ORIGINAL

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

17-021

RECEIVED

MAY 02 2017

HEALTH FACILITIES & SERVICES REVIEW BOARD

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name:	AMITA Health Woodridge Medical Clinics Building		
Street Address:	2363 63RD Street		
City and Zip Code:	Woodridge, IL 60517		
County: Cook	Health Service Area: VII		Health Planning Area: A-11

Applicant(s) [Provide for each applicant (refer to Part 1130.220)]

Exact Legal Name:	Alexian Brothers-AHS Midwest Region Health Co. d/b/a AMITA Health
Street Address:	3040 West Salt Creek Road
City and Zip Code:	Arlington Heights, IL 60005
Name of Registered Agent:	C T Corporation System
Registered Agent Street Address:	208 S. La Salle Street, Suite 814
Registered Agent City and Zip Code:	Chicago, IL 60604
Name of Chief Executive Officer:	Mark A. Frey
CEO Street Address:	3040 West Salt Creek Road
CEO City and Zip Code:	Arlington Heights, IL 60005
CEO Telephone Number:	847/815-5100

Type of Ownership of Applicants

X	Non-profit Corporation	☐	Partnership		
☐	For-profit Corporation	☐	Governmental		
☐	Limited Liability Company	☐	Sole Proprietorship	☐	Other

- Corporations and limited liability companies must provide an **Illinois certificate of good standing.**
- Partnerships must provide the name of the state in which they are organized and the name and address of each partner specifying whether each is a general or limited partner.

APPEND DOCUMENTATION AS ATTACHMENT 1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Primary Contact [Person to receive ALL correspondence or inquiries]

Name:	Jacob M. Axel
Title:	President
Company Name:	Axel & Associates, Inc.
Address:	675 North Court, Suite 210 Palatine, IL 60067
Telephone Number:	847/776-7101
E-mail Address:	jacobmaxel@msn.com
Fax Number:	847/776-7004

Additional Contact [Person who is also authorized to discuss the application for permit]

Name:	Ms. Peg Wendell
Title:	Sr. Vice President and General Counsel
Company Name:	AMITA Health
Address:	3040 West Salt Creek Road Arlington Heights, IL 60005
Telephone Number:	847/815-5100
E-mail Address:	peg.wendell@amitahealth.org
Fax Number:	

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City and Zip Code:	Woodridge, IL 60517		
County: Cook	Health Service Area: VII		Health Planning Area: A-11

Applicant(s) [Provide for each applicant (refer to Part 1130.220)]

Exact Legal Name:	Adventist Midwest Health
Street Address:	120 North Oak Street
City and Zip Code:	Hinsdale, IL 60525
Name of Registered Agent:	C T Corporation System
Registered Agent Street Address:	208 S. La Salle Street, Suite 814
Registered Agent City and Zip Code:	Chicago, IL 60604
Name of Chief Executive Officer:	Michael J Goebel
CEO Street Address:	120 North Oak Street
CEO City and Zip Code:	Hinsdale, IL 60525
CEO Telephone Number:	630/856-9000

Type of Ownership of Applicants

X Non-profit Corporation ☐ Partnership
☐ For-profit Corporation ☐ Governmental
☐ Limited Liability Company ☐ Sole Proprietorship ☐ Other

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City and Zip Code:	Woodridge, IL 60517		
County: Cook	Health Service Area: VII		Health Planning Area: A-11

Applicant(s) [Provide for each applicant (refer to Part 1130.220)]

Exact Legal Name:	Adventist Health System Sunbelt Healthcare Corporation
Street Address:	900 Hope Way
City and Zip Code:	Altamonte Springs, FL 32714
Name of Registered Agent:	C T Corporation System
Registered Agent Street Address:	208 S. La Salle Street, Suite 814
Registered Agent City and Zip Code:	Chicago, IL 60604
Name of Chief Executive Officer:	Mr. Terry Shaw
CEO Street Address:	900 Hope Way
CEO City and Zip Code:	Altamonte Springs, FL 32714
CEO Telephone Number:	407/357-1000

Type of Ownership of Applicants

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- ☐ For-profit Corporation
- ☐ Limited Liability Company
- ☐ Partnership
- ☐ Governmental
- ☐ Sole Proprietorship
- ☐ Other

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Street Address:	900 Hope Way
City and Zip Code:	Altamonte Springs, FL 32714
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Company Name:	AMITA Health
Address:	3040 West Salt Creek Road Arlington Heights, IL 60005
Telephone Number:	847/815-5100
E-mail Address:	peg.wendell@amitahealth.org
Fax Number:	

Post Permit Contact

[Person to receive all correspondence subsequent to permit issuance-**THIS PERSON MUST BE EMPLOYED BY THE LICENSED HEALTH CARE FACILITY AS DEFINED AT 20 ILCS 3960]**

Name:	Ms. Peg Wendell
Title:	Sr. Vice President and General Counsel
Company Name:	AMITA Health
Address:	3040 West Salt Creek Road Arlington Heights, IL 60005
Telephone Number:	847/815-5100
E-mail Address:	peg.wendell@amitahealth.org
Fax Number:	

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: 63rd Street Woodridge, LLC
Address of Site Owner: 8939 N. Lincoln Avenue Chicago, IL 60614
Street Address or Legal Description of the Site: **Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statements, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease, or a lease.**
APPEND DOCUMENTATION AS ATTACHMENT 2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Operating Identity/Licensee

[Provide this information for each applicable facility and insert after this page.]

Exact Legal Name:	AMITA Health
Address:	3040 West Salt Creek Road Arlington Heights, IL 60005

X Non-profit Corporation ☐ Partnership
☐ For-profit Corporation ☐ Governmental
☐ Limited Liability Company ☐ Sole Proprietorship ☐ Other

- Corporations and limited liability companies must provide an Illinois Certificate of Good Standing.
- Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.
- **Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.**

APPEND DOCUMENTATION AS ATTACHMENT 3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Organizational Relationships

Provide (for each applicant) an organizational chart containing the name and relationship of any person or entity who is related (as defined in Part 1130.140). If the related person or entity is participating in the development or funding of the project, describe the interest and the amount and type of any financial contribution.

APPEND DOCUMENTATION AS ATTACHMENT 4, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Flood Plain Requirements

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2006-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements, please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at www.FEMA.gov or www.illinoisfloodmaps.org. **This map must be in a readable format**. In addition, please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #2006-5 **(http://www.hfsrb.illinois.gov)**.
APPEND DOCUMENTATION AS ATTACHMENT 5, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

Provide documentation regarding compliance with the requirements of the Historic Resources Preservation Act.
APPEND DOCUMENTATION AS ATTACHMENT 6, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

DESCRIPTION OF PROJECT

1. Project Classification

[Check those applicable - refer to Part 1110.40 and Part 1120.20(b)]

Part 1110 Classification:

☐ Substantive

X Non-substantive

2. Narrative Description

In the space below, provide a brief narrative description of the project. Explain **WHAT** is to be done in **State Board defined terms**, **NOT WHY** it is being done. If the project site does NOT have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive.

The applicants propose to develop a medical clinics building ("MCB") through the leasing and renovation of a former grocery store, located at 2363 63rd Street in Woodridge, Illinois. The MCB will include physicians' offices, an immediate care center, limited imaging services, a specimen collection area, and assorted public and support areas. It is anticipated that 14-16 physicians will initially be officed in the MCB, providing the following specialties: OB/Gyn, family medicine, occupational health, cardiology and gastroenterology.

The proposed project is reviewable due to the associated capital costs, and in classified as "non-substantive" because services will be provided only to outpatients, and no IDPH-designated "category of service" will be provided.

PROJECT COST AND SOURCES OF FUNDS

	Reviewable	Non-Reviewable	Total
Project Cost:			
Preplanning Costs	$ 32,951	$ 243,753	$ 276,704
Site Survey and Soil Investigation			
Site Preparation	$ 50,000	$ 150,000	$ 200,000
Off Site Work			
New Construction Contracts			
Modernization Contracts	$ 2,383,260	$ 7,810,785	$ 10,194,045
Contingencies	$ 145,860	$ 510,270	$ 656,130
Architectural/Engineering Fees	$ 177,038	$ 582,474	$ 759,512
Consulting and Other Fees	$ 350,000	$ 150,000	$ 500,000
Movable and Other Equipment (not in construction contracts)	$ 5,185,012	$ 1,123,892	$ 6,308,904
Net Interest Expense During Construction Period			
Fair Market Value of Leased Space or Equipment	$ 1,936,207	$ 7,942,399	$ 9,878,606
Other Costs to be Capitalized			
Acquisition of Building or Other Property			
TOTAL USES OF FUNDS	**$ 10,260,328**	**$ 18,513,573**	**$ 28,773,901**
Sources of Funds:			
Cash and Securities	$ 8,324,121	$ 10,571,174	$ 18,895,295
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)	$ 1,936,207	$ 7,942,399	$ 9,878,606
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	**$ 10,260,328**	**$ 18,513,573**	**$ 28,773,901**

Related Project Costs

Provide the following information, as applicable, with respect to any land related to the project that will be or has been acquired during the last two calendar years:

Land acquisition is related to project ☐ Yes X No
Purchase Price: $________________
Fair Market Value: $________________

The project involves the establishment of a new facility or a new category of service
☐ Yes X No

If yes, provide the dollar amount of all **non-capitalized** operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.

Estimated start-up costs and operating deficit cost is $ ______________.

Project Status and Completion Schedules

For facilities in which prior permits have been issued please provide the permit numbers.

Indicate the stage of the project's architectural drawings:

☐ None or not applicable ☐ Preliminary

X Schematics ☐ Final Working

Anticipated project completion date (refer to Part 1130.140): ____January 31, 2019__________

Indicate the following with respect to project expenditures or to financial commitments (refer to Part 1130.140):

☐ Purchase orders, leases or contracts pertaining to the project have been executed.
☐ Financial commitment is contingent upon permit issuance. Provide a copy of the contingent "certification of financial commitment" document, highlighting any language related to CON Contingencies
X Financial Commitment will occur after permit issuance.

APPEND DOCUMENTATION AS ATTACHMENT 8, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

State Agency Submittals [Section 1130.620(c)]

Are the following submittals up to date as applicable:
X Cancer Registry
X APORS
X All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
X All reports regarding outstanding permits
Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.

Cost Space Requirements

Provide in the following format, the **Departmental Gross Square Feet (DGSF)** or the **Building Gross Square Feet (BGSF)** and cost. The type of gross square footage either **DGSF** or **BGSF** must be identified. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

		Gross Square Feet		**Amount of Proposed Total Gross Square Feet That Is:**			
Dept. / Area	**Cost**	**Existing**	**Proposed**	**New Const.**	**Modernized**	**As Is**	**Vacated Space**
REVIEWABLE							
Medical Surgical							
Intensive Care							
Diagnostic Radiology							
MRI							
Total Clinical							
NON REVIEWABLE							
Administrative							
Parking							
Gift Shop							
Total Non-clinical							
TOTAL							

APPEND DOCUMENTATION AS ATTACHMENT 9, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Facility Bed Capacity and Utilization

not applicable

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert the chart after this page. Provide the existing bed capacity and utilization data for the latest **Calendar Year for which data is available. Include observation days in the patient day totals for each bed service.** Any bed capacity discrepancy from the Inventory will result in the application being deemed **incomplete**.

FACILITY NAME:			**CITY:**		
REPORTING PERIOD DATES:		**From:**		**to:**	
Category of Service	**Authorized Beds**	**Admissions**	**Patient Days**	**Bed Changes**	**Proposed Beds**
Medical/Surgical					
Obstetrics					
Pediatrics					
Intensive Care					
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness					
Neonatal Intensive Care					
General Long Term Care					
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify)					
TOTALS:					

CERTIFICATION

The Application must be signed by the authorized representatives of the applicant entity. Authorized representatives are:

- in the case of a corporation, any two of its officers or members of its Board of Directors;
- in the case of a limited liability company, any two of its managers or members (or the sole manager or member when two or more managers or members do not exist);
- in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- in the case of a sole proprietor, the individual that is the proprietor.

This Application is filed on the behalf of _Alexian Brothers-AHS Midwest Region Health Co. d/b/a AMITA Health_ *in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this Application on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the fee required for this application is sent herewith or will be paid upon request.

SIGNATURE

Mark A. Frey
PRINTED NAME

President/CEO
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 18 day of April, 2017

Signature of Notary

Seal

DONNA GAUTHIER
OFFICIAL SEAL
Notary Public, State of Illinois
My Commission Expires
June 17, 2018

SIGNATURE

Paul E Bater
PRINTED NAME

SVP/CFO
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 18 day of April, 2017

Signature of Notary

Seal

COLETTE L HAZEK
OFFICIAL SEAL
Notary Public, State of Illinois
My Commission Expires
August 08, 2019

*Insert the EXACT legal name of the applicant

CERTIFICATION

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This Application is filed on the behalf of _Adventist Midwest Health_*in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this Application on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the fee required for this application is sent herewith or will be paid upon request.

Mark A. Frey
SIGNATURE

MARK A. FREY
PRINTED NAME

ASST. SECRETARY
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 26th day of April 2017

Signature of Notary

Seal

MARGARET J WENDELL
OFFICIAL SEAL
Notary Public, State of Illinois
My Commission Expires
September 05, 2018

SIGNATURE

G. Thor Thordarson
PRINTED NAME

President
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 26th day of April 2017

Signature of Notary

Seal

MARGARET J WENDELL
OFFICIAL SEAL
Notary Public, State of Illinois
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September 05, 2018

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Lynn C. Addiscott
SIGNATURE

LYNN C. ADDISCOTT
PRINTED NAME

ASSISTANT SECRETARY
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 26 day of April, 2017

Sarah Sneath
Signature of Notary

Seal SARAH SNEATH
MY COMMISSION # FF 204153
EXPIRES: June 26, 2019
Bonded Thru Notary Public Underwriters

Michael E Saunders
SIGNATURE

Michael E Saunders
PRINTED NAME

Assistant Secretary
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 26 day of April, 2017

Sarah Sneath
Signature of Notary

Seal SARAH SNEATH
MY COMMISSION # FF 204153
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Lynn C Addiscott	Michael E. Saunders
SIGNATURE	SIGNATURE
LYNN C. ADDISCOTT	Michael E. Saunders
PRINTED NAME	PRINTED NAME
ASSISTANT SECRETARY	Assistant Secretary
PRINTED TITLE	PRINTED TITLE
Notarization: Subscribed and sworn to before me this 26 day of April, 2017	Notarization: Subscribed and sworn to before me this 26 day of April, 2017
Sarah Sneath	Sarah Sneath
Signature of Notary	Signature of Notary
Seal SARAH SNEATH MY COMMISSION # FF 204153 EXPIRES: June 26, 2019 Bonded Thru Notary Public Underwriters	Seal SARAH SNEATH MY COMMISSION # FF 204153 EXPIRES: June 26, 2019 Bonded Thru Notary Public Underwriters

*Insert the EXACT legal name of the applicant

SECTION III. BACKGROUND, PURPOSE OF THE PROJECT, AND ALTERNATIVES - INFORMATION REQUIREMENTS

This Section is applicable to all projects except those that are solely for discontinuation with no project costs.

Background

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.

2. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application.

3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. **Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**

4. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest that the information was previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

APPEND DOCUMENTATION AS ATTACHMENT 11, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-4) MUST BE IDENTIFIED IN ATTACHMENT 11.

Criterion 1110.230 – Purpose of the Project, and Alternatives

PURPOSE OF PROJECT

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.

2. Define the planning area or market area, or other relevant area, per the applicant's definition.

3. Identify the existing problems or issues that need to be addressed as applicable and appropriate for the project.

4. Cite the sources of the documentation.

5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.

6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals **as appropriate**.

For projects involving modernization, describe the conditions being upgraded, if any. For facility projects, include statements of the age and condition of the project site, as well as regulatory citations, if any. For equipment being replaced, include repair and maintenance records.

NOTE: Information regarding the "Purpose of the Project" will be included in the State Board Staff Report.

APPEND DOCUMENTATION AS ATTACHMENT 12, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-6) MUST BE IDENTIFIED IN ATTACHMENT 12.

ALTERNATIVES

1) Identify **ALL** of the alternatives to the proposed project:

Alternative options **must** include:

A) Proposing a project of greater or lesser scope and cost;

B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;

C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and

D) Provide the reasons why the chosen alternative was selected.

2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of total costs, patient access, quality and financial benefits in both the short-term (within one to three years after project completion) and long-term. This may vary by project or situation. **FOR EVERY ALTERNATIVE IDENTIFIED, THE TOTAL PROJECT COST AND THE REASONS WHY THE ALTERNATIVE WAS REJECTED MUST BE PROVIDED.**

3) The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

APPEND DOCUMENTATION AS ATTACHMENT 13, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IV. PROJECT SCOPE, UTILIZATION, AND UNFINISHED/SHELL SPACE

Criterion 1110.234 - Project Scope, Utilization, and Unfinished/Shell Space

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

1. Document that the amount of physical space proposed for the proposed project is necessary and not excessive. **This must be a narrative and it shall include the basis used for determining the space and the methodology applied.**

2. If the gross square footage exceeds the BGSF/DGSF standards in Appendix B, justify the discrepancy by documenting one of the following:

   a. Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies and certified by the facility's Medical Director.

   b. The existing facility's physical configuration has constraints or impediments and requires an architectural design that delineates the constraints or impediments.

   c. The project involves the conversion of existing space that results in excess square footage.

   d. Additional space is mandated by governmental or certification agency requirements that were not in existence when Appendix B standards were adopted.

Provide a narrative for any discrepancies from the State Standard. A table must be provided in the following format with Attachment 14.

SIZE OF PROJECT				
DEPARTMENT/SERVICE	PROPOSED BGSF/DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?

APPEND DOCUMENTATION AS ATTACHMENT 14, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

PROJECT SERVICES UTILIZATION:

This criterion is applicable only to projects or portions of projects that involve services, functions or equipment for which HFSRB has established utilization standards or occupancy targets in 77 Ill. Adm. Code 1100.

