



May 1, 2017

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield IL 62761

Re: Shelled Space Permit Application
Approved / Altered Permit #14-056

Dear Ms. Avery,

This permit application proposes to complete the shelled non-clinical physician office space identified in our altered CON Permit # 14-056. The approved Project letter states the completion of the proposed shell requires our filing this permit application.

The completed shelled area will be utilized by the HSHS Medical Group, as indicated herein.

Our initial application processing fee in the amount of \$2,500.00, check # 284882, is enclosed with this permit application.

Please contact me at Theresa.Rutherford@hshs.org or by phone at 217-347-1494 if you have any questions.

Sincerely,

A handwritten signature in cursive script, reading "Theresa J. Rutherford".

Theresa J. Rutherford
President and CEO

Enclosure: Check # 284882

CON PERMIT APPLICATION

To Complete

Shelled Physician Office Space in Approved CON

Altered Permit # 14-056

Ambulatory Care Center (ACC)

at

St. Anthony's Memorial Hospital,

of the

Hospital Sisters of the Third Order of St. Francis

Effingham, Illinois

On behalf of
(Co-Applicants)

Hospital Sisters Health System
Springfield, Illinois

Hospital Sisters Medical Group
Springfield, Illinois

Hospital Sisters Services, Inc.
Springfield, Illinois

May 3, 2017

ORIGINAL

17-022

**ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT**

RECEIVED

MAY 04 2017

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

| | | | |
|-----------------------|--|---------------------|---|
| Facility Name: | St. Anthony's Memorial Hospital Ambulatory Care Center | | |
| Street Address: | 503 North Maple Street (Hospital Campus address) | | |
| City and Zip Code: | Effingham 62401 | | |
| County: | Effingham | Health Service Area | 5 |
| Health Planning Area: | F-02 | | |

Applicant /Co-Applicant Identification

[Provide for each co-applicant [refer to Part 1130.220].

| | | | |
|----------------------------------|---|--|--|
| Exact Legal Name: | St. Anthony's Memorial Hospital of the Hospital Sisters of the Third Order of St. Francis | | |
| Address: | 503 North Maple Street, Effingham, Illinois 62401 | | |
| Name of Registered Agent: | Amy K. Bulpitt | | |
| Name of Chief Executive Officer: | Theresa Rutherford | | |
| CEO Address: | 503 North Maple Street, Effingham, Illinois 62401 | | |
| Telephone Number: | 217-347-1494 | | |

Type of Ownership of Applicant/Co-Applicant

| | | | | | |
|-------------------------------------|---------------------------|--------------------------|---------------------|--------------------------|-------|
| <input checked="" type="checkbox"/> | Non-profit Corporation | <input type="checkbox"/> | Partnership | <input type="checkbox"/> | Other |
| <input type="checkbox"/> | For-profit Corporation | <input type="checkbox"/> | Governmental | | |
| <input type="checkbox"/> | Limited Liability Company | <input type="checkbox"/> | Sole Proprietorship | | |

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.

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 during the review period]

| | |
|-------------------|---|
| Name: | Jody A. Puckett |
| Title: | Executive Director of Patient Experience and Support Services |
| Company Name: | St. Anthony's Memorial Hospital |
| Address: | 503 North Maple Street, Effingham, Illinois 62401 |
| Telephone Number: | 217-347-1478 |
| E-mail Address: | Jody.Puckett@hshs.org |
| Fax Number: | 217-347-4828 |

Additional Contact

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

| | |
|-------------------|---|
| Name: | Bill S. Hawley |
| Title: | Director of Finance |
| Company Name: | St. Anthony's Memorial Hospital |
| Address: | 503 North Maple Street, Effingham, Illinois 62401 |
| Telephone Number: | 217-347-6738 |
| E-mail Address: | Bill.hawley@hshs.org |
| Fax Number: | 217-347-1565 |

Additional Contacts (for SAE)

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

| | |
|-------------------|---|
| Name: | Amy Ballance |
| Title: | Vice President, Business Development and Strategy |
| Company Name: | HSHS Southern Illinois Division |
| Address: | 224 West Garfield Belleville, Illinois 62220 |
| Telephone Number: | 618-641-5479 |
| E-mail Address: | Amy.Ballance@hshs.org |
| Fax Number: | 618-222-4748 |

| | |
|-------------------|---|
| Name: | Edwin W. Parkhurst, Jr. |
| Title: | Managing Principal |
| Company Name: | PRISM Healthcare Consulting |
| Address: | 800 Roosevelt Road, Building E, Suite 110, Glen Ellyn, Illinois 60137 |
| Telephone Number: | 630-790-5089 |
| E-mail Address: | eparkhurst@consultprism.com |
| Fax Number: | 630-790-2696 |

