Fds) / (Prin Pmts + Int Exp)	1.08	1.13 *	1.14 *	1.46	3.09 ****	>3.0	No Debt	**** >3.0

* Due to buy-out of partner over 18 mo's.

** LT Debt ratio highest in year 1; decreases every year thereafter

*** Increase due to change in principal amortization from 20 years to 25 years as of 7/15/15 refinance

**** No Projected Long Term Debt for NWG Investments

FINANCIAL RATIOS

	NWG Partners				Standard	Projected NWG Investments 2018	Standard
	Historical		Projected				
	2012	2013	2014	2015			
RATIOS							
Current Ratio							
Current Assets	161,125	172,348	170,126	163,792	367,369	487,771	
Current Liabilities	73,200	189,025 *	81,600 *	59,172	59,172	235,883	
	2.20	0.91 *	2.08	2.77	6.21	2.07	>1.5
Net Margin Percentage							
Net Income	161,596	142,751	193,213	206,306	239,883	421,712	
Net Operating Revenue x 100	322,536	322,537	351,852	352,440	422,398	1,011,837	
Net Income/Net Operating Rev x 100	50.10	44.26	54.91	58.54	56.79	41.68	>3.5
Long Term Debt to Capitalization							
Long Term Debt	1,258,100	1,177,700	1,094,300	1,060,061	1,923,945	0	
Net Assets	745,356	697,361	810,577	894,541	1,008,102	922,477	
Long Term Debt/(LT Debt plus Net Assets) x 100	62.80%	62.81%	57.45%	54.23%	65.62% **	0.00%	<80%
Projected Debt Service Coverage							
Net Income	161,596	142,751	142,751	206,306	239,883	421,712	
Depreciation	71,619	72,675	73,469	52,461	72,974	103,694	
Interest	76,821	75,022	69,662	55,471	71,339	0	
Amortization	1,856	1,894	1,917	1,561	3,122	5,000	
Principal Payments	71,400	75,600	79,800	56,667	47,360	0	
(Net Inc + Depr + Int + Amort) / (Principal Pmts + Int)	2.10	1.94 *	1.93 *	2.82 ***	3.26 ****	No Debt	>1.75
Days Cash on Hand							
Cash	159,560	170,783	170,126	163,792	367,369	487,771	
Investments	-	-	-	-	-	0	
Board Designated Funds	-	-	-	-	-	0	
Operating Expense	160,940	179,786	158,639	146,134	182,515	590,125	
Depreciation	71,619	72,675	73,469	52,461	72,974	103,694	
(Cash + Investments + Board Desig Fds) / (Operating Exp less Depr)/365 days	652	582	729	638	1,224	366.01	>45 days
Cushion Ratio							
Cash	159,560	170,783	170,126	163,792	367,369	487,771	
Investments	-	-	-	-	-	0	
Board Designated Funds	-	-	-	-	-	0	
Principal Payments	71,400	75,600	79,800	56,667	47,360	0	
Interest Expense	76,821	75,022	69,662	55,471	71,339	0	
(Cash + Investments + Board Desig Fds) / (Prin Pmts + Int Exp)	1.08	1.13 *	1.14 *	1.46 ****	3.09 ****	No Debt	>3.0

* Due to buy-out of partner over 18 mo's.

** LT Debt ratio highest in year 1; decreases every year thereafter

*** Increase due to change in principal amortization from 20 years to 25 years as of 7/15/15 refinace

**** No Projected Long Term Debt for NWG Investments

NWG PARTNERS, L.L.C.
FINANCIAL STATEMENTS
DECEMBER 31, 2014

NWG Partners, L.L.C.

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Capital
- SCHEDULE B-1 - Schedule of Operating Expenses

Warady & Davis LLP
1717 Deerfield Rd Ste 300S
Deerfield, IL 60015

ACCOUNTANTS' COMPILATION REPORT

March 24, 2015

To the Management of
NWG Partners, L.L.C.
Arlington Heights, IL 60005

We have compiled the accompanying statement of assets, liabilities, and members' capital of NWG Partners, L.L.C. as of December 31, 2014, and the related statement of revenues and expenses for the twelve months then ended December 31, 2014, all on the modified cash basis. We have not audited or reviewed the accompanying financial statement, and accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the modified cash basis of accounting.