Document that in the second year of operation, the annual utilization of the service or equipment shall meet or exceed the utilization standards specified in 1110.Appendix B. **A narrative of the rationale that supports the projections must be provided.**

A table must be provided in the following format with Attachment 15.

UTILIZATION					
	DEPT./ SERVICE	HISTORICAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC.	PROJECTED UTILIZATION	STATE STANDARD	MEET STANDARD?
YEAR 1					
YEAR 2					

APPEND DOCUMENTATION AS ATTACHMENT 15, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

UNFINISHED OR SHELL SPACE:

not applicable, no shell space

Provide the following information:

1. Total gross square footage (GSF) of the proposed shell space.

2. The anticipated use of the shell space, specifying the proposed GSF to be allocated to each department, area or function.

3. Evidence that the shell space is being constructed due to:
   a. Requirements of governmental or certification agencies; or
   b. Experienced increases in the historical occupancy or utilization of those areas proposed to occupy the shell space.

4. Provide:
   a. Historical utilization for the area for the latest five-year period for which data is available; and
   b. Based upon the average annual percentage increase for that period, projections of future utilization of the area through the anticipated date when the shell space will be placed into operation.

APPEND DOCUMENTATION AS <u>ATTACHMENT 16,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

ASSURANCES:

not applicable, no shell space

Submit the following:

1. Verification that the applicant will submit to HFSRB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at the time or the categories of service involved.

2. The estimated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted; and

3. The anticipated date when the shell space will be completed and placed into operation.

APPEND DOCUMENTATION AS <u>ATTACHMENT 17,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

M. Criterion 1110.3030 - Clinical Service Areas Other than Categories of Service

1. Applicants proposing to establish, expand and/or modernize Clinical Service Areas Other than categories of service must submit the following information:

2. Indicate changes by Service: Indicate # of key room changes by action(s):

Service	# Existing Key Rooms	# Proposed Key Rooms
☐		
☐		
☐		

3. READ the applicable review criteria outlined below and **submit the required documentation for the criteria:**

Project Type	Required Review Criteria
New Services or Facility or Equipment	(c) – Need Determination – Establishment
Service Modernization	(d)(1) – Deteriorated Facilities
	AND/OR
	(d)(2) – Necessary Expansion
	PLUS
	(d)(3)(A) – Utilization – Major Medical Equipment
	OR
	(d)(3)(B) – Utilization – Service or Facility

APPEND DOCUMENTATION AS ATTACHMENT 31, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

The following Sections DO NOT need to be addressed by the applicants or co-applicants responsible for funding or guaranteeing the funding of the project if the applicant has a bond rating of A- or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18-month period prior to the submittal of the application):

- **Section 1120.120 Availability of Funds – Review Criteria**
- **Section 1120.130 Financial Viability – Review Criteria**
- **Section 1120.140 Economic Feasibility – Review Criteria, subsection (a)**

VII. 1120.120 - AVAILABILITY OF FUNDS

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable **[Indicate the dollar amount to be provided from the following sources]:**

$18,904,243_	a) Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
________	b) Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
________	c) Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
________	d) Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including: 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment; 5) For any option to lease, a copy of the option, including all terms and conditions.
________	e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;

________	f)	Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
$9,878,606_	g)	All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project. **FMV of leased space**
$28,742,849	**TOTAL FUNDS AVAILABLE**	

APPEND DOCUMENTATION AS ATTACHMENT 34, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION VIII. 1120.130 - FINANCIAL VIABILITY

All the applicants and co-applicants shall be identified, specifying their roles in the project funding or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

Financial Viability Waiver

bond rating provided

The applicant is not required to submit financial viability ratios if:

1. "A" Bond rating or better
2. All of the projects capital expenditures are completely funded through internal sources
3. The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent
4. The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.

See Section 1120.130 Financial Waiver for information to be provided

APPEND DOCUMENTATION AS ATTACHMENT 35, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which **audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion.** When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards.

	Historical 3 Years			Projected
Enter Historical and/or Projected Years:				
Current Ratio				
Net Margin Percentage				
Percent Debt to Total Capitalization				
Projected Debt Service Coverage				
Days Cash on Hand				
Cushion Ratio				

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each.

Variance

Applicants not in compliance with any of the viability ratios shall document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.

APPEND DOCUMENTATION AS ATTACHMENT 36, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IX. 1120.140 - ECONOMIC FEASIBILITY

This section is applicable to all projects subject to Part 1120.

A. Reasonableness of Financing Arrangements

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or

2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:

   A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or

   B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

B. Conditions of Debt Financing

not applicable, no debt to be used

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

1) That the selected form of debt financing for the project will be at the lowest net cost available;

2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;

3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

1. Identify each department or area impacted by the proposed project and provide a cost and square footage allocation for new construction and/or modernization using the following format (insert after this page).

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
	A	B	C	D	E	F	G	H	
Department (list below)	Cost/Square Foot New	Mod.	Gross Sq. Ft. New	Circ.*	Gross Sq. Ft. Mod.	Circ.*	Const. $ (A x C)	Mod. $ (B x E)	Total Cost (G + H)
Contingency									
TOTALS									

* Include the percentage (%) of space for circulation

D. Projected Operating Costs

not applicable due to nature of project

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

E. Total Effect of the Project on Capital Costs

not applicable due to nature of project

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

APPEND DOCUMENTATION AS ATTACHMENT 37, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION X. SAFETY NET IMPACT STATEMENT

SAFETY NET IMPACT STATEMENT that describes all of the following must be submitted for ALL SUBSTANTIVE PROJECTS AND PROJECTS TO DISCONTINUE STATE-OWNED HEALTH CARE FACILITIES [20 ILCS 3960/5.4]:

1. The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.

2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.

3. How the discontinuation of a facility or service might impact the remaining safety net providers in a given community, if reasonably known by the applicant.

Safety Net Impact Statements shall also include all of the following:

1. For the 3 fiscal years prior to the application, a certification describing the amount of charity care provided by the applicant. The amount calculated by hospital applicants shall be in accordance with the reporting requirements for charity care reporting in the Illinois Community Benefits Act. Non-hospital applicants shall report charity care, at cost, in accordance with an appropriate methodology specified by the Board.

2. For the 3 fiscal years prior to the application, a certification of the amount of care provided to Medicaid patients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding "Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.

3. Any information the applicant believes is directly relevant to safety net services, including information regarding teaching, research, and any other service.

A table in the following format must be provided as part of Attachment 40.

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	**Year**	**Year**	**Year**
Inpatient			
Outpatient			
Total			
Charity (cost In dollars)			
Inpatient			
Outpatient			
Total			
MEDICAID			
Medicaid (# of patients)	**Year**	**Year**	**Year**
Inpatient			
Outpatient			
Total			
Medicaid (revenue)			
Inpatient			
Outpatient			
Total			

APPEND DOCUMENTATION AS ATTACHMENT 38, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION XI. CHARITY CARE INFORMATION

Charity Care information MUST be furnished for ALL projects [1120.20(c)].

1. All applicants and co-applicants shall indicate the amount of charity care for the latest three **audited** fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.

2. If the applicant owns or operates one or more facilities, the reporting shall be for each individual facility located in Illinois. If charity care costs are reported on a consolidated basis, the applicant shall provide documentation as to the cost of charity care; the ratio of that charity care to the net patient revenue for the consolidated financial statement; the allocation of charity care costs; and the ratio of charity care cost to net patient revenue for the facility under review.

3. If the applicant is not an existing facility, it shall submit the facility's projected patient mix by payer source, anticipated charity care expense and projected ratio of charity care to net patient revenue by the end of its second year of operation.

Charity care" means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third-party payer (20 ILCS 3960/3). Charity Care must be provided at cost.

A table in the following format must be provided for all facilities as part of Attachment 41.

St. Alexius Medical Center

CHARITY CARE			
	2014	**2015**	**2016**
Net Patient Revenue	**$334,206,800**	**$319,890,000**	**$353,094,000**
Amount of Charity Care (charges)*	$50,669,454	$27,143,649	$30,717,841
Cost of Charity Care	$10,551,000	$5,444,000	$5,569,686

APPEND DOCUMENTATION AS ATTACHMENT 39, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Alexian Brothers Medical Center

CHARITY CARE			
	2014	**2015**	**2016**
Net Patient Revenue	**$430,346,881**	**$437,427,000**	**$457,480,000**
Amount of Charity Care (charges)*	$45,145,248	$23,820,931	$26,603,784
Cost of Charity Care	$9,480,000	$4,657,000	$5,166,051

Alexian Brothers Behavioral Health Hospital

CHARITY CARE			
	2014	**2015**	**2016**
Net Patient Revenue	**$65,513,515**	**$70,510,000**	**$76,916,399**
Amount of Charity Care (charges)*	$1,021,287	$1,977,048	$1,804,729
Cost of Charity Care	$363,750	$716,000	$646,317

Adventist Bolingbrook Hospital

CHARITY CARE			
	2014	2015	2016
Net Patient Revenue	**$122,770,019**	**$127,514,483**	**$139,118,131**
Amount of Charity Care (charges)	$10,804,017	$8,285,425	$7,158,798
Cost of Charity Care	$2,314,070	$1,666,539	$1,483,641

Adventist GlenOaks Hospital

CHARITY CARE			
	2014	2015	2016
Net Patient Revenue	**$87,030,421**	**$86,962,317**	**$91,470,724**
Amount of Charity Care (charges)	$9,382,108	$6,807,836	$6,783,953
Cost of Charity Care	$2,558,867	$1,899,807	$1,854,074

Adventist Hinsdale Hospital

CHARITY CARE			
	2014	2015	2016
Net Patient Revenue	**$294,213,713**	**$289,729,872**	**$300,654,866**
Amount of Charity Care (charges)	$6,544,128	$6,365,048	$6,288,869
Cost of Charity Care	$1,483,318	$1,124,380	$1,042,632

Adventist La Grange Memorial Hospital

CHARITY CARE			
	2014	2015	2016
Net Patient Revenue	**$159,501,217**	**$169,493,466**	**$168,305,071**
Amount of Charity Care (charges)	$9,083,505	$5,867,986	$6,375,574
Cost of Charity Care	$1,773,951	$1,286,807	$1,327,600

*YE June 30

File Number 6964-462-7

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

ALEXIAN BROTHERS-AHS MIDWEST REGION HEALTH CO., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON SEPTEMBER 26, 2014, ADOPTED THE ASSUMED NAME AMITA HEALTH ON APRIL 14, 2015, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 31ST *day of* MARCH *A.D.* 2017 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Authentication #: 1709001842 verifiable until 03/31/2018
Authenticate at: http://www.cyberdriveillinois.com

Jesse White
SECRETARY OF STATE

ATTACHMENT 1

File Number 0940-715-4

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

ADVENTIST MIDWEST HEALTH, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON NOVEMBER 01, 1904, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 31ST *day of* MARCH *A.D.* 2017 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Authentication #: 1709001806 verifiable until 03/31/2018
Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

ATTACHMENT 1

File Number 5938-879-7

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

ADVENTIST HEALTH SYSTEM/SUNBELT, INC., INCORPORATED IN FLORIDA AND LICENSED TO CONDUCT AFFAIRS IN THIS STATE ON APRIL 28, 1997, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS A FOREIGN CORPORATION IN GOOD STANDING AND AUTHORIZED TO CONDUCT AFFAIRS IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 31ST *day of* MARCH *A.D.* 2017 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Authentication #: 1709001826 verifiable until 03/31/2018
Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

ATTACHMENT 1

File Number 5938-890-8

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

ADVENTIST HEALTH SYSTEM SUNBELT HEALTHCARE CORPORATION, INCORPORATED IN FLORIDA AND LICENSED TO CONDUCT AFFAIRS IN THIS STATE ON APRIL 28, 1997, AND MUST CONDUCT ALL AFFAIRS IN THIS STATE UNDER THE ASSUMED NAME OF ADVENTIST HEALTH SYSTEM, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS A FOREIGN CORPORATION IN GOOD STANDING AND AUTHORIZED TO CONDUCT AFFAIRS IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 31ST *day of* MARCH *A.D.* 2017 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Authentication #: 1709001810 verifiable until 03/31/2018
Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

ATTACHMENT 1

February 7, 2017

Mr. Dick Spinell
Principal/Managing Broker
Mid-America Asset Management
[via email]

RE:
2363 63rd Street, Woodridge, IL – Letter of Intent

Dear Dick:

Newmark Grubb Knight Frank Inc., on behalf of Confidential National Client ("Tenant"), is pleased to present the following Letter of Intent ("LOI") to 63rd Street Woodridge, LLC ("Landlord").

PROPERTY:	The building and accompanying property at 2363 63rd Street, Woodridge, IL ("Property").
OWNERSHIP:	63rd Street Woodridge, LLC.
PREMISES:	65,613 rentable square feet ("Premises").
LEASE TERM:	The initial term will expire on December 31, 2027.
COMMENCEMENT DATE:	The lease shall commence on July 1, 2017.
POSSESSION DATE:	After an opportunity to reasonably inspect the Premises and the Property, Tenant will accept the Premises in "as-is, where is" condition subject to the base building conditions required by Landlord to provide as further set forth in this LOI.
TENANT/GUARANTEE:	Need parent company guarantee. Subject to financial review and approval.
RENTAL RATE:	$13.75 per rentable square foot, NNN.

RENTAL RATE ESCALATION: Rental Rate shall escalate at two percent (2%) per annum. Rental Rate will commence on January 1, 2018.

RENTAL ABATEMENT: PROPERTY TAX & OPERATING EXPENSES: Tenant shall pay 100% of property taxes and operating expenses from the date of Commencement Date. Taxes are estimated at $3.55 psf for 2017 subject to change. Common Area Maintenance and insurance charges are estimated at $4.00 psf for 2017, subject to change.

LANDLORD COSTS: Please define which Property utilities, maintenance, security, and janitorial costs are paid by Landlord: None.

BASE BUILDING CONDITIONS: Landlord agrees to deliver Premises to Tenant in as-is condition with the following exceptions:

- Landlord agrees to install a roof overlay no later than June 30, 2017 providing 5" of total insulation, an R-25 value, and a 20-year warranty.

- Landlord, at its sole cost shall professionally remove all of the existing Furniture, Fixtures, and Equipment ("FF&E") from the Premises prior to Landlord's Beneficial Occupancy. This includes (but is not limited to) specialty built freezer space and specialty refrigeration equipment. Landlord will also cap or remove grease traps.

STRUCTURAL/ LATENT DEFECTS: Landlord, at its sole cost, shall be 100% responsible for repairs of any and all structural and latent defects in the Building and Property over the entire lease term and all renewal periods.

TENANT IMPROVEMENT ALLOWANCE: Landlord agrees to Provide Tenant with a Tenant Improvement Allowance ("TIA") equal to twenty-five dollars ($25.00) per rentable square foot. Tenant shall be able to use TIA for all hard and soft costs associated with its tenancy at Property, and all unused TIA, if any, shall be applied to Tenant as a credit against rent first becoming due.

PARKING: Please see site plan attached.

SIGNAGE RIGHTS: Landlord agrees to fully support Tenant in its pursuit of maximizing all Building exterior mounted signage identity to the

RENEWAL OPTIONS:

extent allowable by local ordinance. Tenant shall have signage rights to the 2.5 foot lower portion of the Property pylon sign set forth on the attached OEA.

ASSIGNMENT/ SUBLETTING:

Tenant shall have three (3) consecutive five (5) years options to renew its lease at, 2% annual increases, with twelve (12) months of prior written notice to Landlord.

Tenant shall require the following, throughout its tenancy at the Property:

- The right, without Landlord's approval, to sublet or assign its Premises (or any part thereof) to any successor of Tenant resulting for a merger, consolidation, sale or acquisition or to any entity affiliated with Tenant;

- The right to sublet or assign the Premises (or any part thereof) to a third party, with Landlord's prior consent, which consent shall not be unreasonably or arbitrarily withheld, denied, or delayed; and

- The right to retain one hundred percent (100%) of any profits resulting from a sublet or assignment.

SECURITY DEPOSIT:

All Renewal Options shall remain with the lease upon a sublet or assignment.

ENCUMBRANCES:

Tenant shall not be required to provide a security deposit or prepaid rent. Subject to financials.

ADA / CODE COMPLIANCE:

Landlord warrants that there are no rights or options which any other party may have to the Premises being offered, other than the existing ground lease and terminable Dominick's lease.

ENVIRONMENTAL:

All costs associated with bringing the Property, Building, and Premises into full compliance with all ADA and other code compliances will be at the sole cost of Tenant.

ZONING:

Landlord represents and warrants that there are no contaminants or environmental hazards on the Property or in the Building or Premises. All costs and liabilities associated with

RESTORATION:

the remedy of any such Environmental condition shall be the sole cost of Landlord.

Lease is subject to confirming that zoning and the OEA allows for medical use at this Property.

Tenant shall not be required to restore the Premises to its original condition or remove its wiring/cabling or any of its buildout at the expiration or early termination of its lease term(s). Tenant will be responsible for removing its trade fixtures at lease expiration or early termination of its lease term(s).

BROKERAGE DISCLOSURE:

Landlord agrees to pay Tenant's exclusive real estate broker, Newmark Grubb Knight Frank Inc., a real estate commission pursuant to a separate written agreement.

NON-DISTURBANCE:

Landlord will provide Tenant with an acceptable non-disturbance agreement from the existing lender and any future lenders of the Property.