| | |
|-------------------|---|
| Name: | Jill Tomich |
| Title: | Manager, Strategic Planning |
| Company Name: | Hospital Sisters Health System |
| Address: | 4936 LaVerna Road Springfield, Illinois 62707 |
| Telephone Number: | 217-492-6156 |
| E-mail Address: | jill.tomich@hshs.org |
| Fax Number: | 217-523-0542 |

| | |
|-------------------|---|
| Name: | Amy K. Bulpitt |
| Title: | HSHS Vice President and General Counsel |
| Company Name: | Hospital Sisters Health System |
| Address: | 4936 LaVerna Road Springfield, Illinois 62707 |
| Telephone Number: | 217-492-9167 |
| E-mail Address: | Amy.Bulpitt@hshs.org |
| Fax Number: | 217-523-0542 |

| | |
|-------------------|---|
| Name: | Dennis Baker |
| Title: | Director Facilities Management |
| Company Name: | St. Anthony's Memorial Hospital |
| Address: | 503 North Maple Street, Effingham, Illinois 62401 |
| Telephone Number: | 217-347-1245 |
| E-mail Address: | dennis.baker@hshs.org |
| Fax Number: | 217-347-1678 |

**ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT**

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION**This Section must be completed for all projects.****Facility/Project Identification**

| | | | | | |
|--------------------|--|---------------------|---|-----------------------|------|
| Facility Name: | St. Anthony's Memorial Hospital Ambulatory Care Center | | | | |
| Street Address: | 503 North Maple Street (Hospital Campus address) | | | | |
| City and Zip Code: | Effingham 62401 | | | | |
| County: | Effingham | Health Service Area | 5 | Health Planning Area: | F-02 |

Applicant /Co-Applicant Identification**[Provide for each co-applicant [refer to Part 1130.220].**

| | | | | | |
|----------------------------------|--|--|--|--|--|
| Exact Legal Name: | Hospital Sisters Health System | | | | |
| Address: | 4936 LaVerna Road, Springfield, Illinois 62707 | | | | |
| Name of Registered Agent: | Amy K. Bulpitt | | | | |
| Name of Chief Executive Officer: | Mary Starmann-Harrison, RN FACHE | | | | |
| CEO Address: | 4936 LaVerna Road, Springfield, Illinois 62707 | | | | |
| Telephone Number: | 217-523-5483 | | | | |

Type of Ownership of Applicant/Co-Applicant

| | | | | | |
|-------------------------------------|---------------------------|--------------------------|---------------------|--------------------------|-------|
| <input checked="" type="checkbox"/> | Non-profit Corporation | <input type="checkbox"/> | Partnership | <input type="checkbox"/> | Other |
| <input type="checkbox"/> | For-profit Corporation | <input type="checkbox"/> | Governmental | | |
| <input type="checkbox"/> | Limited Liability Company | <input type="checkbox"/> | Sole Proprietorship | | |

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.

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

Primary Contact

| | | | | | |
|-------------------|---|--|--|--|--|
| Name: | Amy K. Bulpitt | | | | |
| Title: | HSHS Vice President and General Counsel | | | | |
| Company Name: | Hospital Sisters Health System | | | | |
| Address: | 4936 LaVerna Road Springfield, Illinois 62707 | | | | |
| Telephone Number: | 217-492-9167 | | | | |
| E-mail Address: | Amy.Bulpitt@hshs.org | | | | |
| Fax Number: | 217-523-0542 | | | | |

[Person to receive all correspondence or inquiries during the review period]

Additional Contact

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

| | | | | | |
|-------------------|---|--|--|--|--|
| Name: | Peter Mannix | | | | |
| Title: | VP Strategy Development & Implementation | | | | |
| Company Name: | Hospital Sisters Health System | | | | |
| Address: | 4936 LaVerna Road Springfield, Illinois 62707 | | | | |
| Telephone Number: | 227-523-4747 | | | | |
| E-mail Address: | Peter.mannix@hshs.org | | | | |
| Fax Number: | 217-523-0542 | | | | |

Additional Contacts for HSHS

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

| | |
|-------------------|---|
| Name: | Edwin W. Parkhurst, Jr. |
| Title: | Managing Principal |
| Company Name: | PRISM Healthcare Consulting |
| Address: | 800 Roosevelt Road, Building E, Suite 110, Glen Ellyn, Illinois 60137 |
| Telephone Number: | 630-790-5089 |
| E-mail Address: | eparkhurst@consultprism.com |
| Fax Number: | 630-790-2696 |

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

| | | | | | |
|--------------------|--|---------------------|---|-----------------------|------|
| Facility Name: | St. Anthony's Memorial Hospital Ambulatory Care Center | | | | |
| Street Address: | 503 North Maple Street (Hospital Campus address) | | | | |
| City and Zip Code: | Effingham 62401 | | | | |
| County: | Effingham | Health Service Area | 5 | Health Planning Area: | F-02 |

