Franciscan HEALTH
Olympia Fields

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HEALTH FACILITIES &
SERVICES REVIEW BOARD

July 29, 2019

Mr. M. Constantino
Illinois Health Facilities and Services Review Board
525 W. Jefferson Street
Springfield, IL 62760

Re: CON Audit Report for Project No. 16-005 Franciscan St. James Health – Olympia Fields

Dear Mr. Constantino:

In accordance with our phone discussion of last week, attached please find our completed **CON Audit Report for Project No. 16-005 Franciscan St. James Health – Olympia Fields,** as required.

As we discussed, the report – prepared by independent auditors RSM – will also be delivered to your attention by end of business day today, Monday, Jul 29-2019.

Please let me know if you have any questions.

Thank you again for your patience and for all you do.

Respectfully,

Joe Demont – MS, MBA, CPA, FACHE, FHFMA
Interim Chief Financial Officer | Franciscan Health – Olympia Fields

Franciscan Alliance, Inc.

Schedule of Project Costs and Sources of Funds for Project No. 16-005 Franciscan St. James Health-Olympia Fields
Period from March 29, 2016 (date of certificate of need permit approval) to April 30, 2019

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Independent Auditor's Report

Board of Directors
Franciscan Alliance

Report on the Schedule
We have audited the accompanying Schedule of Project Costs and Sources of Funds for Project No. 16-005 (the Schedule) Franciscan St. James Health-Olympia Fields for the period from March 29, 2016 (date of certificate of need permit approval) to April 30, 2019, 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.

RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International.

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. 16-005 of Franciscan St. James Health-Olympia Fields for the period from March 29, 2016 (date of certificate of need permit approval) to April 30, 2019, 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
July 26, 2019

Franciscan St. James Health-Olympia Fields

Schedule of Project Costs and Sources of Funds for Project No. 16-005

Period from March 29, 2016 (date of certificate of need permit approval) to April 30, 2019

Description of Costs	Approved Permit Amount	Actual	Variance
Preplanning Costs	$ 1,590,000	$ -	$ 1,590,000
Site Survey and Soil Investigation	25,000	-	25,000
Site Preparation	1,800,000	-	1,800,000
Off Site Work	2,800,000	-	2,800,000
Construction (New, Modernization and Contingencies)	91,353,594	100,889,184	(9,535,590)
Architectural/Engineering Fees	5,990,000	5,913,097	76,903
Consulting and Other Fees	1,000,000	-	1,000,000
Movable and Other Equipment	15,473,268	10,346,537	5,126,731
Bond Issuance Expense	150,000	-	150,000
Net Interest Expense During Construction	1,650,000	4,320,606	(2,670,606)
Total Project Costs	$ 121,831,862	$ 121,469,424	$ 362,438
Cash and Securities	$ 106,831,862	$ 121,469,424	$ (14,637,562)
Bond Issues	15,000,000	-	15,000,000
Total Sources of Funds	$ 121,831,862	$ 121,469,424	$ 362,438

See notes to Schedule of Project Costs and Sources of Funds for Project No. 16-005.

Franciscan St. James Health-Olympia Fields

Notes to Schedule of Project Costs and Sources of Funds for Project No. 16-005

Period from March 29, 2016 (date of certificate of need permit approval) to April 30, 2019

Note 1. Description of Project

The Illinois Health Facilities and Services Review Board (HFSRB) approved Project No. 16-005 Franciscan St. James Health-Olympia Fields (the Project) on March 29, 2016, and issued a permit in the amount of $114,602,559 to Franciscan Alliance, Inc. with an anticipated completion date of October 31, 2018. On October 30, 2018, HFRSB approved a permit extension to April 30, 2019. On July 8, 2016, HFSRB approved a permit alteration request to increase the total project costs to $121,597,906. On March 14, 2017, HFSRB approved an additional alteration request to further increase the total project costs to $121,831,862. The Project was completed on April 30, 2019.

The Project consists of modernization of emergency and surgery departments, and the expansion of Franciscan St. James Health-Olympia Fields (the Hospital) required to accommodate Franciscan St. James Health-Chicago Heights' traditional inpatient and outpatient activity as that facility has closed. The expansion includes an increase in medical surgical and intensive care beds, and the establishment of obstetrics and comprehensive physical rehabilitation services.

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 the 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. 16-005.

Note 3. Subsequent Events

Management of the Hospital has evaluated subsequent events through July 26, 2019, which is the date the Schedule was available to be issued, for possible measurement and/or disclosure effects on the Schedule.