CONFIDENTIALITY:

This Letter of Intent and all discussions related thereto shall be held in confidence by Landlord and Tenant, and shall not be discussed with third parties. In the course of performing its obligations under this Letter of Intent, each party may obtain non-public, confidential or proprietary information of the other party ("Confidential Information"). Each party agrees that it (i) shall hold Confidential Information, including the terms of this Letter of Intent and discussions related thereto, in confidence and shall not disclose the other party's Confidential Information in any manner whatsoever without the other party's prior written consent. Confidential Information shall not include information which: (i) is in the public domain or is publicly available at the time it is disclosed by a party, (ii) is known to a party at the time it is disclosed and was not acquired directly or indirectly from personnel of the other party or is lawfully obtained from a third party not in breach of obligation of confidentiality, or (iii) becomes part of the public domain or is publicly available after disclosure to a party by publication or otherwise, other than through such party's actions or fault.

Notwithstanding the provision above, the recipient party may disclose Confidential Information to its affiliates, representatives, employees, contractors, financial advisors and legal counsel to the extent such persons need to know such information to assist the party in performing its obligations, or exercising its rights and remedies, under this Letter of Intent, provided that the recipient party shall direct them to treat such information confidentially, and the recipient party shall be liable for any breach by its representatives of any of the terms of this Letter of Intent.

Upon termination of this Letter of Intent, each party shall promptly, on receipt of written demand from the other party, (i) return to the other party its confidential information in written form provided to the recipient party or on its behalf (and all copies thereof), and (ii) destroy all other Confidential Information of the other party that may exist in the records of the recipient party (whether in written, electronic or other form); provided, however, that the recipient party may retain the other party's Confidential Information for archival purposes only.

This LOI is submitted solely as a basis for negotiation of a mutually acceptable lease and is non-binding, except for the confidentiality provisions set forth herein. It is not an agreement to negotiate for a lease, an offer to enter into a lease, an option to enter into a lease, nor an agreement by Tenant to cease efforts to secure space elsewhere. Any lease shall become effective only upon Tenant's execution and delivery thereof. Tenant reserves the right to modify or withdraw this LOI and to cease further negotiation at Tenant's sole discretion at any time prior to Tenant's execution and delivery of a lease.

If acceptable, please have this LOI signed by the authorized signatory and return to my attention at your earliest opportunity. The terms of this Letter of Intent are valid for a period of five (5) business days from the date above.

Sincerely,

NEWMARK GRUBB KNIGHT FRANK

Theodore S. Prillaman
Senior Managing Director
312.224.3122
tprillaman@ngkf.com

cc: Vincent Mukes

AGREED AND ACCEPTED TO THIS 10 **DAY OF FEBRUARY, 2017.**

LANDLORD: 63rd Stark ~~[illegible]~~ Vorldn LLC

BY: [illegible signature]

TITLE: Manager

ATTACHMENT 2

AMENDMENT TO LETTER OF INTENT

This Amendment to the Letter of Intent is entered into this March 31, 2017 (the "Amendment") by and between Newmark Grubb Frank Inc., on behalf of Confidential National Client ("Tenant"), and 63rd Street Woodridge, LLC ("Landlord").

WHEREAS, Tenant and Landlord entered into a Letter of Intent, dated February 7, 2017 (the "Letter of Intent").

NOW, THEREFORE, in consideration of the above-recitals, the mutual benefits to be derived by the parties, and other good and valuable consideration, the receipt and satisfaction of which are acknowledged, Tenant and Landlord agree to amend the Letter of Intent as follows:

1. Certificate of Need

Landlord and Tenant agree that any Lease will be subject to the Illinois Health Facilities Planning Board's approval of a certificate of need for the Property by October 1, 2017.

Except as set forth in this Amendment, the terms of the Letter of Intent shall remain in full force and effect; provided however, that in the event of a conflict between a term contained in this Amendment and a term contained in the Letter of Intent, the term contained in this Amendment shall prevail.

IN WITNESS WHEREOF, Tenant and Landlord have caused this Amendment to the Letter of Intent to be executed by their duly authorized representatives as of the date first above written.

TENANT

By: Ted Prillaman
Name: Theodore S. Prillaman
Title: Senior Managing Director
Date: 4/3/17

LANDLORD

By:
Name: Bernard Lebken
Title: President
Date: 4/3/17

ATTACHMENT 2

File Number 6964-462-7

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that

ALEXIAN BROTHERS-AHS MIDWEST REGION HEALTH CO., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON SEPTEMBER 26, 2014, ADOPTED THE ASSUMED NAME AMITA HEALTH ON APRIL 14, 2015, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 31ST *day of* MARCH *A.D.* 2017 .

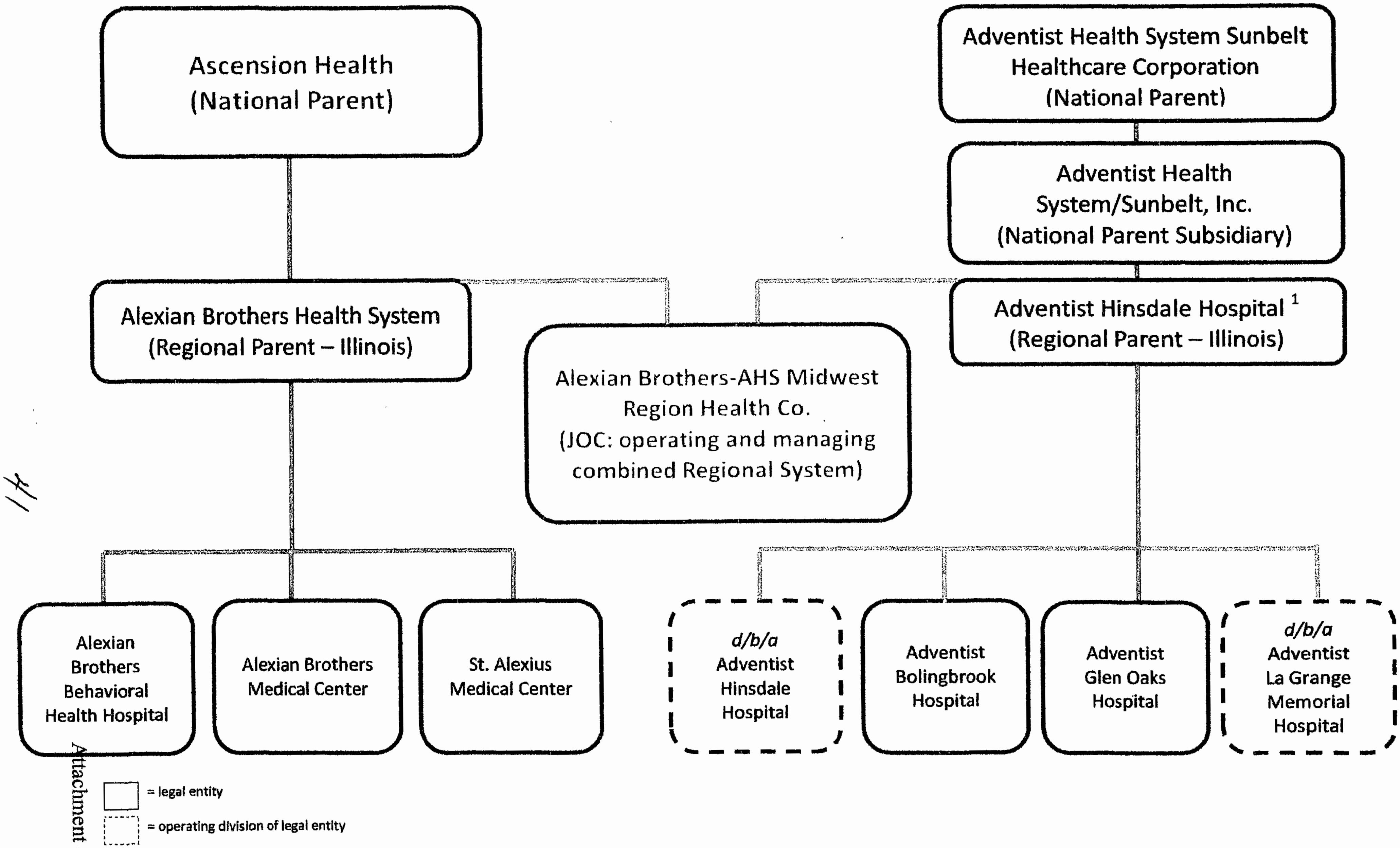
Authentication #: 1709001842 verifiable until 03/31/2018
Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

ATTACHMENT 3

Ascension - Adventist Joint Operating Company



[1] Once regulatory approval is obtained, the legal entity "Adventist Hinsdale Hospital" will change its name to "Adventist Midwest Health" and will establish "Adventist Hinsdale Hospital" and "Adventist La Grange Memorial Hospital" as d/b/a's for the licensed health care facilities it operates.

Attachment 4

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FEMA

Info

Scale 9 DMC 1

Help

Zoom Win | Pan

Zoom In | Zoom Out

1:1 Zoom In | MAX Zoom Out

Follow Instructions

1. Select page size

Letter 8.5x11

Legal 8.5x14

Tabloid 11x17

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Print Area

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Title Block

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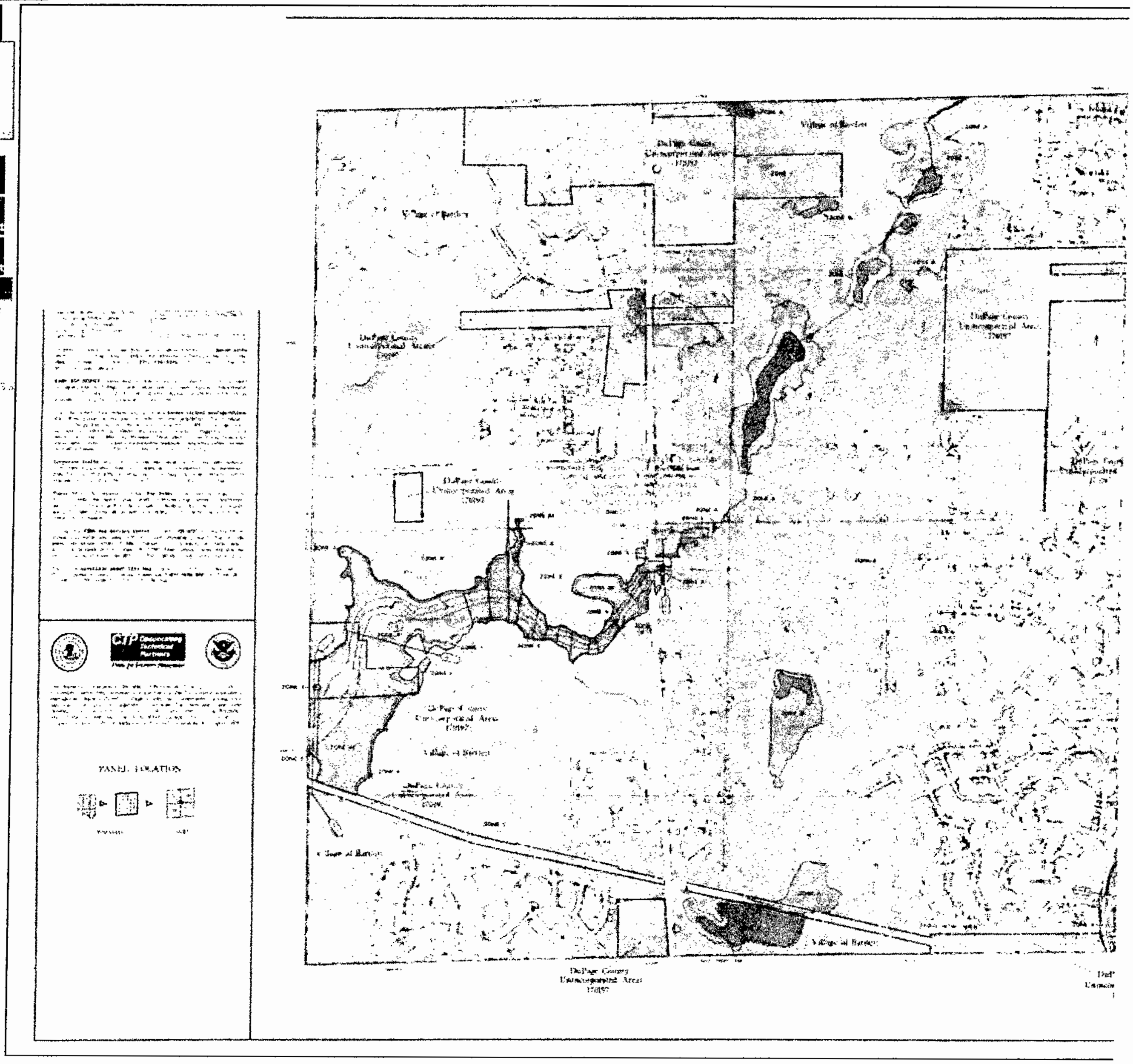

ATTACHMENT 5

42

Axel & Associates, Inc.

MANAGEMENT CONSULTANTS

April 5, 2017

Rachel Leibowitz, Ph.D.
Deputy State Historic Preservation Officer
Illinois Historic Preservation Agency
1 Old State Capitol Plaza
Springfield, IL 62701-1507

RE: AMITA Health Medical Clinics Building-Woodridge
2263 63rd Street
Woodridge, IL 60517

Dear Dr. Liebowitz:

I am in the process of developing a Certificate of Need application, to be filed with the Illinois Health Facilities Services and Review Board, and I am in need of a determination of applicability from your agency.

The project involves the development of a medical clinics building ("MCB") through the renovation of a former grocery store/super market, located within a shopping center that appears to have been developed during the 1980s.

The location is in a generally residential suburban area, and I do not believe there to be any structures of historical significance in the vicinity.

I have enclosed maps of the site and photographs for your review.

A letter from your office, confirming that the Preservation Act is not applicable to this project would be greatly appreciated.

Should you have any questions, I may be reached at the phone number below.

Sincerely,

Jacob M. Axel
President

enclosures (photographs and maps)

675 North Court, Suite 210
Palatine, Illinois 60067
Phone (847) 776-7101
Fax (847) 776-7004

PROJECT COSTS AND SOURCES OF FUNDS

PROJECT COSTS			
Pre-Planning Costs			
Initial Programming	$94,000		
Market Analyses	$75,000		
Site Selection	$40,000		
Misc./Other	$67,704		
		$276,704	
Site Preparation			
Landscaping	$60,000		
ADA-realted	$50,000		
Exterior Signage	$40,000		
Misc./Other	$50,000		
		$200,000	
Modernization/Renovation			
Per ATTACHMENT 39C		$10,194,045	
Renovation Contingency			
Per ATTACHMENT 39C		$656,130	
Architectural & Engineering			
Preliminary Renderings	$20,000		
Design	$400,000		
Regulatory Agency Interation	$25,000		
Interior Design	$75,000		
Project Monitoring	$50,000		
Reimburseables	$50,000		
Misc./Other	$139,512		
		$759,512	
Consulting & Other Fees			
Legal	$75,000		
Zoning-Related	$20,000		
CON-Realted	$40,000		
Reg Approvals, Other	$40,000		
Project Management	$100,000		
Commissioning	$60,000		
Insurance	$70,000		
Equipment Planning	$45,000		
Misc./Other	$50,000		
		$500,000	
Moveable Equipment			
See Attached Inventory		$6,308,904	
FMV of Leased Space		$9,878,606	
TOTAL PROJECT COST			$28,773,901
SOURCES OF FUNDS			
Cash and Securities		$18,895,295	
FMV of Leased Space		$9,878,606	
TOTAL SOURCES OF FUNDS			$28,773,901

EQUIPMENT LIST

AMITA Health-Woodridge	
Equipment Budget	
Date of Last Update:	4-Apr-17
MRI (1 EA)	$1,200,000
CT (1 EA)	$700,000
X-Ray (1 EA)	$168,000
Mammo (1 EA)	$187,600
Ultrasound (1 EA)	$173,424
DEXA (1 EA)	$55,000
Stereotactic Biopsy (1EA)	$271,115
Stress Echo (1 EA)	$100,925
Exam Lights (9 EA)	$15,300
Stress Echo Bed (1 EA)	$11,227
Ultrasound Unetix (1 EA)	$35,000
Medrad Injector (1 EA)	$30,000
AV System	$40,000
US Probe Cleaning	$8,000
Scanning Cart	$8,000
CD Burners	$30,000
Stretchers (8 EA)	$75,933
Crash cart (1 EA)	$3,500
LifePak (1 EA)	$24,000
Blood pressure/SP02/ TEMP (3 EA)	$7,500
Mounted Monitors (4 EA)	$36,000
Blanket warmer (1 EA)	$8,847
IV Cart (2 EA)	$2,400
CV-190 Video processor (2 EA)	$39,900
CLV - Light Source (2 EA)	$22,950
GIF-H190 Exera III Gastroscope (4 EA)	$128,700
CF-HQ190 Exera II Colonoscope (4 EA)	$141,000
PCF-H190DL (Slim colonoscope) (2 EA)	$70,500
HD Monitor LED (2 EA)	$12,825
Standard cart with CO2 (2 EA)	$13,455
LMD HD 19" monitor (2 EA)	$8,160
UCR Endoscopic regulation unit (2 EA)	$9,490
HD Olympus printer (2 EA)	$14,610
OFP Flushing pump (2 EA)	$3,000
Syringe pump (3 EA)	$14,165
Electrosurgical Unit (2 EA)	$39,520
Patient monitors (2 EA)	$18,000
OER-PRO (2 EA)	$48,750
OER Filter (2 EA)	$5,340
MAJ-2022 (data capture) (2 EA)	$4,200
Scope cabinets (2 EA)	$8,000
Alt-Pro Leak Tester (1 EA)	$12,000
Dirty scope cabinet (1 EA)	$1,185