Applicant /Co-Applicant Identification

[Provide for each co-applicant [refer to Part 1130.220].

| | | | | | |
|----------------------------------|---|--|--|--|--|
| Exact Legal Name: | HSHS Medical Group, Inc. | | | | |
| Address: | 3051 Hollis Drive, Springfield Illinois 62704 | | | | |
| Name of Registered Agent: | Amy Marquardt | | | | |
| Name of Chief Executive Officer: | Melinda Clark | | | | |
| CEO Address: | 3051 Hollis Drive, Springfield Illinois 62704 | | | | |
| Telephone Number: | 217-492-5881 | | | | |

Type of Ownership of Applicant/Co-Applicant

| | | | | | |
|-------------------------------------|---------------------------|--------------------------|---------------------|--------------------------|-------|
| <input checked="" type="checkbox"/> | Non-profit Corporation | <input type="checkbox"/> | Partnership | | |
| <input type="checkbox"/> | For-profit Corporation | <input type="checkbox"/> | Governmental | | |
| <input type="checkbox"/> | Limited Liability Company | <input type="checkbox"/> | Sole Proprietorship | <input type="checkbox"/> | 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.

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 during the review period]

| | | | | | |
|-------------------|--|--|--|--|--|
| Name: | Janet Seiler | | | | |
| Title: | Chief Program Integration Officer | | | | |
| Company Name: | HSHS Medical Group | | | | |
| Address: | 3051 Hollis Drive, Springfield, Illinois 62704 | | | | |
| Telephone Number: | 217-492-9641 | | | | |
| E-mail Address: | janet.seiler@hshs.org | | | | |
| Fax Number: | 217-492-9643 | | | | |

Additional Contact

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

| | | | | | |
|-------------------|---|--|--|--|--|
| Name: | Edwin W. Parkhurst, Jr. | | | | |
| Title: | Managing Principal | | | | |
| Company Name: | PRISM Healthcare Consulting | | | | |
| Address: | 800 Roosevelt Road, Building E, Suite 110, Glen Ellyn, Illinois 60137 | | | | |
| Telephone Number: | 630-790-5089 | | | | |
| E-mail Address: | eparkhurst@consultprism.com | | | | |
| Fax Number: | 630-790-2696 | | | | |

Additional Contacts for HSHS Medical Group

| | |
|-------------------|--|
| Name: | Amy K. Bulpitt |
| Title: | HSHS Vice President and General Counsel |
| Company Name: | Hospital Sisters Health System |
| Address: | 4936 LaVerna Road Springfield, Illinois 62707 |
| Telephone Number: | 217-492-9167 |
| E-mail Address: | Amy.Bulpitt@hshs.org |
| Fax Number: | 217-523-0542 |

| | |
|-------------------|--|
| Name: | Jody A. Puckett |
| Title: | Executive Director of Patient Experience and Support Services |
| Company Name: | St. Anthony's Memorial Hospital |
| Address: | 503 North Maple Street, Effingham, Illinois 62401 |
| Telephone Number: | 217-347-1478 |
| E-mail Address: | Jody.Puckett@hshs.org |
| Fax Number: | 217-347-4828 |

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

| | | | | | |
|--------------------|--|---------------------|---|-----------------------|------|
| Facility Name: | St. Anthony's Memorial Hospital Ambulatory Care Center | | | | |
| Street Address: | 503 North Maple Street (Hospital Campus address) | | | | |
| City and Zip Code: | Effingham 62401 | | | | |
| County: | Effingham | Health Service Area | 5 | Health Planning Area: | F-02 |

Applicant /Co-Applicant Identification

[Provide for each co-applicant [refer to Part 1130.220].

| | | | | | |
|----------------------------------|--|--|--|--|--|
| Exact Legal Name: | Hospital Sisters Services, Inc. | | | | |
| Address: | 4936 LaVerna Road, Springfield, Illinois 62707 | | | | |
| Name of Registered Agent: | Amy K. Bulpitt | | | | |
| Name of Chief Executive Officer: | Mary Starmann-Harrison, RN FACHE | | | | |
| CEO Address: | 4936 LaVerna Road, Springfield, Illinois 62707 | | | | |
| Telephone Number: | 217-788-6288 | | | | |

Type of Ownership of Applicant/Co-Applicant

| | | | | | |
|-------------------------------------|---------------------------|--------------------------|---------------------|--------------------------|-------|
| <input checked="" type="checkbox"/> | Non-profit Corporation | <input type="checkbox"/> | Partnership | | |
| <input type="checkbox"/> | For-profit Corporation | <input type="checkbox"/> | Governmental | | |
| <input type="checkbox"/> | Limited Liability Company | <input type="checkbox"/> | Sole Proprietorship | <input type="checkbox"/> | Other |

- o Corporations and limited liability companies must provide an Illinois certificate of good standing.
- o 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.