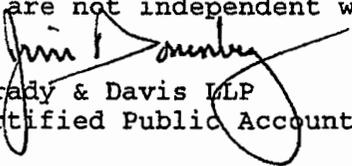
Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared in accordance with the modified cash basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's assets, liabilities, capital, revenues, and expenses. Accordingly, the financial statements are not designed for those who are not informed about such matters.

The supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information had been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information and, accordingly, do not express an opinion or provide any assurance on such supplementary information.

We are not independent with respect to NWG Partners, L.L.C.


Warady & Davis LLP
Certified Public Accountants

NWG Partners, L.L.C.
Statement of Assets, Liabilities and Members' Capital-Modified Cash Basis
December 31, 2014

ASSETS

Current Assets:		
Cash	\$ 170,126	
Total Current Assets		\$ 170,126
Property and Equipment:		
Land	137,018	
Building	1,323,888	
Land Improvements	143,661	
Leasehold Improvements	1,183,268	
Furniture & Fixtures	143,807	
Equipment-Disabled Access	6,180	
Total Property and Equipment	2,937,822	
Less: Accumulated Depreciation	(1,169,118)	
Net Property and Equipment		1,768,704
Other Assets:		
Organization Costs	8,642	
Amort of Organization Costs	(8,543)	
Construction Period Interest	73,614	
Amort of Constr. Period Int.	(26,066)	
Total Other Assets		47,647
Total Assets		<u>\$ 1,986,477</u>

LIABILITIES AND MEMBERS' CAPITAL

Current Liabilities:		
Note Payable-Current Portion	\$ 81,600	
Total Current Liabilities		\$ 81,600
Long-Term Debt:		
Note Payable-Mortgage Fifth Third	1,175,900	
Less Current Portion N/P	(81,600)	
Total Long-Term Debt		1,094,300
Members' Capital		810,577
Total Liabilities and Members' Capital		<u>\$ 1,986,477</u>

NWG Partners, L.L.C.
Statement of Revenues and Expenses -Modified Cash Basis

	12 Months Ended	
	<u>Dec. 31, 2014</u>	<u>Pct</u>
Income:		
Rental Income	<u>\$ 351,852</u>	<u>100.0</u>
Total Income	351,852	100.0
Less:		
Operating Expenses	<u>158,639</u>	<u>45.1</u>
Total Expenses	<u>158,639</u>	<u>45.1</u>
Net Income	<u>\$ 193,213</u>	<u>54.9</u>

SUPPLEMENTARY INFORMATION

NWG Partners, L.L.C.
 Schedule of Changes in Members' Capital - Modified Cash Basis
 December 2014

Member	David Sales	Jerrold Schwartz	Loren White	Bruce Greenberg	Mitchell Bernsen	Total
BEGINNING CAPITAL @ 01/01/2014	<u>\$139,473</u>	<u>\$139,472</u>	<u>\$139,473</u>	<u>\$139,473</u>	<u>\$139,473</u>	<u>\$697,364</u>
Income:						
Income through 12/31/2014	\$38,643	\$38,643	\$38,643	\$38,642	\$38,642	\$193,213
Total Income	<u>\$38,643</u>	<u>\$38,643</u>	<u>\$38,643</u>	<u>\$38,642</u>	<u>\$38,642</u>	<u>\$193,213</u>
Less Drawings:						
Cash	(\$16,000)	(\$16,000)	(\$16,000)	(\$16,000)	(\$16,000)	(\$80,000)
Total Drawings	<u>(\$16,000)</u>	<u>(\$16,000)</u>	<u>(\$16,000)</u>	<u>(\$16,000)</u>	<u>(\$16,000)</u>	<u>(\$80,000)</u>
ENDING CAPITAL @12/31/2014	<u>\$162,116</u>	<u>\$162,115</u>	<u>\$162,116</u>	<u>\$162,115</u>	<u>\$162,115</u>	<u>\$810,577</u>

See Accountant's Compilation Report
 Warady Davis LLP

SCHEDULE B-1

NWG Partners, L.L.C.
Schedule of Operating Expenses - Modified Cash Basis

	12 Months Ended	
	<u>Dec. 31, 2014</u>	<u>Pct</u>
Operating Expenses:		
Amortization	\$ 1,917	0.5
Bank Charges	121	0.0
Depreciation	73,469	20.9
Insurance - General	5,274	1.5
Interest Expense	69,662	19.8
Professional Fees	7,946	2.3
Taxes - Franchise	250	0.1
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Total Operating Expenses	<u>\$ 158,639</u>	<u>45.1</u>