EQUIPMENT LIST

Analyzer (1 EA)	$100,232
Coag Analyzer (1 EA)	$20,500
Hemo Analyzer (1 EA)	$75,768
Overhead Track System	$25,000
TREADMILL: SCI Fit AC5000M	$7,497
Power Tower Total Gym	$6,729
Vectra Genesys Therapy System Combo	$5,200
PARALLEL BARS- Performa power platfc	$5,034
Nustep T4r plus all accessories	$4,680
Welch Allyn Spot vital signs	$3,080
PERFORMA BAR-ASSIST 3-SECTION BOB	$9,000
Standing Frame	$2,981
SportsArt C535R Recumbent Cycle	$2,632
PERFORMA BAR-ASSIST 350 SERIES TAB	$2,230
Hydrocollator	$2,156
UBE SportsArt	$4,395
Interpreter iPad- with stand	$1,500
Splint Cart- Rolyan	$1,194
Stairs- One sided Bariatric staircase	$1,110
Personal Work Table with Tilt Top and F	$1,005
Furniture	$800,000
IT	$1,319,460
Misc.	$100,000
TOTAL	$6,308,904

Cost Space Requirements

				Amount of Proposed Total Square Feet			
		Gross Square Feet			That is:		
Dept./Area	Cost	Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
Reviewable							
Imaging	$ 4,924,957		6,500		4,800		
Lab/Specimen Collection	$ 718,223		1,122		1,122		
Immediate Care	$ 2,667,685		3,500		3,500		
PT/OT	$ 1,949,462		3,464		3,464		
	$ 10,260,328		14,586		12,886		
Non-Reviewable							
Physicians' Offices	$ 15,052,090		40,970		40,970		
Ancillary Support	$ 79,608		217		1,917		
Public & Administrative	$ 3,381,874		9,840		9,840		
	$ 18,513,573		51,027		52,727		
PROJECT TOTAL	$ 28,773,901		65,613		65,613		

ATTACHMENT 9

BACKGROUND

The applicants own and operate the following licensed health care facilities in Illinois:

AMITA Health Adventist Medical Center Bolingbrook
500 Remmington Blvd.
Bolingbrook, IL 60440

AMITA Health Adventist Medical Center GlenOaks
701 N. Winthrop Avenue
Glendale Heights, IL 60139

AMITA Health Adventist Medical Center Hinsdale
120 North Oak Street
Hinsdale, IL 60521

AMITA Health Adventist Medical Center La Grange
5101 S. Willow Springs Road
La Grange, IL 60525

AMITA Health Alexian Brothers Medical Center Elk Grove Village
800 Biesterfield Road
Elk Grove Village, IL 60007

AMITA Health St. Alexius Medical Center Hoffman Estates
1555 Barrington Road
Hoffman Estates, IL 60169

AMITA Health Alexian Brothers Behavioral Health Hospital
1650 Moon Lake Blvd.
Hoffman Estates, IL 60169

AMITA HEALTH

Ms. Courtney Avery
Illinois Health Facilities
And Services review Board
525 West Jefferson
Springfield, IL 62761

Dear Ms. Avery:

In accordance with Review Criterion 1110.230.b, Background of the Applicant, we are submitting this letter assuring the Illinois Health Facilities and Services Review Board that:

1. AMITA Health has not had any adverse actions against any facility owned and operated by the applicant during the three (3) year period prior to the filing of this application, and
2. AMITA Health authorizes the State Board and Agency access to information to verify documentation or information submitted in response to the requirements of Review Criterion 1110.230.b or to obtain any documentation or information which the State Board or Agency finds pertinent to this application.

If we can in any way provide assistance to your staff regarding these assurances or any other issue relative to this application, please do not hesitate to call me.

Sincerely,

Mark A. Frey
Mark A. Frey
President and
Chief Executive Officer

Date: April 11, 2017

Donna Gauthier

Notarized: DONNA GAUTHIER
OFFICIAL SEAL
Notary Public, State of Illinois
My Commission Expires
June 17, 2018

ATTACHMENT 11

PURPOSE OF THE PROJECT

The primary purpose of the proposed project is to improve accessibility to physicians' services in general, and AMITA Health physicians in particular, for residents of the communities and neighborhoods in close proximity to the proposed medical clinics building ("MCB").

Woodridge has traditionally been a community served by AMITA Health's AMITA Health Adventist Medical Center, Bolingbrook, approximately 7 miles away, for both inpatient and outpatient hospital-based services. With the increased reliance on outpatient care, physicians are moving from offices traditionally developed in close proximity to hospitals, to locations that provide great access to patients. This project responds to that trend. And, as a result, the well-being of the communities surrounding the proposed MCB will be improved as accessibility to physicians' offices is improved. In addition, and not unique to AMITA Health, as health systems develop larger system-directed medical groups, there is a desire to improve access to the medical group's physicians through the de-centralizing of offices and practices.

The market area for this project consists of Woodridge and the surrounding communities bordered by I-88 on the north, highway 83 on the east, I-55 on the south, and highway 59 on the west.

The success of this project will be measurable during the first year to two years following the opening of the MCB by a reduced reliance on physicians officed on the Adventist Medical Center, Bolingbrook campus by residents of the geographic area described above, without a reduction in the use of SAMC for hospital-based outpatient services as well as inpatient services.

ATTACHMENT 12

The space to be used for the proposed MCB will be delivered to the applicants in "white box" fashion by the owners, requiring a full build-out by the applicants.

ATTACHMENT 12

ALTERNATIVES

Due to the limited nature of the proposed project and the applicant's need to improve access to AMITA Health physicians for residents of Woodridge and the surrounding communities, aside from the selection of an alternative site, other alternatives were not considered. Had a different site in the area been selected, the capital cost associated with the alternative project would likely be either higher or lower than that of the proposed project, the quality of care provided would be identical to that of the proposed project, and access and associated operating costs would have been similar to those associated with the proposed project.

SIZE

The proposed medical clinics building will be developed through the renovation of a former grocery store, consisting of a single story.

The only area in the MCB having an IHFSRB-identified space standard is the imaging area, which will provide one general x-ray unit, one CT unit, one MRI unit, one mammography unit, and one ultrasound unit. That area has been planned consistent with the IHFSRB space standard.

DEPARTMENT/SERVICE	PROPOSED DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?
General Radiology	1,230	1,300	-70	YES
CT	1,770	1,800	-30	YES
MRI	1,800	1,800	0	YES
Mammography	850	900	-50	YES
Ultrasound	850	900	-50	YES

PROJECT SERVICES UTILIZATION

The proposed project includes eight clinical services, all of which are typical to medical clinics buildings, and, with the exception of the Immediate Care Center, are provided in support of the physicians' practices located in the MCB. Those services are general radiology, CT, MRI, ultrasound, mammography, PT/OT and a laboratory/specimen collection area.

The IDPH does not have utilization standards for laboratories or Immediate Care Centers, and the applicant estimates that 1,100 specimens will be collected during the first year following the MCB's opening (2019), and that approximately 2,000 specimens will be collected during the following year. 400 patient sessions of PT/OT are projected during the facility's first year of operation, and 800 patient sessions are projected during the second year. In addition, 1,950 visits to the Immediate Care Center are projected during the first year following the project's completion, and 3,900 visits are projected during the second year. The utilization projections provided above are based on the applicant's experience with the operating of similar facilities.

Projected utilization of the imaging modalities are provided in the table on the following page, consistent with reporting requirements. As noted in ATTACHMENT 31, only one unit of each modality will be provided, and therefore, consistent with IHFSRB practices, the minimum utilization standards are not applicable.

Dept./ Service	Historical Utilization (Patient Days) (TREATMENTS)	PROJECTED UTILIZATION (examinations) YEAR 1	YEAR 2	STATE STANDARD	MET STANDARD?
general radiology	N/A	1,575	3,150	8,000	N/A
CT	N/A	359	700	7,000	N/A
MRI	N/A	350	700	2,500	N/A
mammography	N/A	1,000	2,000	5,000	N/A
ultrasound	N/A	1,034	2,068	3,100	N/A

ATTACHMENT 15

CLINICAL SERVICE AREAS OTHER THAN CATEGORIES OF SERVICE

The proposed medical clinics building ("MCA") will have five clinical areas that are not identifies as categories of service per the HFASB definition. Those areas, along with the proposed number of key rooms are identified in the table below.

[illegible]	[illegible]	[illegible]
Gen'l Radiology	0	1
CT	0	1
MRI	0	1
Ultrasound	0	1
Mammography	0	1
Immediate Care	0	12
PT/OT	n/a	n/a
Specimen Coll./Lab	n/a	n/a

The imaging areas and specimen collection/lab area are being provided primarily to support the physicians' offices and immediate care center to be located in the MCB.

Audited Consolidated Financial Statements

December 31, 2016

Adventist Health System

ATTACHMENT 34

Table of Contents

Consolidated Balance Sheets

December 31, 2016 and 2015

(dollars in thousands)	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 638,469	$ 1,280,902
Investments	4,880,146	3,726,108
Current portion of assets whose use is limited	272,268	251,637
Patient accounts receivable, less allowance for uncollectible accounts of $445,210 in 2016 and $404,402 in 2015	497,627	447,761
Due from brokers	240,753	130,800
Estimated settlements from third parties	17,811	24,556
Other receivables	561,729	499,417
Inventories	203,918	184,842
Prepaid expenses and other current assets	100,933	65,783
	7,413,654	6,611,806
Property and Equipment	5,797,386	5,373,097
Assets Whose Use is Limited, net of current portion	340,580	339,725
Other Assets	693,518	666,538
	$ 14,245,138	$ 12,991,166
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	$ 990,227	$ 936,832
Estimated settlements to third parties	174,462	224,311
Due to brokers	643,239	296,952
Other current liabilities	316,867	284,614
Short-term financings	181,000	305,900
Current maturities of long-term debt	101,656	83,266
	2,407,451	2,131,875
Long-Term Debt, net of current maturities	2,832,233	2,684,872
Other Noncurrent Liabilities	604,293	580,068
	5,843,977	5,396,815
Net Assets		
Unrestricted:		
Controlling interest	8,166,859	7,359,258
Noncontrolling interests	32,845	41,071
	8,199,704	7,400,329
Temporarily restricted – controlling interest	201,457	194,022
	8,401,161	7,594,351
Commitments and Contingencies		
	$ 14,245,138	$ 12,991,166

The accompanying notes are an integral part of these consolidated financial statements.

ATTACHMENT 34

Consolidated Statements of Operations and Changes in Net Assets

For the years ended December 31, 2016 and 2015

(dollars in thousands)	2016	2015
Revenue		
Patient service revenue	$ 9,781,604	$ 9,260,174
Provision for bad debts	(514,944)	(472,088)
Net patient service revenue	9,266,660	8,788,086
EHR incentive payments	6,138	11,860
Other	378,891	316,241
Total operating revenue	9,651,689	9,116,187
Expenses		
Employee compensation	4,833,248	4,507,851
Supplies	1,664,834	1,535,434
Purchased services	658,067	590,025
Professional fees	565,225	500,480
Other	659,701	674,213
Interest	100,446	115,267
Depreciation and amortization	504,008	482,038
Total operating expenses	8,985,529	8,405,308
Income from Operations	666,160	710,879
Nonoperating Gains (Losses)		
Investment return	96,927	(112,254)
Loss on extinguishment of debt	(7,368)	(19,149)
Total nonoperating gains (losses), net	89,559	(131,403)
Excess of revenue and gains over expenses and losses	755,719	579,476
Noncontrolling interests	(1,186)	(4,620)
Excess of Revenue and Gains over Expenses and Losses Attributable to Controlling Interest	754,533	574,856

Continued on following page.

Consolidated Statements of Operations and Changes in Net Assets (continued)

For the years ended December 31, 2016 and 2015

(dollars in thousands)	2016	2015
CONTROLLING INTEREST		
Unrestricted Net Assets		
Excess of revenue and gains over expenses and losses	$ 754,533	$ 574,856
Change in unrealized gains and losses on investments	16,815	(17,772)
Accumulated derivative losses related to terminated cash flow hedges reclassified into loss on extinguishment of debt	–	2,833
Accumulated derivative losses reclassified into excess of revenue and gains over expenses and losses	9,425	10,198
Net assets released from restrictions for purchase of property and equipment	21,363	6,566
Pension-related changes other than net periodic pension cost	(2,683)	6,906
Other	8,148	(1,132)
Increase in unrestricted net assets	807,601	582,455
Temporarily Restricted Net Assets		
Investment return	1,688	887
Gifts and grants	35,963	32,163
Net assets released from restrictions for purchase of property and equipment or use in operations	(31,022)	(21,170)
Other	806	4,191
Increase in temporarily restricted net assets	7,435	16,071
NONCONTROLLING INTERESTS		
Unrestricted Net Assets		
Excess of revenue and gains over expenses and losses	1,186	4,620
Deconsolidation of a subsidiary	(7,488)	–
Distributions	(738)	(425)
Other	(1,186)	(4,877)
Decrease in noncontrolling interests	(8,226)	(682)
Increase in Net Assets	806,810	597,844
Net assets, beginning of year	7,594,351	6,996,507
Net assets, end of year	$ 8,401,161	$ 7,594,351

The accompanying notes are an integral part of these consolidated financial statements.

ATTACHMENT 34

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(dollars in thousands)	2016	2015
Operating Activities		
Increase in net assets	$ 806,810	$ 597,844
Provision for bad debts	514,944	472,088
Depreciation	498,668	477,224
Amortization of intangible assets	5,340	4,814
Amortization of deferred financing costs and original issue discounts and premiums	(2,462)	(2,172)
Loss on extinguishment of debt, excluding reclassification of accumulated derivative loss	7,368	16,316
Net gain on disposal of property and equipment	(6,011)	–
Change in unrealized gains and losses on investments	(16,815)	17,772
Restricted gifts and grants and investment return	(37,651)	(33,050)
Income from unconsolidated entities	(41,703)	(50,345)
Distributions from unconsolidated entities	14,271	14,594
Pension-related changes other than net periodic pension cost	2,683	(6,906)
Changes in operating assets and liabilities:		
Patient accounts receivable	(564,810)	(551,656)
Other receivables	(62,312)	(63,554)
Other current assets	(51,279)	(16,515)
Accounts payable and accrued liabilities	51,908	(33,450)
Estimated settlements to third parties, net	(43,104)	12,564
Other current liabilities	32,253	9,194
Other noncurrent liabilities	21,542	(165,525)
	1,129,640	699,237
Investing Activities		
Purchases of property and equipment, net	(899,697)	(757,454)
Proceeds from disposal of property and equipment	21,670	–
Cash paid for acquisition, net of cash received	(37,396)	–
Sales and maturities of investments	18,263,520	12,963,941
Purchases of investments	(19,400,127)	(13,017,222)
Due from brokers	(109,953)	151,631
Due to brokers	346,287	123,265
Sales, maturities and uses of assets whose use is limited	320,624	951,210
Purchases of and additions to assets whose use is limited	(348,833)	(658,665)
(Increase) decrease in other assets	(4,815)	21,195
	(1,848,720)	(222,099)
Financing Activities		
Repayments of long-term borrowings	(327,790)	(663,527)
Additional long-term borrowings	495,399	155,088
Repayments of short-term borrowings	(199,900)	–
Additional short-term borrowings	75,000	199,900
Payment of deferred financing costs	(3,713)	–
Restricted gifts and grants and investment return	37,651	33,050
	76,647	(275,489)
(Decrease) Increase in Cash and Cash Equivalents	(642,433)	201,649
Cash and cash equivalents at beginning of year	1,280,902	1,079,253
Cash and Cash Equivalents at End of Year	$ 638,469	$ 1,280,902

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015 (dollars in thousands)

1. Significant Accounting Policies

Reporting Entity

Adventist Health System Sunbelt Healthcare Corporation d/b/a Adventist Health System (Healthcare Corporation) is a not-for-profit healthcare corporation that operates and controls hospitals, nursing homes and philanthropic foundations (referred to herein collectively as the System). The affiliated hospitals, nursing homes and philanthropic foundations are operated or controlled through their by-laws, governing board appointments or operating agreements by Healthcare Corporation. The System's 43 hospitals, 15 nursing homes and philanthropic foundations operate in 10 states – Colorado, Florida, Georgia, Illinois, Kansas, Kentucky, North Carolina, Tennessee, Texas and Wisconsin.

Healthcare Corporation and the System are collectively controlled by the Lake Union Conference of Seventh-day Adventists, the Mid-America Union Conference of Seventh-day Adventists, the Southern Union Conference of Seventh-day Adventists and the Southwestern Union Conference of Seventh-day Adventists.

SunSystem Development Corporation (Foundation) is a charitable foundation operated by the System for the benefit of the hospitals that are divisions or controlled affiliates of Healthcare Corporation. The board of directors is appointed by the board of directors of the System. The Foundation is involved in philanthropic activities.

Mission

The System exists solely to improve and enhance the local communities that it serves in harmony with Christ's healing ministry. All financial resources and excess of revenue and gains over expenses and losses are used to benefit the communities in the areas of patient care, research, education, community service and capital reinvestment.

Specifically, the System provides:

Benefit to the underprivileged, by offering services free of charge or deeply discounted to those who cannot pay, and by supplementing the unreimbursed costs of the government's Medicaid assistance program.

Benefit to the elderly, as provided through governmental Medicare funding, by subsidizing the unreimbursed costs associated with this care.

Benefit to the community's overall health and wellness through the cost of providing clinics and primary care services, health education and screenings, in-kind donations, extended education and research.

Benefit to the faith-based and spiritual needs of the community in accordance with its mission of extending the healing ministry of Christ.

Benefit to the community's infrastructure by investing in capital improvements to ensure the facilities and technology provide the best possible care to the community.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015 (dollars in thousands)

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Adventist Health System/Sunbelt, Inc. (Sunbelt), the Foundation and other affiliated organizations that are controlled by Healthcare Corporation. Any subsidiary or other operations owned and controlled by divisions or controlled affiliates of Healthcare Corporation are included in these consolidated financial statements. Investments in entities that Healthcare Corporation does not control are recorded under the equity or cost method of accounting, depending on the ability to exert significant influence. Income from unconsolidated entities is included in other operating revenue or as a reduction to supplies expense (note 6) in the accompanying consolidated statements of operations and changes in net assets. All significant intercompany accounts and transactions have been eliminated in consolidation. Partial ownership by another entity in the net assets and results of operations of a consolidated subsidiary is reflected as noncontrolling interests in the accompanying consolidated balance sheets.