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 during the review period]

| | | | | | |
|-------------------|---|--|--|--|--|
| Name: | Amy K. Bulpitt | | | | |
| Title: | HSHS Vice President and General Counsel | | | | |
| Company Name: | Hospital Sisters Health System | | | | |
| Address: | 4936 LaVerna Road Springfield, Illinois 62707 | | | | |
| Telephone Number: | 217-492-9167 | | | | |
| E-mail Address: | Amy.Bulpitt@hshs.org | | | | |
| Fax Number: | 217-523-0542 | | | | |

Additional Contact

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

| | | | | | |
|-------------------|---|--|--|--|--|
| Name: | Peter Mannix | | | | |
| Title: | VP Strategy Development & Implementation | | | | |
| Company Name: | Hospital Sisters Health System | | | | |
| Address: | 4936 LaVerna Road Springfield, Illinois 62707 | | | | |
| Telephone Number: | 227-523-4747 | | | | |
| E-mail Address: | Peter.mannix@hshs.org | | | | |
| Fax Number: | 217-523-9542 | | | | |

Additional Contacts for Hospital Sisters Services, Inc. pertaining to this specific CON permit application.

| | |
|-------------------|---|
| Name: | Edwin W. Parkhurst, Jr. |
| Title: | Managing Principal |
| Company Name: | PRISM Healthcare Consulting |
| Address: | 800 Roosevelt Road, Building E, Suite 110, Glen Ellyn, Illinois 60137 |
| Telephone Number: | 630-790-5089 |
| E-mail Address: | eparkhurst@consultprism.com |
| Fax Number: | 630-790-2696 |

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: | Theresa Rutherford |
| Title: | President and CEO |
| Company Name: | St. Anthony's Memorial Hospital |
| Address: | 503 North Maple Street, Effingham, Illinois 62401 |
| Telephone Number: | 217-347-1494 |
| E-mail Address: | Theresa.Rutherford@hshs.org |
| Fax Number: | 217-347-4828 |

Site Ownership See approved CON Permit # 14-056

[Provide this information for each applicable site]

| | |
|--|----------------------------------|
| Exact Legal Name of Site Owner: | See approved CON Permit # 14-056 |
| Address of Site Owner: | See approved CON Permit # 14-056 |
| Street Address or Legal Description of Site: | See approved permit # 14-056 |
| Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statement, 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: | St. Anthony's Memorial Hospital of the Hospital Sisters of the Third Order of St. Francis (See also Attachment 3) | | |
| Address: | 503 North Maple Street, Effingham, Illinois 62401 | | |
| <input checked="" type="checkbox"/> | Non-profit Corporation | <input type="checkbox"/> | Partnership |
| <input type="checkbox"/> | For-profit Corporation | <input type="checkbox"/> | Governmental |
| <input type="checkbox"/> | Limited Liability Company | <input type="checkbox"/> | Sole Proprietorship |
| | | <input type="checkbox"/> | Other |
| <ul style="list-style-type: none"> o Corporations and limited liability companies must provide an Illinois Certificate of Good Standing. o 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. o 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 co-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 (See approved Permit # 14-056)

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2005-5 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 #2005-5 (<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 (See approved Permit # 14-056)

[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
- Non-substantive

Part 1120 Applicability or Classification:
[Check one only.]

- Part 1120 Not Applicable
- Category A Project
- Category B Project
- DHS or DVA Project

2. Narrative Description

Provide in the space below, 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.

This specific permit application complements CON Permit Number 14-056 which was approved by the Review Board on March 16, 2015. The approved CON permit is for the St. Anthony's Memorial Hospital Ambulatory Care Center (ACC) in Effingham, Illinois with an unaltered \$14,004,619 project cost.

Subsequent to the original approval, the Project was altered to shell 23,784 sq. ft. of non-clinical physician office space. The alteration request is dated February 18, 2016 and was approved by the HFSRB Chair in a letter dated March 2, 2016. The altered permit project cost is \$12,181,075.

The second annual progress report for Project 14-056 dated March 8, 2017, was deemed compliant on March 15, 2017. To date, the permit has not been financially committed although 17.8% of the altered project costs have been expended.

In the approved project alteration letter it states ... "State Board Staff Notes the completion of the proposed shell area will require the filing and approval of a certificate of need regardless of the requisite tenant project related improvement costs or capital thresholds in effect at that time". Hence, the submission of this respective CON permit application.

This permit application is, in its entirety, non-clinical in that it proposes to finish an approved shelled area for physician offices. The HSHS Medical Group, Inc. will lease this physician office space within the approved ACC facility (CON Permit # 14-056). In addition, the requisite physician office tenant space is non-substantive as it does not include establishment or discontinuation of a healthcare facility or category of service.