Other

Effective February 1, 2015, the System entered into an Affiliation Agreement (Affiliation) with Ascension Health to create a joint operating company, AMITA Health (AMITA), which provides for an integrated health delivery system in Illinois. AMITA includes the five hospitals of Alexian Brothers Health System (Alexian), a subsidiary of Ascension Health, and the four hospitals of Adventist Midwest Health (AMH), a subsidiary of the System. As part of the Affiliation, Alexian and AMH will share in the cash flows, as defined in the Affiliation, generated by both member entities using an agreed-upon allocation percentage. Any amounts receivable or payable under the Affiliation are recognized as other revenue or other expense within the accompanying consolidated statements of operations and changes in net assets. The Affiliation did not result in a change in control of the respective hospitals for accounting purposes and as such, AMH continues to be consolidated within the accompanying consolidated financial statements.

Use of Estimates

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Adoption of New Accounting Principle

As of January 1, 2016, the System adopted Accounting Standards Update (ASU) No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). The amendments in ASU 2015-03 require that debt issuance costs be presented in the balance sheet as a direct reduction to the carrying amount of the related debt liability, which is consistent with the accounting for debt discounts. This accounting treatment was applied to all periods presented in the accompanying consolidated financial statements. As such, the System reclassified the December 31, 2015 debt issuance costs totaling $15,989 from other assets to a reduction of long-term debt in the accompanying consolidated balance sheets.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015 (dollars in thousands)

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-15, *Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments*, which addresses the presentation of certain cash flows with the objective of reducing the existing diversity in practice. Management is currently evaluating the potential impact of this guidance, which will be effective for the System beginning in 2018.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 changes the presentation and disclosure requirements of not-for-profit entities for net asset classifications, investment return, expenses, liquidity and operating cash flows. Management is currently evaluating the potential impact of this guidance, which will be effective for the System beginning in 2018.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (ASU 2016-02), its new standard on accounting for leases. ASU 2016-02 introduces a lease accounting model that requires an entity to recognize assets and liabilities arising from most leases, including both financing and operating leases. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a financing or operating lease and will be in a manner similar to the current accounting guidance. ASU 2016-02 will also require additional qualitative and quantitative lease disclosures. Management is currently evaluating the potential impact of this guidance, which will be effective for the System beginning in 2019.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09). The standard is a comprehensive new revenue recognition model that requires revenue to be recognized in a manner depicting the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. The FASB has also issued a number of updates to this standard, including a deferral of the effective date to provide adequate time to effectively implement the new standard. The standard will be effective for the System beginning in 2018. Management is currently evaluating the effects the adoption of ASU 2014-09 will have on the System's consolidated financial statements and disclosures.

Net Patient Service Revenue, Patient Accounts Receivable and Allowance for Uncollectible Accounts

The System's patient acceptance policy is based on its mission statement and its charitable purposes. Accordingly, the System accepts patients in immediate need of care, regardless of their ability to pay. Patient service revenue is reported at estimated net realizable amounts for services rendered. The System recognizes patient service revenue associated with patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For self-pay uninsured patients that do not qualify for charity care, revenue is recognized on the basis of discounted rates in accordance with the System's policy. Patient service revenue from self-pay patients, net of discounts and prior to the provision for bad debts, was approximately 2.4% and 2.5% of patient service revenue for the years ended December 31, 2016 and 2015, respectively.

Patient service revenue is reduced by the provision for bad debts and accounts receivable are reduced by an allowance for uncollectible accounts. These amounts are based on management's assessment of historical and expected net collections for each major payor source, considering business and economic conditions, trends in healthcare coverage and other collection indicators. Management regularly reviews collections data by major payor sources in evaluating the sufficiency of the allowance for uncollectible accounts. On the basis of historical experience, a significant portion of the System's self-pay patients will be unable to pay for the services provided. Thus, the System records a significant provision for bad debts in the period services are provided related to self-pay patients. The System's allowance for uncollectible accounts for self-pay patients was 97% of self-pay accounts receivable as of December 31, 2016 and 2015. For accounts receivable associated with patients who have third-party coverage, the System analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary. Accounts receivable are written off after collection efforts have been followed in accordance with the System's policies.

The System has not experienced significant changes in write-off trends and has not made significant changes to its self-pay discount or charity care policy for the years ended December 31, 2016 or 2015.

The System has determined, based on an assessment at the reporting-entity level, that services are provided prior to assessing the patient's ability to pay and as such, the entire provision for bad debts is recorded as a deduction from patient service revenue in the accompanying consolidated statements of operations and changes in net assets.

Third-Party Reimbursement Arrangements

Revenue from the Medicare and Medicaid programs represents approximately 26% and 28% of the System's patient service revenue for the years ended December 31, 2016 and 2015, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is a possibility that recorded estimates will change by a material amount in the near term.

The System is subject to retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations. Adjustments to revenue related to prior periods increased patient service revenue by approximately $58,000 and $52,000 for the years ended December 31, 2016 and 2015, respectively.

Charity Care

As discussed previously, the System's patient acceptance policy is based on its mission statement and its charitable purposes and as such, the System accepts patients in immediate need of care, regardless of their ability to pay. Patients that qualify for charity care are provided services for which no payment is due for all or a portion of the patient's bill. Therefore, charity care is excluded from patient service revenue and the cost of providing such care is recognized within operating expenses.

The System estimates the direct and indirect costs of providing charity care by applying a cost to gross charges ratio to the gross uncompensated charges associated with providing charity care to patients. The System also receives certain funds to offset or subsidize charity care services provided. These funds are primarily received from uncompensated care programs sponsored by various states, whereby healthcare providers within the state pay into an uncompensated care fund and the pooled funds are then redistributed based on state-specific criteria.

For the years ended December 31, 2016 and 2015 (dollars in thousands)

The cost of providing charity care services, amounts paid by the System into uncompensated care funds and amounts received by the System to offset or subsidize charity care services are as follows:

	Year Ended December 31	
	2016	2015
Charity Care Cost		
Cost of providing charity care services	$ 316,026	$ 282,239
Charity Care Funding		
Funds received to offset or subsidize charity care services (included in patient service revenue)	$ 154,453	$ 177,650
Funds paid into trusts (included in other expenses)	(169,942)	(162,640)
Net charity care funding (paid) received	$ (15,489)	$ 15,010

EHR Incentive Payments

The American Recovery and Reinvestment Act of 2009 established incentive payments under Medicare and Medicaid programs for certain providers that meaningfully use certified electronic health record (EHR) technology. The System is eligible for EHR incentive payments and accounts for them as a gain contingency. Income from incentive payments is recognized as revenue after the System has demonstrated that it complied with the meaningful use criteria over the entire applicable compliance period and the cost report period that will be used to determine the final incentive payment has ended. Incentive payments totaling $6,138 and $11,860 for the years ended December 31, 2016 and 2015, respectively, are included in total operating revenue in the accompanying consolidated statements of operations and changes in net assets. Income from incentive payments is subject to retrospective adjustment, as the incentive payments are calculated using Medicare cost report data that is subject to audit. Additionally, the System's compliance with the meaningful use criteria is subject to audit by the federal government.

Excess of Revenue and Gains over Expenses and Losses

The consolidated statements of operations and changes in net assets include excess of revenue and gains over expenses and losses, which is analogous to net income of a for-profit enterprise. Changes in unrestricted net assets that are excluded from excess of revenue and gains over expenses and losses, consistent with industry practice, may include changes in unrealized gains and losses on certain investments, certain qualifying derivative activity, pension-related changes other than net periodic pension costs and transfers of restricted net assets used for the purpose of acquiring long-lived assets.

Contributed Resources

Resources restricted by donors for specific operating purposes or a specified time period are held as temporarily restricted net assets until expended for the intended purpose or until the specified time restrictions are met, at which time they are reported as other revenue. Resources restricted by donors for additions to property and equipment are held as temporarily restricted net assets until the assets are placed in service, at which time they are reported as transfers to unrestricted net assets. Gifts, grants and bequests not restricted by donors are reported as other revenue. At December 31, 2016 and 2015, the System had $201,457 and $194,022, respectively, of temporarily restricted net assets that will become available for various programs and capital expenditures at the System's hospitals when time or purpose restrictions are met.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015 (dollars in thousands)

Functional Expenses

The System does not present expense information by functional classification because its resources and activities are primarily related to providing healthcare services. Further, since the System receives substantially all of its resources from providing healthcare services in a manner similar to a business enterprise, other indicators contained in the accompanying consolidated financial statements are considered important in evaluating how well management has discharged its stewardship responsibilities.

Cash Equivalents

Cash equivalents represent all highly liquid investments, including certificates of deposit and commercial paper with maturities not in excess of three months when purchased. Interest income on cash equivalents is included in investment return.

Investments

Investment securities, excluding alternative investments accounted for under the equity method, are recorded at fair value. The cost of securities sold is based on the average cost method. Investment return includes realized gains and losses, interest, dividends and certain unrealized gains and losses. The investment returns on investments that are restricted by donor or law is recorded as increases or decreases to temporarily restricted net assets.

Management has designated certain investment portfolios as other-than-trading, as the portfolios are not actively traded for investment returns. Accordingly, changes in unrealized gains and losses are included in unrestricted net assets. Other investment portfolios have been designated as trading and as such, changes in unrealized gains and losses are included in the excess of revenue and gains over expenses and losses.

Alternative Investments – Equity Method

As part of its investment strategy, the System invests in alternative investments (primarily hedge funds) through partnership investment trusts. The partnership investment trusts generally contract with managers who have full discretionary authority over the investment decisions. The System accounts for its ownership interest in these alternative investments under the equity method, which approximates fair value as determined by the net asset value (NAV). Accordingly, the System's share of the hedge funds' income or loss, both realized and unrealized, is recognized as investment return, which is a component of excess of revenue and gains over expenses and losses. Alternative investments accounted for using the equity method totaled $481,747 and $556,220 at December 31, 2016 and 2015, respectively, and were classified as investments and assets whose use is limited in the accompanying consolidated balance sheets.

Alternative Investments – Fair Value

The System has a wholly-owned subsidiary, AHS–K2 Alternatives Portfolio, Ltd. (Fund), which primarily invests in alternative investments (primarily hedge funds) through partnership investment trusts. The Fund is managed by an external investment manager (Manager) in accordance with the investment guidelines contained within the limited liability company agreement. The Fund has a multi-strategy approach whereby the underlying funds are generally allocated into one of four strategies as follows:

> *Relative value.* The underlying funds utilize non-directional strategies that seek to capture arbitrage opportunities created by price discrepancies between related equity, debt and derivative financial instruments.

Equity long/short. The underlying funds invest both long and short, primarily in common stock, based on the manager's perception of such securities being under or over valued in the market. Some of the managers may specialize in specific sectors or industries.

Directional. The underlying funds anticipate the direction of market movements by taking a net long or net short position in an array of financial instruments.

Event driven. The underlying funds focus on identifying and analyzing securities that may benefit from the occurrence of specific corporate events.

The Fund follows the Financial Services–Investment Companies Topic of the Accounting Standards Codification (ASC) (ASC 946), which requires that the investments in the underlying funds be recorded at fair value. The fair value of the underlying hedge funds is determined in good faith by the Manager in accordance with GAAP and generally represents the Fund's proportionate share of the net assets of the underlying funds as reported by the managers. Unrealized appreciation and depreciation resulting from valuing the underlying funds is recognized as investment return, which is a component of excess of revenue and gains over expenses and losses.

The Fund follows the Fair Value Measurement Topic of the ASC (ASC 820) for estimating the fair value of the underlying funds that have calculated a NAV per share in accordance with ASC 946. Accordingly, the Fund uses NAV as reported by the managers as a practical expedient to determine the fair value of those underlying funds that do not have a readily determinable fair value and either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company. As of December 31, 2016 and 2015, the fair value of all underlying funds has been determined using the NAV of the underlying funds.

The Manager uses its best judgment in estimating the fair value of these investments. As there are inherent limitations in any estimation technique, the fair value estimates presented herein are not necessarily indicative of an amount that could be realized in an actual transaction and the differences could be material.

Alternative investments accounted for at fair value totaled $100,821 and $142,659 as of December 31, 2016 and 2015, respectively, and were classified as investments and assets whose use is limited in the accompanying consolidated balance sheets.

Lock-up Provisions. At December 31, 2016, certain funds cannot currently be redeemed because the funds include restrictions that do not allow for redemption in the first 12 months after investment. These restrictions are referred to as lock-up provisions. Certain underlying funds may charge a withdrawal fee up to 5% if the Fund liquidates its investment prior to the expiration of the lock-up periods. At December 31, 2016, these underlying funds totaling $16,752 have lock-up provisions that expire through July 31, 2017. The remaining funds totaling $84,069 have no such restrictions.

Redemption Terms. Upon the expiration of lock-up provisions, the Fund has the ability to liquidate its investments periodically in accordance with the provisions of the respective agreements with the underlying funds. The underlying funds have either monthly or quarterly redemption terms. Certain funds with quarterly redemption terms allow redemptions of up to 25% of the investment each quarter and as such, a period of 12 months would be required to fully redeem these investments.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015 (dollars in thousands)

Certain agreements may also allow the underlying fund to temporarily suspend redemptions or place other temporary restrictions, such as gate provisions or side pockets. Investments that cannot be fully redeemed within 90 days or less due to lock-up provisions and redemption terms totaled $32,070 and $36,153 as of December 31, 2016 and 2015, respectively.

Commingled Funds

As part of its investment strategy, the System invests in commingled funds in order to obtain the desired exposure targets within its investment portfolio. In accordance with ASC 820, the fair value of the System's investment in commingled funds is estimated using NAV as a practical expedient, as determined by the fund's administrator. The System had $85,221 of investments in commingled funds as of December 31, 2016, which were classified as investments in the accompanying consolidated balance sheet and have daily redemption terms. There were no unfunded commitments relating to the commingled funds as of December 31, 2016. No similar investments in commingled funds were held as of December 31, 2015.

Assets Whose Use is Limited

Certain of the System's investments are limited as to use through board resolution, by provisions of contractual arrangements, under the terms of bond indentures or under the terms of other trust agreements. These investments are classified as assets whose use is limited in the accompanying consolidated balance sheets. Interest and dividend income, realized gains and losses and certain unrealized gains and losses on assets whose use is limited are reported as investment return in the accompanying consolidated statements of operations and changes in net assets.

Derivative Financial Instruments

The System accounts for its derivative financial instruments as required by the Derivatives and Hedging Topic of the ASC (ASC 815) and the Health Care Entities Derivatives and Hedging Topic of the ASC, which requires that not-for-profit healthcare entities apply the provisions of ASC 815 in the same manner as for-profit enterprises.

Sale of Patient Accounts Receivable

The System and certain of its member affiliates maintain a program for the continuous sale of certain patient accounts receivable to the Highlands County, Florida, Health Facilities Authority (Highlands) on a nonrecourse basis. Highlands has partially financed the purchase of the patient accounts receivable through the issuance of tax-exempt, variable-rate bonds (Bonds). The Bonds are private placement, variable-rate bonds with a mandatory tender in October 2019 and a final maturity in November 2027. As of December 31, 2016 and 2015, Highlands had $409,225 of Bonds outstanding.

As of December 31, 2016 and 2015, the estimated net realizable value, as defined in the underlying agreements, of patient accounts receivable sold by the System and removed from the accompanying consolidated balance sheets was $898,122 and $848,348, respectively. The patient accounts receivable sold consist primarily of amounts due from government programs and commercial insurers. The proceeds received from Highlands consist of cash from the Bonds, a note on a subordinated basis with the Bonds and a note on a parity basis with the Bonds. The note on a subordinated basis with the Bonds is in an amount to provide the required over-collateralization of the Bonds and was $102,306 at December 31, 2016 and 2015. The note on a parity basis with the Bonds is the excess of eligible accounts receivable sold over the sum of cash received and the subordinated note and was $386,591 and $336,817 at December 31, 2016 and 2015, respectively. These notes are included in other receivables (current) in the accompanying consolidated balance sheets. Due to the nature of the patient accounts receivable sold, collectibility of the subordinated and parity notes is not significantly impacted by credit risk.

Inventories

Inventories (primarily pharmaceuticals and medical supplies) are stated at the lower of cost or market using the first-in, first-out method of valuation.

Property and Equipment

Property and equipment are reported on the basis of cost, except for those assets donated, impaired or acquired under a business combination, which are recorded at fair value. Expenditures that materially increase values, change capacities or extend useful lives are capitalized. Depreciation is computed primarily utilizing the straight-line method over the expected useful lives of the assets. Amortization of capitalized leased assets is included in depreciation expense and allowances for depreciation.

Goodwill

Goodwill represents the excess of the purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of the businesses acquired. These amounts are included in other assets (noncurrent) in the accompanying consolidated balance sheets and are evaluated annually for impairment or when there is an indicator of impairment.

During 2016, the System performed a quantitative assessment of each reporting unit and as a result, no impairment was recognized. During 2015, management performed a qualitative assessment of goodwill and determined that the two-step impairment test under the Intangibles - Goodwill and Other Topic of the ASC was not required. As such, no impairment was recognized in 2015.

Deferred Financing Costs

Direct financing costs are included as a direct reduction to the carrying amount of the related debt liability and are deferred and amortized over the remaining lives of the financings using the effective interest method.

Interest in the Net Assets of Unconsolidated Foundations

Interest in the net assets of unconsolidated foundations represents contributions received on behalf of the System or its member affiliates by independent fund-raising foundations. As the System cannot influence the foundations to the extent that it can determine the timing and amount of distributions, the System's interest in the net assets of the foundations is included in other assets (noncurrent) and changes in that interest are included in temporarily restricted net assets.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or business conditions indicate the carrying amount of such assets may not be fully recoverable. Initial assessments of recoverability are based on estimates of undiscounted future net cash flows associated with an asset or group of assets. Where impairment is indicated, the carrying amount of these long-lived assets is reduced to fair value based on discounted net cash flows or other estimates of fair value.