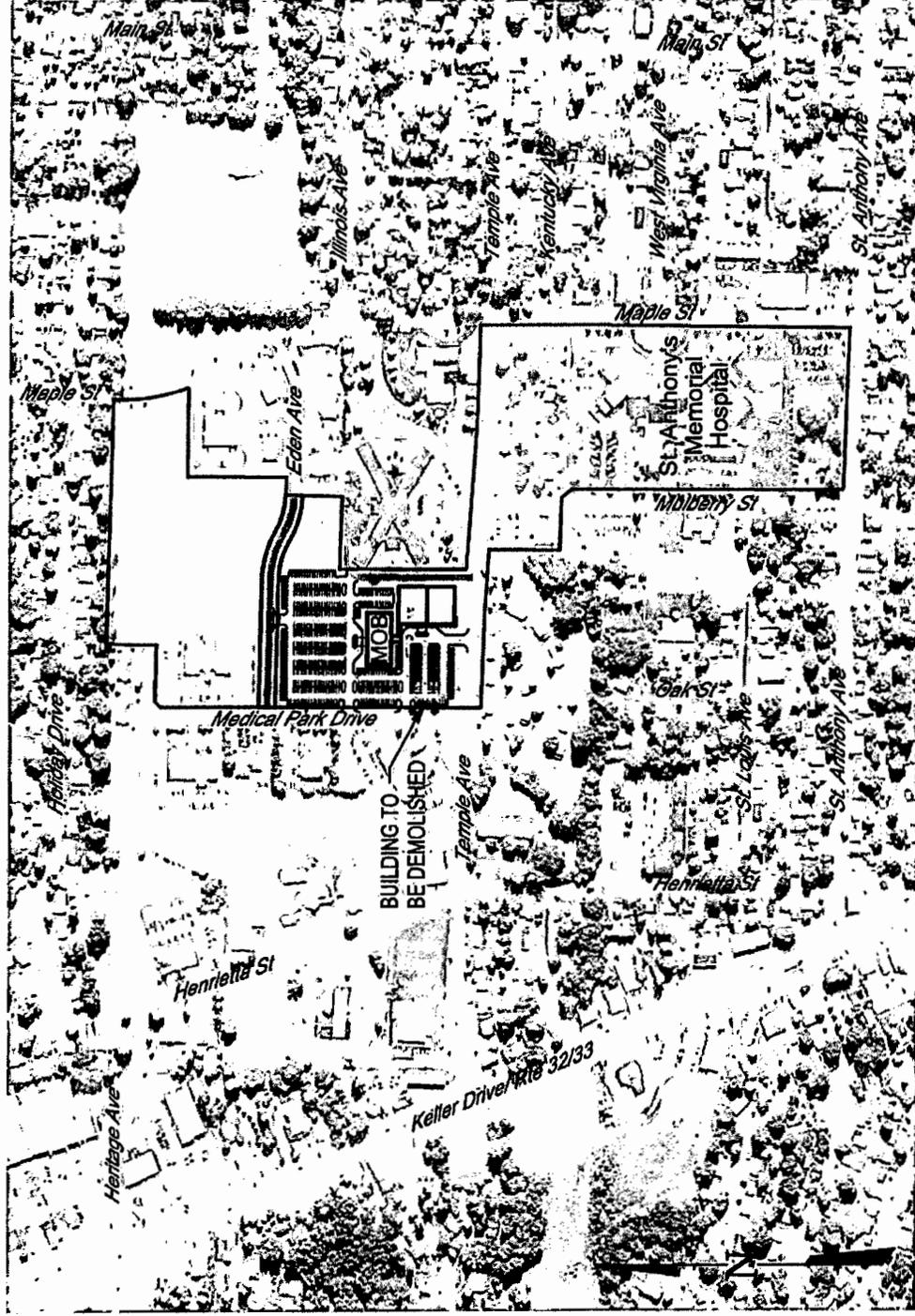
The specific site location on the Hospital Campus is documented in the CON Permit 14-056 project file and included herein.

The following exhibits describe the site, ACC facility with shelled area, and the proposed development configuration for the HSHS Medical Group. (See attached exhibits)

Project Narrative
Shelled Space Completion
CON Permit # 14-056
St. Anthony's Memorial Hospital

| | |
|-------------------|---|
| <u>Exhibit 1A</u> | Hospital Campus |
| <u>Exhibit 1B</u> | Campus Plan with ACC Location |
| <u>Exhibit 2</u> | Site Map |
| <u>Exhibit 3</u> | ACC Site Plan |
| <u>Exhibit 4</u> | First Floor Plan including Shelled Area |
| <u>Exhibit 5</u> | Second Floor Plan including Shelled Area |
| <u>Exhibit 6</u> | First Floor Plan including Shelled Space Completion for HSHS Medical Group |
| <u>Exhibit 7</u> | Second Floor Plan including Shelled Space Completion for HSHS Medical Group |