Bond Discounts and Premiums

Bonds payable, including related original issue discounts and/or premiums, are included in long-term debt. Discounts and premiums are being amortized over the life of the bonds using the effective interest method.

Income Taxes

Healthcare Corporation and its affiliated organizations, other than North American Health Services, Inc. and its subsidiary (NAHS), are exempt from state and federal income taxes. Accordingly, Healthcare Corporation and its tax-exempt affiliates are not subject to federal, state, or local income taxes except for any net unrelated business taxable income.

NAHS is a wholly owned, for-profit subsidiary of Healthcare Corporation. NAHS and its subsidiary are subject to federal and state income taxes. NAHS files a consolidated federal income tax return and, where appropriate, consolidated state income tax returns. All taxable income was fully offset by net operating loss carryforwards for federal income tax purposes; as such, there is no provision for current federal or state income tax for the years ended December 31, 2016 and 2015.

NAHS also has temporary deductible differences of approximately $59,100 and $62,700 at December 31, 2016 and 2015, respectively, primarily as a result of net operating loss carryforwards. At December 31, 2016, NAHS had net operating loss carryforwards of approximately $59,600, expiring beginning in 2022 through 2026. Deferred taxes have been provided for these amounts, resulting in a net deferred tax asset of approximately $22,500 and $23,800 at December 31, 2016 and 2015, respectively. A full valuation allowance has been provided at December 31, 2016 and 2015 to offset the deferred tax asset since Healthcare Corporation has determined that it is more likely than not that the benefit of the net operating loss carryforwards will not be realized in future years.

The Income Taxes Topic of the ASC (ASC 740) prescribes the accounting for uncertainty in income tax positions recognized in financial statements. ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. There were no material uncertain tax positions as of December 31, 2016 and 2015.

Reclassifications

Certain reclassifications were made to the 2015 consolidated financial statements to conform to the classifications used in 2016. These reclassifications had no impact on the consolidated excess of revenue and gains over expenses and losses, changes in net assets or cash flows previously reported.

2. Acquisition

On April 1, 2016 (Effective Date), the System entered into a transaction related to a 112-bed hospital located in New Smyrna Beach, Florida. The transaction involved the acquisition of the related major movable equipment and a lease agreement for the hospital and related land with an initial term of 25 years. As of the Effective Date, the facility was renamed Florida Hospital New Smyrna (FHNS). Total consideration was approximately $42,000, which included the acquisition of the major moveable equipment, the prepayment of the lease obligation for the initial 25-year term and the acquisition of certain current assets.

The results of operations and changes in net assets for FHNS are included in the System's consolidated financial statements beginning April 1, 2016. FHNS had total operating revenue of $66,394 and a deficiency of revenue and gains over expenses and losses of $5,589 for the period from April 1, 2016 through December 31, 2016.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015 (dollars in thousands)

3. Investments and Assets Whose Use is Limited

Investments and assets whose use is limited are comprised of the following:

	December 31 2016	2015
Fixed-income instruments		
U.S. government agencies and sponsored entities	$ 1,896,755	$ 2,173,243
Foreign government agencies and sponsored entities	5,875	189,544
Corporate bonds	1,001,220	171,853
Mortgage backed	29,701	303,104
Other asset backed	30,992	112,138
Short-term investments	198,722	493
Accrued interest	14,221	10,527
	3,177,486	2,960,902
Exchange traded funds		
Domestic equity	980,186	537,901
Foreign equity	520,033	17,058
Fixed income	58,583	21,904
	1,558,802	576,863
Investments at NAV		
Alternative investments – fair value	100,821	142,659
Alternative investments – equity method	481,747	556,220
Fixed income commingled fund	85,221	–
	667,789	698,879
Cash and cash equivalents – assets whose use is limited	88,917	80,826
	5,492,994	4,317,470
Less: assets whose use is limited	(612,848)	(591,362)
Investments	$ 4,880,146	$ 3,726,108

Assets whose use is limited as of December 31, 2016 includes investments held by bond trustees to fund debt service, investments held under other trust agreements and board designated investments for employee retirement plans. Amounts to be used for the payment of current liabilities are classified as current assets.

Indenture requirements of tax-exempt financings by the System provide for the establishment and maintenance of various accounts with trustees. These arrangements require the trustee to control the expenditure of debt proceeds, as well as the payment of interest and the repayment of debt to bondholders. Medical malpractice trust funds are set aside to provide funds for settling estimated medical malpractice claims.

For the years ended December 31, 2016 and 2015 (dollars in thousands)

A summary of the major limitations as to the use of assets whose use is limited consists of the following:

	December 31 2016	December 31 2015
Malpractice trust funds	$ 343,980	$ 340,880
Employee benefits funds	185,994	166,397
Required bond funds held by bond trustees	8,588	9,262
Other	74,286	74,823
	612,848	591,362
Less: amounts to pay current liabilities	(272,268)	(251,637)
	$ 340,580	$ 339,725

Investment Return and Unrealized Gains and Losses

Investment return from cash and cash equivalents, investments and assets whose use is limited amounted to $96,927 and $(112,254) in the accompanying consolidated statements of operations and changes in net assets for the years ended December 31, 2016 and 2015, respectively, and consisted of the following:

	Year Ended December 31 2016	Year Ended December 31 2015
Interest and dividend income	$ 90,036	$ 66,597
Net realized losses	(79,048)	(140,628)
Net change in unrealized gains and losses	85,939	(38,223)
	$ 96,927	$ (112,254)

Changes in unrealized gains and losses that are included as an increase to (reduction of) unrestricted net assets in the accompanying consolidated statements of operations and changes in net assets totaled $16,815 and $(17,772) for 2016 and 2015, respectively.

At December 31, 2016 and 2015, the total fair value of investments and assets whose use is limited, excluding investments at NAV, amounted to $4,810,984 and $3,608,064, respectively. The net unrealized losses associated with these holdings were $2,374 at December 31, 2016, which is comprised of gross unrealized gains of $40,395 and gross unrealized losses of $42,769. The net unrealized losses associated with these holdings were $21,835 at December 31, 2015, which is comprised of gross unrealized gains of $32,188 and gross unrealized losses of $54,023.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015 (dollars in thousands)

The following tables summarize the unrealized losses on investments and assets whose use is limited:

	December 31, 2016			
	Unrealized Losses			
	Greater than 12 Months	Less than 12 Months	Total	Fair Value of Loss Holdings
Fixed-income instruments				
U.S. government agencies and sponsored entities	$ 11,722	$ 12,919	$ 24,641	$ 1,331,731
Foreign government agencies and sponsored entities	–	130	130	3,200
Corporate bonds	467	7,386	7,853	548,835
Mortgage backed	–	512	512	23,940
Other asset backed	–	60	60	10,258
	12,189	21,007	33,196	1,917,964
Exchange traded funds				
Domestic equity	394	2,651	3,045	224,221
Foreign equity	136	4,906	5,042	505,052
Fixed income	192	1,294	1,486	50,726
	722	8,851	9,573	779,999
Total	$ 12,911	$ 29,858	$ 42,769	$ 2,697,963

	December 31, 2015			
	Unrealized Losses			
	Greater than 12 Months	Less than 12 Months	Total	Fair Value of Loss Holdings
Fixed-income instruments				
U.S. government agencies and sponsored entities	$ 20,550	$ 3,037	$ 23,587	$ 1,559,581
Foreign government agencies and sponsored entities	–	1,863	1,863	81,009
Corporate bonds	2,251	5,584	7,835	138,273
Mortgage backed	5,189	3,027	8,216	289,539
Other asset backed	84	378	462	46,419
	28,074	13,889	41,963	2,114,821
Exchange traded funds				
Domestic equity	917	5,942	6,859	499,432
Foreign equity	600	600	1,200	14,909
Fixed income	–	4,001	4,001	25,374
	1,517	10,543	12,060	539,715
Total	$ 29,591	$ 24,432	$ 54,023	$ 2,654,536

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015 (dollars in thousands)

Management has evaluated the investments with unrealized losses and has concluded that none of the above losses should be considered other than temporary as of December 31, 2016 and 2015. Management does not intend to sell the investments and it is not more likely than not that the System will be required to sell the investments before recovery of their amortized cost. Factors considered in this evaluation included credit rating information, discussions with external advisors and duration of the investments.

4. Unrestricted Cash and Investments

The System's unrestricted cash and cash equivalents, investments and due to brokers, net consist of the following:

	December 31	
	2016	2015
Cash and cash equivalents	$ 638,469	$ 1,280,902
Investments	4,880,146	3,726,108
Due to brokers, net	(402,486)	(166,152)
	$ 5,116,129	$ 4,840,858
Days cash and investments on hand	221	223

Days cash and investments on hand is calculated as unrestricted cash and cash equivalents, investments and due to brokers, net, divided by daily operating expenses (excluding depreciation and amortization).

5. Property and Equipment

Property and equipment consists of the following:

	December 31	
	2016	2015
Land and improvements	$ 734,604	$ 708,506
Buildings and improvements	5,015,139	4,652,889
Equipment	4,556,053	4,177,834
	10,305,796	9,539,229
Less: allowances for depreciation	(5,001,900)	(4,590,622)
	5,303,896	4,948,607
Construction in progress	493,490	424,490
	$ 5,797,386	$ 5,373,097

Certain hospitals have entered into construction contracts or other commitments for which costs have been incurred and included in construction in progress. These and other committed projects will be financed through operations and proceeds of borrowings. The estimated costs to complete these projects approximated $125,300 at December 31, 2016.

During periods of construction, interest costs are capitalized to the respective property accounts. Interest capitalized approximated $8,600 and $8,500 for the years ended December 31, 2016 and 2015, respectively.

For the years ended December 31, 2016 and 2015 (dollars in thousands)

The System capitalizes the cost of acquired software for internal use. Any internal costs incurred in the process of developing and implementing software are expensed or capitalized depending primarily on whether they are incurred in the preliminary project stage, application development stage or post-implementation stage. Capitalized software costs and estimated amortization expense in the table below exclude software in progress of approximately $4,700 and $12,400 at December 31, 2016 and 2015, respectively. Capitalized software costs and accumulated amortization expense, which are included in property and equipment on the accompanying consolidated balance sheets, are as follows:

	December 31	
	2016	2015
Capitalized software costs	$ 315,013	$ 295,399
Less: accumulated amortization	(183,322)	(163,869)
Capitalized software costs, net	$ 131,691	$ 131,530

Estimated amortization expense related to capitalized software costs for the next five years and thereafter is as follows:

2017	$ 15,180
2018	13,342
2019	11,452
2020	10,435
2021	10,154
Thereafter	71,128

6. Other Assets

Other assets consist of the following:

	December 31	
	2016	2015
Goodwill	$ 175,325	$ 175,680
Notes and other receivables	75,503	92,697
Interests in net assets of unconsolidated foundations	72,204	70,357
Investments in unconsolidated entities	276,748	239,732
Other noncurrent assets	93,738	88,072
	$ 693,518	$ 666,538

The System's ownership interest and carrying amounts of investments in unconsolidated entities consist of the following:

	Ownership Interest	December 31	
		2016	2015
Texas Health Huguley, Inc.	49%	$ 75,348	$ 68,614
Centura Health Corporation	35%	71,181	63,982
Premier Healthcare Alliance, LP	4%	84,688	68,174
Other	5% – 50%	45,531	38,962
		$ 276,748	$ 239,732

For the years ended December 31, 2016 and 2015 (dollars in thousands)

Income from unconsolidated entities, excluding Premier Healthcare Alliance, LP (Premier LP), totaled $20,696 and $27,605 for 2016 and 2015, respectively, and is included in other operating revenue in the accompanying consolidated statements of operations and changes in net assets.

The System holds membership units in Premier LP, which is a group purchasing organization. In 2013, the general partner, Premier, Inc., restructured from a privately held to a publicly traded company in an initial public offering. In connection with the restructuring, the System's membership units in Premier LP have vesting rights over a seven-year period and upon vesting become eligible for exchange into the common stock of Premier, Inc. The increase in estimated value of the membership units as they vest is considered a vendor incentive under GAAP, which increases the System's investment in Premier LP and reduces supplies expense over the vesting period. The System recognized a vendor incentive for the stock vesting of $12,617 and $14,971 for the years ended December 31, 2016 and 2015, respectively. Under a right of first refusal among the limited partners, the System was able to purchase additional membership units in Premier LP for $8,942 during the year ended December 31, 2015, which did not significantly increase the System's ownership percentage in Premier LP. No similar purchase of additional membership units in Premier LP were made during the year ended December 31, 2016. Additionally, Premier LP equity method earnings totaled $8,390 and $7,769 and were recognized as a reduction to supplies expense for the years ended December 31, 2016 and 2015, respectively.

7. Debt Obligations

Long-term debt consists of the following:

	December 31	
	2016	2015
Fixed-rate hospital revenue bonds, interest rates from 1.90% to 7.25%, payable through 2046	$ 2,527,388	$ 2,464,610
Variable-rate hospital revenue bonds, payable through 2035	255,850	260,690
Capitalized leases payable	64,052	27,498
Unamortized original issue premium, net	103,088	31,329
Deferred financing costs	(16,489)	(15,989)
	2,933,889	2,768,138
Less: current maturities	(101,656)	(83,266)
	$ 2,832,233	$ 2,684,872

Master Trust Indenture

Long-term debt has been issued primarily on a tax-exempt basis. Substantially all bonds are secured under a Master Trust Indenture (MTI), which provides for, among other things, the deposit of revenue with the master trustee in the event of certain defaults, pledges of accounts receivable, pledges not to encumber property and limitations on additional borrowings. In addition, the MTI requires certain covenants and reporting requirements to be met by the System and its obligated group.

Variable-Rate Bonds and Sources of Liquidity

Certain variable-rate bonds, including $106,000 classified as short-term financings in the accompanying consolidated balance sheets, may be put to the System at the option of the bondholder. The variable-rate bond indentures generally provide the

System the option to remarket the obligations at the then prevailing market rates for periods ranging from one day to the maturity dates. The obligations have been primarily marketed for seven-day periods during 2016, with annual interest rates ranging from 0.01% to 0.96%. Additionally, the System paid fees, such as remarketing fees, on variable-rate bonds during 2016.

The System has various sources of liquidity, including a $500,000 revolving credit agreement (Revolving Note) with a syndicate of banks and a $500,000 commercial paper program (CP Program). In the event any variable-rate bonds are put and not remarketed, the Revolving Note is available for liquidity and the System's obligation to the banks would be payable in accordance with the variable-rate bond's original maturities with the remaining amounts due upon expiration of the Revolving Note. The Revolving Note, which expires December 2019, is also available for letters of credit, liquidity facilities and general corporate needs, including working capital, capital expenditures and acquisitions and has certain prime rate and LIBOR-based pricing options. As of December 31, 2016, $75,000 was outstanding under the Revolving Note and is classified as short-term financings on the accompanying consolidated balance sheet. No amounts were outstanding under the Revolving Note as of December 31, 2015. At December 31, 2016, the System had approximately $11,000 committed to letters of credit under the Revolving Note.

The System's CP Program allows for up to $500,000 of taxable, commercial paper notes (CP Notes) to be issued for general corporate purposes at an interest rate to be determined at the time of issuance. No amounts were outstanding under the CP Program as of December 31, 2016. As of December 31, 2015, the System had $199,900 of CP Notes outstanding with an interest rate of 0.50% and maturities of less than 90 days.

2016 Debt Transactions

During the third quarter of 2016, the System issued fixed-rate bonds (Fixed-Rate Bonds) at a premium with par amounts totaling $202,750, maturity dates ranging from 2021 to 2046, stated interest rates ranging from 4.00% to 5.00% and effective interest rates ranging from 1.22% to 2.99%. The System also issued mandatory tender put bonds (Put Bonds) at a premium with par amounts totaling $173,250. The Put Bonds have a stated interest rate of 5.00% through mandatory redemption dates ranging from 2023 to 2026 and a final maturity date of 2036. The effective interest rates on the Put Bonds range from 1.66% to 2.04% through the mandatory redemption dates. The Fixed-Rate Bonds and Put Bonds were issued with premiums totaling $76,243.

Additionally, the System deposited $247,488 of bond proceeds and cash into an irrevocable trust for the advance repayment of $238,480 of existing fixed-rate bonds and the related interest obligations through the call dates. In accordance with GAAP, these bonds, along with the related trust assets, are excluded from the System's accompanying consolidated balance sheet as of December 31, 2016, and this advance repayment, along with other advance repayments during 2016 resulted in a loss on extinguishment of debt totaling $7,368 in the accompanying consolidated statements of operations and changes in net assets. The System will use the remaining bond proceeds to finance or refinance certain costs of the acquisition, construction and equipping of certain facilities.

For the years ended December 31, 2016 and 2015 (dollars in thousands)

2015 Debt Transactions

In September 2015, the System deposited approximately $401,000 into an irrevocable trust for the advanced repayment of approximately $374,000 of existing fixed-rate bonds and the related interest obligations through the call date in November 2016. These bonds, along with the related trust assets, are excluded from the System's accompanying consolidated balance sheet as of December 31, 2015, as this transaction was accounted for as a defeasance in accordance with GAAP. This advanced repayment, along with other advanced repayments during 2015, resulted in a loss on extinguishment of debt totaling $19,149 in the accompanying consolidated statements of operations and changes in net assets.

Debt Maturities

The following represents the maturities of long-term debt for the next five years and thereafter:

2017	$ 101,656
2018	105,120
2019	101,371
2020	109,693
2021	114,525
Thereafter	2,314,925

Cash paid for interest, net of amounts capitalized, approximated $102,000 and $110,000 during the years ended December 31, 2016 and 2015, respectively.

8. Derivative Financial Instruments

Derivatives Designated as Hedging Instruments

Prior to 2012, the System had interest rate swaps associated with its fixed-rate and variable-rate borrowings that were designated and qualified as cash flow hedges for accounting purposes. In connection with an overall debt restructuring plan during 2012, the System terminated and cash settled all of its interest rate swap agreements. The effective portion of the net derivative losses is reported as a component of unrestricted net assets and reclassified into earnings in the same line item (interest expense) associated with the forecasted transaction and in the same time periods during which the original cash flow hedge affects excess of revenue and gains over expenses and losses.

The changes in the accumulated net derivative losses included in unrestricted net assets associated with the System's terminated cash flow hedges are as follows:

	Year Ended December 31	
	2016	2015
Accumulated net derivative losses included in unrestricted net assets at beginning of year	$ (15,301)	$ (28,332)
Net reclassifications into excess of revenue and gains over expenses and losses	9,425	13,031
Accumulated net derivative losses included in unrestricted net assets at end of year	$ (5,876)	$ (15,301)

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015 (dollars in thousands)

The System expects that the amount of net losses existing in unrestricted net assets to be reclassified into excess of revenue and gains over expenses and losses within the next 12 months will be approximately $5,300. None of the System's outstanding variable-rate debt had its interest payments designated as a hedged forecasted transaction at December 31, 2016 or 2015.

Other Derivatives

In the execution of the System's investment strategies, various exchange-traded and over-the-counter derivative instruments may be entered into for trading purposes and to act as economic hedges to manage the risk of the investment portfolio. These instruments, which primarily include futures, options and swaps, are used to gain broad market exposure and additional exposure to equity markets, adjust the fixed-income portfolio duration, provide an economic hedge against fluctuations in foreign exchange rates and generate investment returns. These derivative instruments are not designated as hedging instruments. The fair value of derivative instruments and the associated notional amounts, presented gross, were as follows:

	December 31, 2016			
	Notional		Fair Value	
	Long	Short	Assets	Liabilities
Equity options	$ –	$ (87)	$ –	$ (87)
Interest rate swaps	2,803	(747)	2,803	(747)
Futures	282,032	(228,938)	–	–
Total derivative instruments, gross	$ 284,835	$ (229,772)	$ 2,803	$ (834)

	December 31, 2015			
	Notional		Fair Value	
	Long	Short	Assets	Liabilities
Equity options	$ 1,033	$ –	$ 1,033	$ –
Interest rate swaps	–	(503)	–	(503)
Futures	65,480	(272,451)	–	–
Foreign currency exchange contracts	171,272	(12,254)	183,530	(182,554)
Total derivative instruments, gross	$ 237,785	$ (285,208)	$ 184,563	$ (183,057)

Certain of the System's derivative contracts that are executed with the same counterparty are reported on a net basis where a contractual right of offset exists under an enforceable netting arrangement. As a result, the net exposure to counterparties is reported as either an asset or liability in the consolidated balance sheets. The gross amount of derivative assets totaling $183,530 was offset by derivative liabilities totaling $182,554 and is included in investments in the accompanying consolidated balance sheets as of 2015. No similar derivative contracts were offset as of December 31, 2016. The System posted collateral totaling $10,098 and $4,764 as of December 31, 2016 and 2015, respectively. Collateral is included in cash and cash equivalents in the accompanying consolidated balance sheets.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015 (dollars in thousands)

As these derivative instruments are not designated as hedging instruments, both the realized and unrealized gains and losses are included in investment return in the period they occur. Certain underlying securities whose unrealized gains and losses generally offset gains and losses of the related derivative instrument are classified as other-than-trading securities. As such, the unrealized gains and losses of the underlying securities are recorded as a component of unrestricted net assets until the securities are sold, at which time the amounts are reclassified from unrestricted net assets to investment return.

9. Retirement Plans

Defined Contribution Plans

The System participates with other Seventh-day Adventist healthcare entities in a defined contribution retirement plan (Plan) that covers substantially all full-time employees who are at least 18 years of age. The Plan is exempt from the Employee Retirement Income Security Act of 1974 (ERISA). The Plan provides, among other things, that the employer contributes 2.6% of wages, plus additional amounts for highly compensated employees. Additionally, the Plan provides that the employer match 50% of an employee's contributions up to 4% of the contributing employee's wages, resulting in a maximum available match of 2% of the contributing employee's wages each year.

Contributions for the Plan are included in employee compensation in the accompanying consolidated statements of operations and changes in net assets in the amount of $129,353 and $129,414 for the years ended December 31, 2016 and 2015, respectively.

Defined Benefit Plan – Multiemployer Plan

Prior to January 1, 1992, certain of the System's entities participated in a multiemployer, noncontributory, defined benefit retirement plan, the Seventh-day Adventist Hospital Retirement Plan Trust (Old Plan) administered by the General Conference of Seventh-day Adventists that is exempt from ERISA. The risks of participating in multiemployer plans are different from single-employer plans in the following aspects:

Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

If an entity chooses to stop participating in the multiemployer plan, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as withdrawal liability.

During 1992, the Old Plan was suspended and the Plan was established. The System, along with the other participants in the Old Plan, may be required to make future contributions to the Old Plan to fund any difference between the present value of the Old Plan benefits and the fair value of the Old Plan assets. Future funding amounts and the funding time periods have not been determined by the Old Plan administrators; however, management believes the impact of any such future decisions will not have a material adverse effect on the System's consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015 (dollars in thousands)

The most recent available plan asset and benefit obligation data for the Old Plan is as of December 31, 2015 and is as follows:

Total plan assets	$ 682,186
Actuarial present value of accumulated plan benefits	681,820
Funded status	100.1%

The System did not make contributions to the Old Plan for the years ended December 31, 2016 or 2015.

Defined Benefit Plan – Frozen Pension Plans

Certain of the System's entities sponsored noncontributory, defined benefit pension plans (Pension Plans) that have been frozen such that no new benefits accrue. The following table sets forth the remaining combined projected and accumulated benefit obligations and the assets of the Pension Plans at December 31, 2016 and 2015, the components of net periodic pension cost for the years then ended and a reconciliation of the amounts recognized in the accompanying consolidated financial statements:

	Year Ended December 31	
	2016	2015
Accumulated benefit obligation, end of year	$ 163,649	$ 159,271
Change in projected benefit obligation:		
Projected benefit obligation, beginning of year	$ 159,271	$ 177,145
Interest cost	7,412	7,172
Benefits paid	(9,397)	(9,476)
Actuarial losses (gains)	6,363	(15,570)
Projected benefit obligation, end of year	163,649	159,271
Change in plan assets:		
Fair value of plan assets, beginning of year	124,121	125,631
Actual return on plan assets	9,380	(2,334)
Employer contributions	10,300	10,300
Benefits paid	(9,397)	(9,476)
Fair value of plan assets, end of year	134,404	124,121
Deficiency of fair value of plan assets over projected benefit obligation, included in other noncurrent liabilities	$ (29,245)	$ (35,150)

No plan assets are expected to be returned to the System during the fiscal year ending December 31, 2017.

Included in unrestricted net assets at December 31, 2016 and 2015 are unrecognized actuarial losses of $24,920 and $22,237, respectively, which have not yet been recognized in net periodic pension expense. None of the actuarial losses included in unrestricted net assets are expected to be recognized in net periodic pension cost during the year ending December 31, 2017.

For the years ended December 31, 2016 and 2015 (dollars in thousands)

Changes in plan assets and benefit obligations recognized in unrestricted net assets include:

	Year Ended December 31 2016	2015
Net actuarial (losses) gains	$ (3,013)	$ 6,515
Amortization of net actuarial losses	330	391
Total (decrease) increase recognized in unrestricted net assets	$ (2,683)	$ 6,906

The components of net periodic pension cost were as follows:

	Year Ended December 31 2016	2015
Interest cost	$ 7,412	$ 7,172
Expected return on plan assets	(6,030)	(6,721)
Recognized net actuarial losses	330	391
Net periodic pension cost	$ 1,712	$ 842

The assumptions used to determine the benefit obligation and net periodic pension cost for the Pension Plans are set forth below:

	Year Ended December 31 2016	2015
Used to determine projected benefit obligation		
Weighted-average discount rate	4.40%	4.66%
Used to determine pension cost		
Weighted-average discount rate	4.66%	4.12%
Weighted-average expected long-term rate of return on plan assets	5.00%	5.50%

The Pension Plans' assets are invested in a portfolio designed to protect principal and obtain competitive investment returns and long-term investment growth, consistent with actuarial assumptions, with a reasonable and prudent level of risk. The Pension Plans' assets are managed solely in the interest of the participants and their beneficiaries. Diversification is achieved by allocating funds to various asset classes and investment styles and by retaining multiple investment managers with complementary styles, philosophies and approaches.

The expected long-term rate of return on the Pension Plans' assets is based on historical and projected rates of return for current and planned asset categories and the target allocation in the investment portfolio. The target investment allocation during 2016 for the Pension Plans was 60% debt securities, 36% equity securities, and 4% alternative investments. During 2015, the target investment allocation was 60% equity securities and 40% debt securities. As of December 31, 2015, the Pension Plans' assets were in the process of being reallocated among asset classes and as a result, had more debt security holdings than usual.

Notes to Consolidated Financial Statements

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The following table presents the Pension Plans' financial instruments as of December 31, 2016, measured at fair value on a recurring basis by the valuation hierarchy defined in note 12.

	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 4,696	$ 4,696	$ –	$ –
Debt securities				
U.S. government agencies and sponsored entities	21,601	–	21,601	–
Corporate bonds	56,646	–	56,646	–
Equity securities				
Domestic equities	2,920	2,920	–	–
Foreign equities	5,159	5,159	–	–
Exchange traded funds				
Domestic equity	26,341	26,341	–	–
Foreign equity	6,800	6,800	–	–
Alternative strategy mutual funds	10,241	10,241	–	–
Total plan assets	$ 134,404	$ 56,157	$ 78,247	$ –

The following table presents the Pension Plans' financial instruments as of December 31, 2015, measured at fair value on a recurring basis by the valuation hierarchy defined in note 12.

	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 42,431	$ 42,431	$ –	$ –
Debt securities				
U.S. government agencies and sponsored entities	55,698	–	55,698	–
Corporate bonds	21,199	–	21,199	–
Mortgage backed	1,833	–	1,833	–
Other asset backed	2,960	–	2,960	–
Total plan assets	$ 124,121	$ 42,431	$ 81,690	$ –

Fair value methodologies for Levels 1, 2 and 3 are consistent with the inputs described in note 12.

The following represents the expected benefit plan payments for the next five years and the five years thereafter:

2017	$ 7,350
2018	7,760
2019	8,112
2020	8,540
2021	8,879
2022-2026	48,828

Notes to Consolidated Financial Statements

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10. Medical Malpractice

The System established a self-insured revocable trust (Trust) that covers the System's subsidiaries and their respective employees for claims within a specified level (Self-Insured Retention). Claims above the Self-Insured Retention are insured by claims-made coverage that is placed with Adhealth Limited (Adhealth), a Bermuda company. Adhealth has purchased reinsurance through commercial insurers for the excess limits of coverage. A Self-Insured Retention of $2,000 was established for the year ended December 31, 2001. The Self-Insured Retention was increased to $7,500 and $15,000 effective January 1, 2002 and 2003, respectively, and has remained at $15,000 through December 31, 2016.

The Trust funds are recorded in the accompanying consolidated balance sheets as assets whose use is limited in the amount of $343,980 and $340,880 at December 31, 2016 and 2015, respectively. The related accrued malpractice claims are recorded in the accompanying consolidated balance sheets as other current liabilities in the amount of $89,868 and $87,441 and as other noncurrent liabilities in the amount of $311,759 and $304,551 at December 31, 2016 and 2015, respectively. The related estimated insurance recoveries are recorded as other assets in the amount of $13,393 and $15,160 in the accompanying consolidated balance sheets at December 31, 2016 and 2015, respectively.

Management, with the assistance of consulting actuaries, estimated claim liabilities at the present value of future claim payments using a discount rate of 3.75% at December 31, 2016 and 2015.

11. Commitments and Contingencies

Operating Leases

The System leases certain property and equipment under operating leases. Lease and rental expense was approximately $125,800 and $117,400 for the years ended December 31, 2016 and 2015, respectively, and is included in other expenses in the accompanying consolidated statements of operations and changes in net assets.

The following represents the net future minimum lease payments under noncancelable operating leases for the next five years and thereafter:

2017	$ 44,102
2018	31,827
2019	24,034
2020	17,887
2021	11,947
Thereafter	26,658

Compliance with Laws and Regulations

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Compliance with such laws and regulations can be subject to future review and interpretation, as well as regulatory actions unknown or unasserted at this time. Management assesses the probable outcome of unresolved litigation and investigations and records contingent liabilities reflecting estimated liability exposure.

As a part of its compliance activities, the System determined that relationships with certain physicians were not in full technical compliance with the Stark Law and elected to make voluntary self-disclosures to the federal government in 2013. In September 2015, the System reached a settlement with the Department of Justice and affected states on this matter. The System had adequately provided for the most likely outcome of the self-disclosures and as such, the settlement did not have a material adverse effect to the financial position, results of operations or cash flows of the System, taken as a whole.

The System is involved in litigation regarding certain related professional liability claims. Based on the information available to date, management believes that the System has adequately provided for the most likely outcome of this professional liability matter after considering applicable insurance coverage. However, as more information becomes known, it is possible that the estimate could change. As such, assurance cannot be given that the resolution of these matters will not affect the financial position, results of operations or cash flows of the System, taken as a whole.

In addition, certain of the System's affiliated organizations are involved in litigation and other regulatory investigations arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters will be resolved without material adverse effect to the financial position, results of operations or cash flows of the System, taken as a whole.

12. Fair Value Measurements

The System categorizes, for disclosure purposes, assets and liabilities measured at fair value, on a recurring basis, into a three-tier fair value hierarchy. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement, which should be determined based on assumptions that would be made by market participants.

In accordance with ASU 2015-07, investments that are valued using NAV as a practical expedient are excluded from this three-tier hierarchy. For all other investments measured at fair value, the hierarchy prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). Level inputs are defined as follows:

> *Level 1* – based on unadjusted quoted prices for identical assets or liabilities in an active market that the System has the ability to access.
>
> *Level 2* – based on pricing inputs that are either directly observable or that can be derived or supported from observable data as of the reporting date. Level 2 inputs may include quoted prices for similar assets or liabilities in non-active markets or pricing models whose inputs are observable for substantially the full term of the asset or liability.
>
> *Level 3* – based on prices or valuation techniques that require inputs that are both significant to the fair value of the financial asset or liability and are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

Notes to Consolidated Financial Statements

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A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Recurring Fair Value Measurements

The fair value of financial instruments measured at fair value on a recurring basis at December 31, 2016 was as follows:

	Total	Level 1	Level 2	Level 3
ASSETS				
CASH AND CASH EQUIVALENTS	$ 638,469	$ 634,570	$ 3,899	$ –
INVESTMENTS AND ASSETS WHOSE USE IS LIMITED				
Cash and cash equivalents	88,917	88,459	458	–
Debt securities				
U.S. government agencies and sponsored entities	1,896,755	–	1,896,755	–
Foreign government agencies and sponsored entities	5,875	–	5,875	–
Corporate bonds	1,001,220	–	1,001,220	–
Mortgage backed	29,701	–	29,701	–
Other asset backed	30,992	–	30,992	–
Short-term investments	198,722	–	198,722	–
Exchange traded funds				
Domestic equity	980,186	980,186	–	–
Foreign equity	520,033	520,033	–	–
Fixed income	58,583	58,583	–	–
	4,810,984	1,647,261	3,163,723	–
Total	$ 5,449,453	$ 2,281,831	$ 3,167,622	$ –

For the years ended December 31, 2016 and 2015 (dollars in thousands)

The fair value of financial instruments measured at fair value on a recurring basis at December 31, 2015 was as follows:

	Total	Level 1	Level 2	Level 3
ASSETS				
CASH AND CASH EQUIVALENTS	$ 1,280,902	$ 1,253,560	$ 27,342	$ –
INVESTMENTS AND ASSETS WHOSE USE IS LIMITED				
Cash and cash equivalents	80,826	80,826	–	–
Debt securities				
U.S. government agencies and sponsored entities	2,173,243	–	2,173,243	–
Foreign government agencies and sponsored entities	189,544	–	189,544	–
Corporate bonds	171,853	–	171,853	–
Mortgage backed	303,104	–	303,104	–
Other asset backed	112,138	–	112,138	–
Short-term investments	493	–	493	–
Exchange traded funds				
Domestic equity	537,901	537,901	–	–
Foreign equity	17,058	17,058	–	–
Fixed income	21,904	21,904	–	–
	3,608,064	657,689	2,950,375	–
Total	$ 4,888,966	$ 1,911,249	$ 2,977,717	$ –

The following tables represent a reconciliation of financial instruments at fair value to the accompanying consolidated balance sheets as follows:

	December 31 2016	2015
Investments and assets whose use is limited measured at fair value	$ 4,810,984	$ 3,608,064
Alternative investments	582,568	698,879
Other investments at NAV	85,221	–
Accrued interest	14,221	10,527
Total	$ 5,492,994	$ 4,317,470
Investments	$ 4,880,146	$ 3,726,108
Assets whose use is limited:		
Current	272,268	251,637
Noncurrent	340,580	339,725
Total	$ 5,492,994	$ 4,317,470

The fair values of the securities included in Level 1 were determined through quoted market prices. The fair values of Level 2 financial assets were determined as follows:

Cash equivalents, U.S. and foreign government agencies and sponsored entities, corporate bonds, mortgage backed, other asset backed and short-term investments – These Level 2 securities were valued through the use of third-party pricing services that use evaluated bid prices adjusted for specific bond characteristics and market sentiment.

Other Fair Value Disclosures

The carrying values of accounts receivable, accounts payable and accrued liabilities are reasonable estimates of their fair values due to the short-term nature of these financial instruments.