HOSPITAL CAMPUS

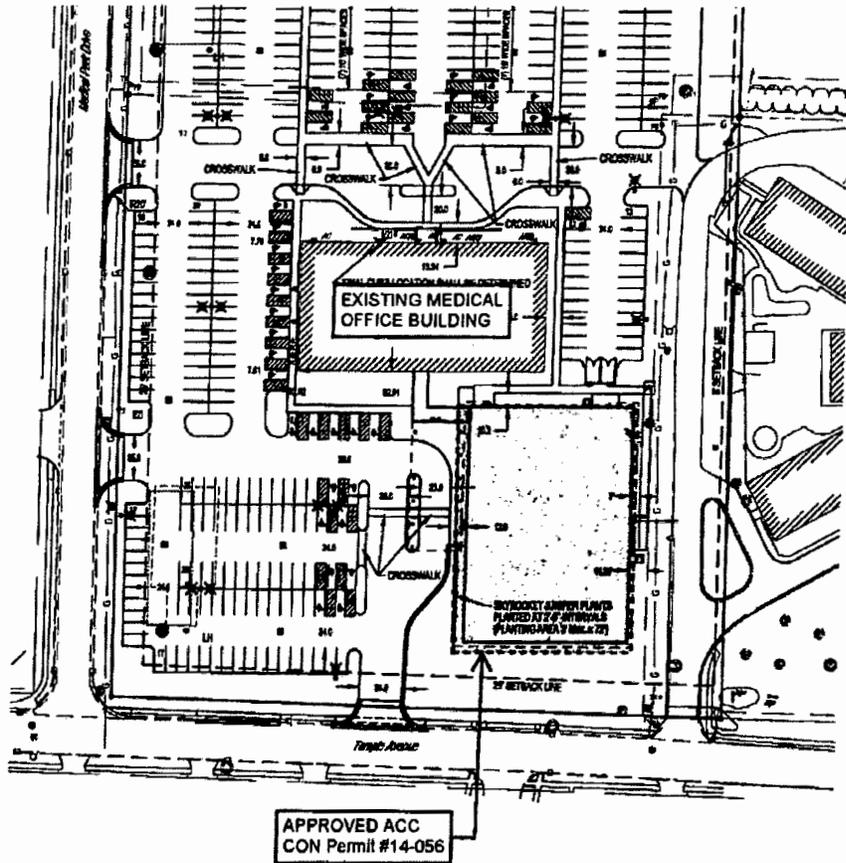


File name: 14227campus layout.dwg

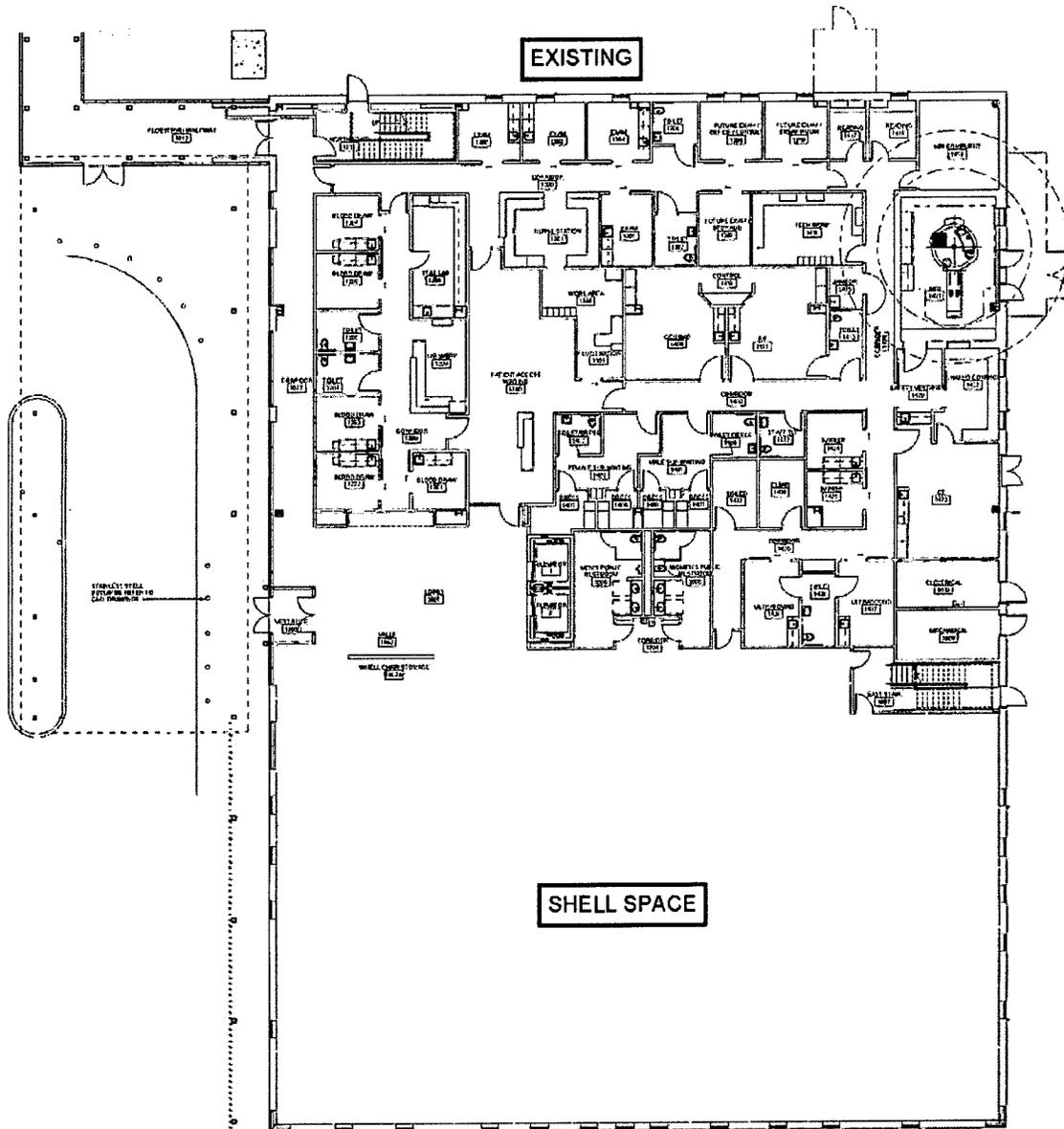