The fair values of the System's fixed-rate bonds are estimated using Level 2 inputs based on quoted market prices for those or similar instruments. The estimated fair value of the fixed-rate bonds was approximately $2,680,000 and $2,710,000 as of December 31, 2016 and 2015, respectively. The carrying value of the fixed-rate bonds was approximately $2,527,000 and $2,465,000 as of December 31, 2016 and 2015, respectively. The carrying amount approximates fair value for all other long-term debt (note 7).

13. Subsequent Events

The System evaluated events and transactions occurring subsequent to December 31, 2016 through February 24, 2017, the date the accompanying consolidated financial statements were issued. During this period, there were no subsequent events that required recognition in the accompanying consolidated financial statements. Additionally, there were no nonrecognized subsequent events that required disclosure.

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015 (dollars in thousands)

14. Fourth Quarter Results of Operations (Unaudited)

The System's operating results for the three months ended December 31, 2016 are presented below:

Revenue	
Patient service revenue	$ 2,526,550
Provision for bad debts	(146,131)
Net patient service revenue	2,380,419
EHR incentive payments	988
Other	108,003
Total operating revenue	2,489,410
Expenses	
Employee compensation	1,254,515
Supplies	429,474
Purchased services	170,858
Professional fees	155,076
Other	184,858
Interest	25,608
Depreciation and amortization	133,080
Total operating expenses	2,353,469
Income from Operations	135,941
Nonoperating Gains (Losses)	
Investment return	848
Loss on extinguishment of debt	(101)
Total nonoperating gains, net	747
Excess of revenue and gains over expenses	136,688
Noncontrolling interests	(183)
Excess of Revenue and Gains over Expenses Attributable to Controlling Interests	136,505
Other changes in unrestricted net assets, net	(43,096)
Decrease in temporarily restricted net assets, net	(1,734)
Increase in Net Assets	$ 91,675

Report of Independent Certified Public Accountants

The Board of Directors
Adventist Health System Sunbelt Healthcare Corporation
d/b/a Adventist Health System

We have audited the accompanying consolidated financial statements of Adventist Health System Sunbelt Healthcare Corporation (the System), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the System at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

Orlando, Florida
February 24, 2017

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
3 June 2016

New Issue

Rate this Research

Contacts

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VP-Sr Credit Officer
beth.wexler@moodys.com

Adventist Health System/Sunbelt Obligated Group, FL

New Issue: Moody's assigns Aa2 to Adventist Health System/Sunbelt Obligated Group's (FL) Ser. 2016A,B,C; outlook stable

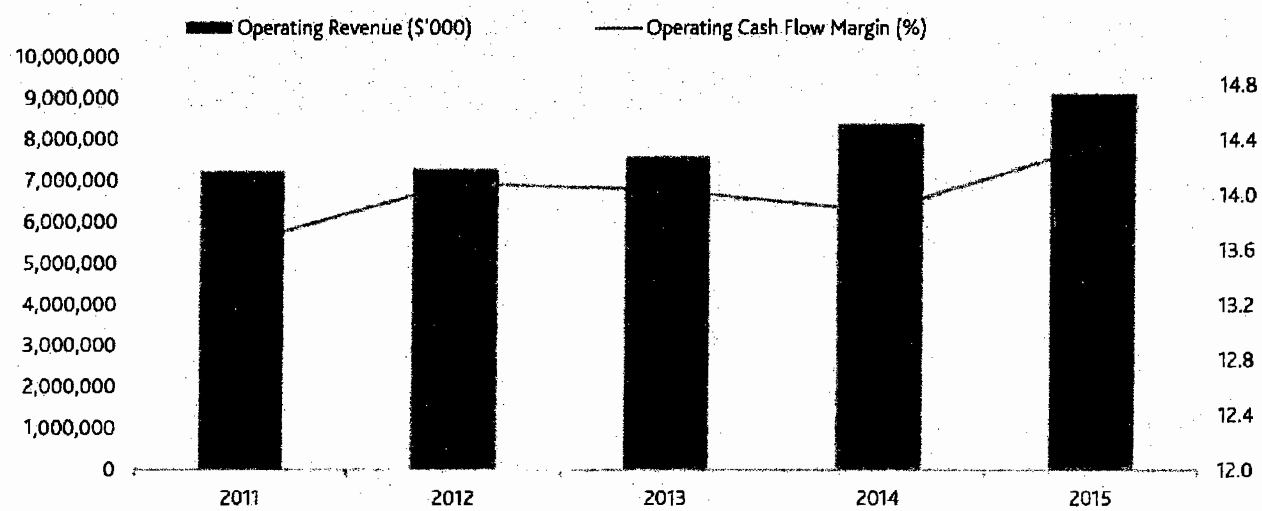
Summary Rating Rationale

Moody's Investors Service assigns Aa2 ratings to Adventist Health System/Sunbelt Obligated Group's (FL) proposed Series 2016A ($200 million), 2016B ($58.6 million) and 2016C ($136.9 million) bonds; each series is fixed rate with final maturities of 2046, 2030 and 2036, respectively. The bonds will be issued through Colorado Health Facilities Authority. The outlook is stable. At this time we are affirming the Aa2, Aa2/VMIG1 and P-1 ratings on the system's outstanding debt.

The Aa2 reflects Adventist's historically strong financial performance that continued through FY 2015 and first quarter of FY 2016, ample liquidity position, declining leverage position and notable financial strength in its larger markets. These attributes are offset by continued concentration in Florida for over half of acute care operating cash flow, atypical for a multistate system. While Florida is a growth market, it is highly competitive with the presence of other large providers in many of the urban markets. The VMIG1 and P-1 ratings reflect ample coverage of variable rate bonds secured by the system's internal liquidity.

ATTACHMENT 35

Exhibit 1
Enterprise Growth Drives Cash Flow Growth



Source: Moody's Investors Service

Credit Strengths

» History of strong financial performance through FY 2015 and expectations of continued strong performance in FY 2016

» Strong liquidity position with 246 days cash on hand and 175% cash to debt

» Effective strategies to de-leverage the system, resulting in a low debt burden 29% debt to capitalization) and strong coverage (1.94 times debt to cash flow)

» Improvement in more challenging and competitive Chicago market following effective partnership with another sizable system

» Seasoned management team with high accountability instilled throughout the system as evidenced by continuously reaching financial targets

Credit Challenges

» Concentration of cash flows from one particular market, Florida

» Location in highly competitive markets with the presence of other large systems, such as Denver, Orlando, Tampa and Chicago

» System-wide installation and adoption of new IT system creates period of credit risk

Rating Outlook

The stable outlook reflects our belief that Adventist will continue to report strong financial results over the near term while maintaining ample liquidity and headroom to covenants.

Factors that Could Lead to an Upgrade

» While unlikely given concentration in one particular state, a rating upgrade would be considered if distribution of cash flow were more equitable amongst markets

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Factors that Could Lead to a Downgrade

» Reduction in liquidity or increase in leverage that are more commensurate with Aa3 medians

Key Indicators

Exhibit 2

Adventist Health System/Sunbelt Obligated Group, FL

	2011	2012	2013	2014	2015
Operating Revenue ($'000)	7,246,450	7,293,828	7,597,799	8,383,380	9,116,187
3 Year Operating Revenue CAGR (%)	10.2	8.6	6.4	6.3	7.7
Operating Cash Flow Margin (%)	13.6	14.1	14.0	13.9	14.4
PM: Medicare (%)	43.3	43.4	45.7	45.7	46.0
PM: Medicaid (%)	13.5	13.6	13.9	14.3	14.1
Days Cash on Hand	224	240	259	257	246
Unrestricted Cash and Investments to Total Debt (%)	122.3	127.7	131.8	163.0	174.8
Total Debt to Cash Flow (x)	2.6	2.5	2.6	2.2	1.9

Based on audited financial statements for Adventist Health System/Sunbelt Obligated Group for fiscal year ended December 31
Investment returns normalized at 6% prior to 2015, and at 5% in 2015
Bad debt treated as an operating expense in FY 2011; a contra revenue thereafter
Source: Moody's Investors Service

Detailed Rating Considerations

Market Position: Volume and market share growth translate into exceptional financial results

Adventist Health System/Sunbelt Obligated Group (referred to as Adventist or AHS) is one of the largest not-for-profit health systems in Moody's portfolio with $9.1 billion in total operating revenues in FY 2015. Primarily driven by organic volume growth and market share gains, Adventist's three-year CAGR is strong, over 7% in FY 2015, well ahead of the national median of 4-5%. All but one of Adventist's 43 hospital campuses is cash flow positive (the exception being Chippewa Valley Hospital in Wisconsin, a small critical access hospital) with many markets showing strong, double digit cash flow margins. In addition to market share growth and location in favorable demographic services areas, a strong centralized management philosophy has also contributed to Adventist's exceptional financial results.

Atypical of most multistate systems, Adventist has a high historical reliance on its Florida operations as it represented 69% of acute care cash flow in FY 2015. While Florida is a growth market, particularly in the Orlando (central) and Tampa (west) markets, it is also highly competitive with the presence of other large not-for-profit and for-profit systems who are expanding their clinical footprint, seeking growth strategies and pursuing physician integration strategies. Florida has not expanded Medicaid which would be a gain to Adventist given its large women and children's presence, particularly in Orlando. The recent addition of Bert Fish Hospital in Adventist's east market (Daytona area) should not disrupt financial performance given its small size.

While smaller in scale than Florida, favorably, the joint operating company structure between Adventist's Chicago facilities and Ascension Health Alliance's Chicago facilities has returned much improved results as a shared services approach to cost management has reduced expenses. Colorado and Kansas also are very strong markets for Adventist with each market showing double-digit cash flow results. Select partnerships with other not-for-profit health systems in various markets have also contributed to improved cash flow.

Operating Performance, Balance Sheet and Capital Plans: Strong Financial Performance Continued in FY 2015 with Similar Expectations in FY 2016

Adventist reported another strong year of results in FY 2015, continuing its trend of longstanding favorable performance. Operating cash flow margin reached 14.4% in FY 2015, ahead of 13.9% in FY 2014. Same-store volume growth (admissions up 2.4% in FY 2015 over FY 2014), favorable payor rates and terms and strong expense management contributed to these results. West and central Florida markets were particularly strong in FY 2015. First quarter of FY 2016 continue these trends with a 14.2% operating cash flow margin. We fully expect that Adventist will reach its FY 2016 budget of 13.2%.

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LIQUIDITY

Balance sheet indicators are excellent with 246 days cash on hand although this metric down from FY 2014 due to enterprise growth ahead of absolute cash growth and negative investment returns. (Moody's does not net out the due to/due from brokers in FY 2015. When adjusting for this accounting, cash on hand declines to 238 days.) Capital spending is highly disciplined and will increase to 75% of cash flow during FY 2015 through FY 2017, allowing management to increase reserves annually. This denotes an increase from 67% in FY 2012 through FY 2014. Growth in cash flow should allow the increase to be affordable while continuing to build reserves. Investment allocation remains conservative despite some increases in equities during FY 2015; management has taken a judicious approach to balancing returns and volatility risk.

The obligation to make payments on tendered bonds that are not remarketed or rolled over is a general obligation of AHS. Moody's believes that AHS's self-liquidity program, which relies on the system's own cash and investments for same-day liquidity, provides more than adequate coverage for the tender features of the variable-rate demand bonds and CP maturities. As of March 31, 2015, AHS had approximately $2.4 billion of investments with same-day liquidity, which incorporates Moody's discounted assumptions. These assets are invested in U.S. treasuries and Aaa-rated agencies with maturities under 3 years ($627 million), U.S. treasuries and Aaa-rated agencies with maturities over 3 years ($854 million) and money market funds. While not dedicated to self-liquidity, AHS maintains a $500 million bank syndicate line of credit (expires December 2019).

Debt Structure and Legal Covenants

Coverage of debt burden is strong with 1.94 times debt to cash flow in FY 2015 and over five times Moody's-adjusted maximum annual debt service. Unrestricted cash to debt continues to improve to 175% in FY 2015.

MTI covenants include a 1.15 times rate covenant in the most recent fiscal year based on the annual debt service requirement. Per management, the bank covenants on the private placement debt are the following: 1.15 times rate covenant; 75 days cash on hand; no more than 65% debt to capitalization. Headroom to these covenants is ample.

DEBT STRUCTURE

AHS maintains a conservative debt structure with the weighted average life at 12.9 years. Average cost of capital is low at 3.19% due to meticulous attention to lowering borrowing costs over the past decade. 45% of outstanding debt is traditional fixed rate. 43% of Adventist's debt is comprised of bank held private placement offerings, much of which is either fixed to maturity with amortizing principal or long-mode bonds with staggered put dates. Banks include BB&T, TD, Bank of America, US Bank, Wells Fargo, Union Bank, BBVA, PNC and JP Morgan. The next put date is January 4, 2018 (Series 2010A, $57 million outstanding with BB&T and Series 2010E, $189 million outstanding with Bank of America).

The balance of debt is variable rate demand bonds supported by self liquidity (Series 2007A and Series 2012I totaling $335 million) and commercial paper program (authorized at $500 million with $199.9 million outstanding as of December 31, 2015). The commercial paper program will be paid down to a zero balance in the coming weeks. There are no limits on the amount of commercial paper that can come due at any one time.

DEBT-RELATED DERIVATIVES

No derivatives present.

PENSIONS AND OPEB

Pension liability is deminimus with small, frozen defined benefit plan through an acquisition. Core enterprise maintains a defined contribution plan.

Management and Governance

Seasoned and tenured executive management team at corporate headquarters of this 501c3 not-for-profit organization.

Legal Security

The system's outstanding debt is secured by a joint and several gross revenue pledge of the obligated group, which includes nearly all of the system hospitals and represents 95% of system revenues. No mortgage is pledged.

Use of Proceeds

Collectively, the Series 2016A, B and C bonds will current refund the Series 2006C bonds, advance refund the Series 2009D bonds and issue $200 million of new money proceeds.

Obligor Profile

Adventist Health System/Sunbelt Obligated Group is a 501c3 not-for-profit health system ($9.1 billion system based on FY 2015 total operating revenues) headquartered in Altamonte Springs, FL.

Methodology

The principal methodology used in this rating was Not-for-Profit Healthcare Rating Methodology published in November 2015. The additional methodology used in the short-term rating was Rating Methodology for Municipal Bonds and Commercial Paper Supported by a Borrower's Self-Liquidity published in January 2012. Please see the Ratings Methodologies page on www.moodys.com for a copy of these methodologies.

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Ratings

Exhibit 3

Adventist Health System/Sunbelt Oblig. Group

Issue	Rating
Series 2016A	Aa2
Rating Type	Underlying LT
Sale Amount	$200,000,000
Expected Sale Date	06/21/2016
Rating Description	Revenue: Other
Series 2016B	Aa2
Rating Type	Underlying LT
Sale Amount	$58,600,000
Expected Sale Date	06/21/2016
Rating Description	Revenue: Other
Series 2016C	Aa2
Rating Type	Underlying LT
Sale Amount	$136,900,000
Expected Sale Date	06/21/2016
Rating Description	Revenue: Other

Source: Moody's Investors Service

ATTACHMENT 35

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REPORT NUMBER 1029038

MOODY'S
INVESTORS SERVICE

AMITA HEALTH

Illinois Health Facilities and
Services Review Board
Springfield, IL

To Whom It May Concern:

I hereby attest that the total estimated project costs associated with the development of a medical clinics building to be located at 2363 63rd Street in Woodridge, Illinois, and to be addressed by the Illinois Health Facilities and Services Review Board, will be funded through the use of cash and other liquid assets.

Sincerely,

Mark A. Frey
President and
Chief Executive Officer

Date: April 11, 2017

Notarized:

ELIZABETH D NEARY
Official Seal
Notary Public - State of Illinois
My Commission Expires Jun 10, 2020

Elizabeth D. Neary
4/11/17

3040 Salt Creek Lane
Arlington Heights, IL 60005
AMITAhealth.org

ATTACHMENT 37A

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

	Cost/Sq. Ft.		DGSF		DGSF		New Const. $	Modernization $	Total Costs
	New	Mod.	New	Circ.	Mod.	Circ.	(A x C)	(B x E)	(G + H)
Reviewable									
Imaging		$ 180.00			6,500			$ 1,170,000	$ 1,170,000
Lab/Specimen Collect.		$ 150.00			1,122			$ 168,300	$ 168,300
Immediate Care		$ 160.00			3,500			$ 560,000	$ 560,000
PT/OT		$ 140.00			3,464			$ 484,960	$ 484,960
					14,586				
contingency		$ 10.00						$ 145,860	$ 145,860
		$ 173.39						$ 2,529,120	$ 2,529,120
Non-Reviewable									
Physician's Offices		$ 155.00			40,970			$ 6,350,350	$ 6,350,350
Ancillary Support		$ 155.00			217			$ 33,635	$ 33,635
Public & Administrative		$ 145.00			9,840			$ 1,426,800	$ 1,426,800
					51,027				
contingency		$ 10.00						$ 510,270	$ 510,270
								$ 8,321,055	$ 8,321,055
		$ 165.37			65,613			$ 10,850,175	$ 10,850,175

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ATTACHMENT 39C

After paginating the entire completed application indicate, in the chart below, the page numbers for the included attachments:

INDEX OF ATTACHMENTS

Axel & Associates, Inc.

MANAGEMENT CONSULTANTS

17-021

by FedEX

RECEIVED

MAY 02 2017

HEALTH FACILITIES &
SERVICES REVIEW BOARD

April 28, 2017

Ms. Courtney Avery
Administrator
Illinois Health Facilities and
Services Review Board
525 West Jefferson
Springfield, IL 62761

Dear Courtney:

Enclosed please find two copies of a Certificate of Need application addressing the establishment of a medical clinics building in Woodridge, Illinois. Also enclosed is a check, in the amount of $2,500.00, as a filing fee.

Should any additional information be required, please do not hesitate to contact me.

Sincerely,

Jacob M. Axel
President

enclosures

675 North Court, Suite 210
Palatine, Illinois 60067

Phone (847) 776-7101
Fax (847) 776-7004