* ACC Location: Approved CON Permit #14-056

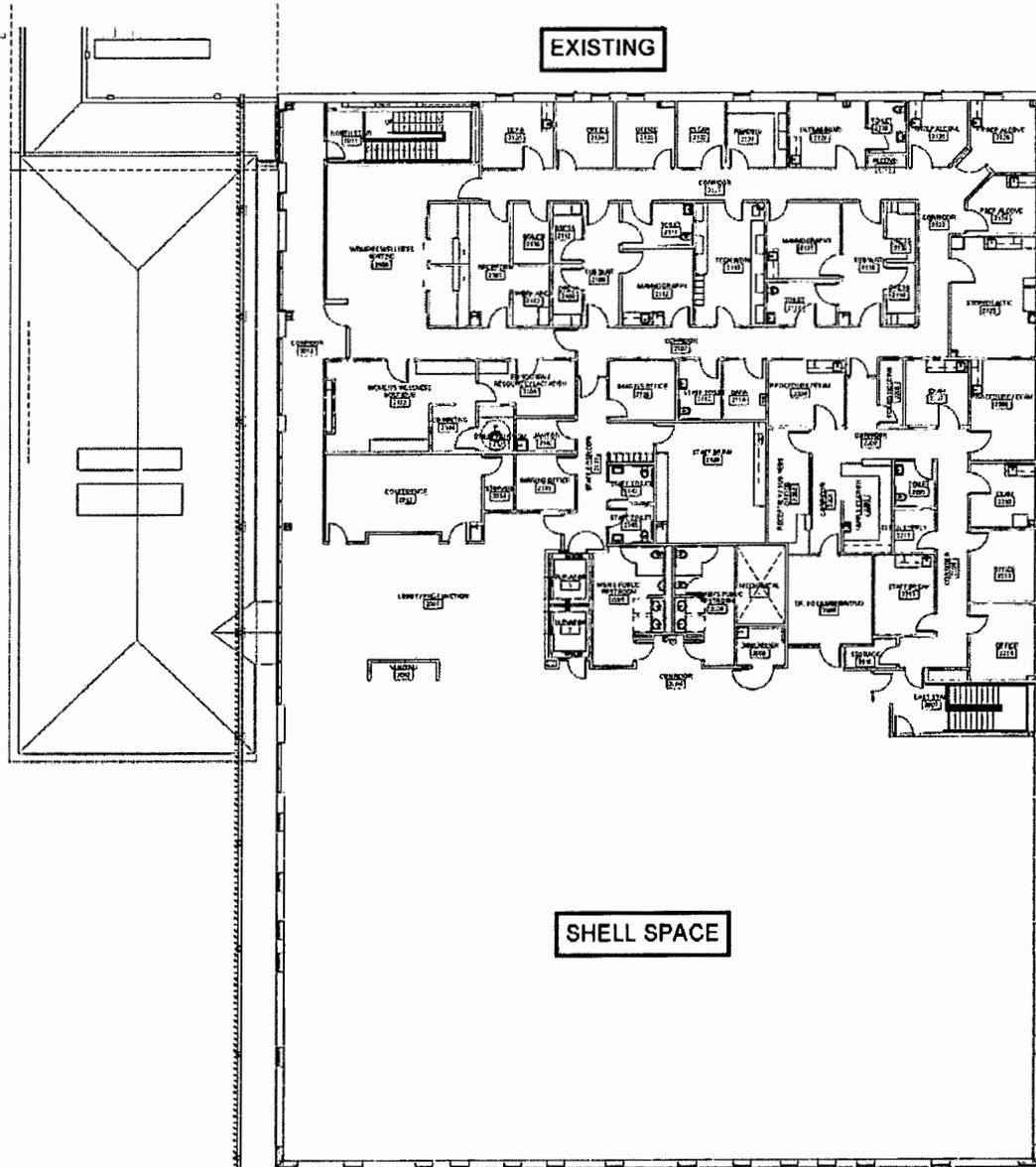
CAMPUS PLAN - St. Anthony's Memorial Hospital



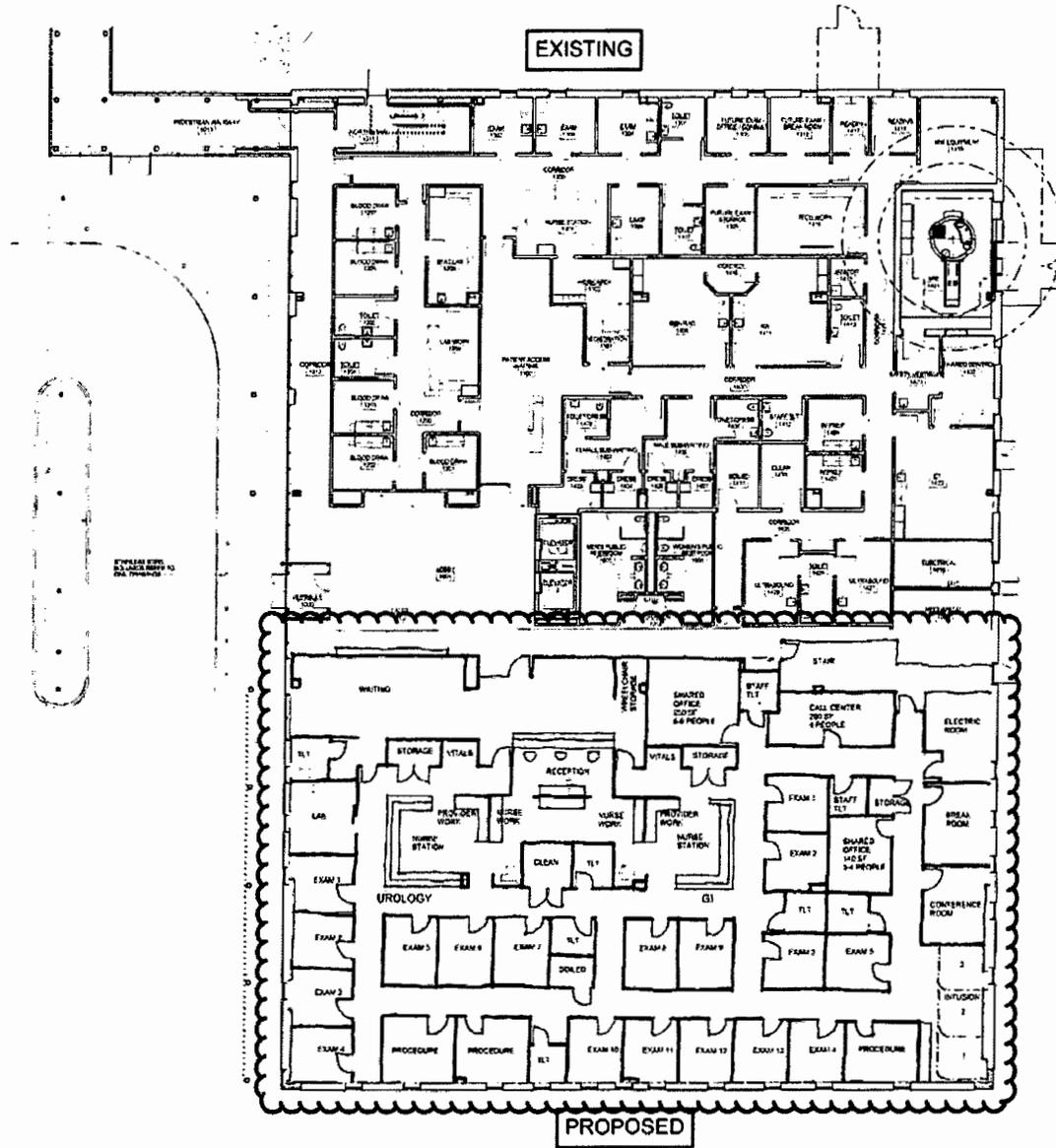
SITE PLAN



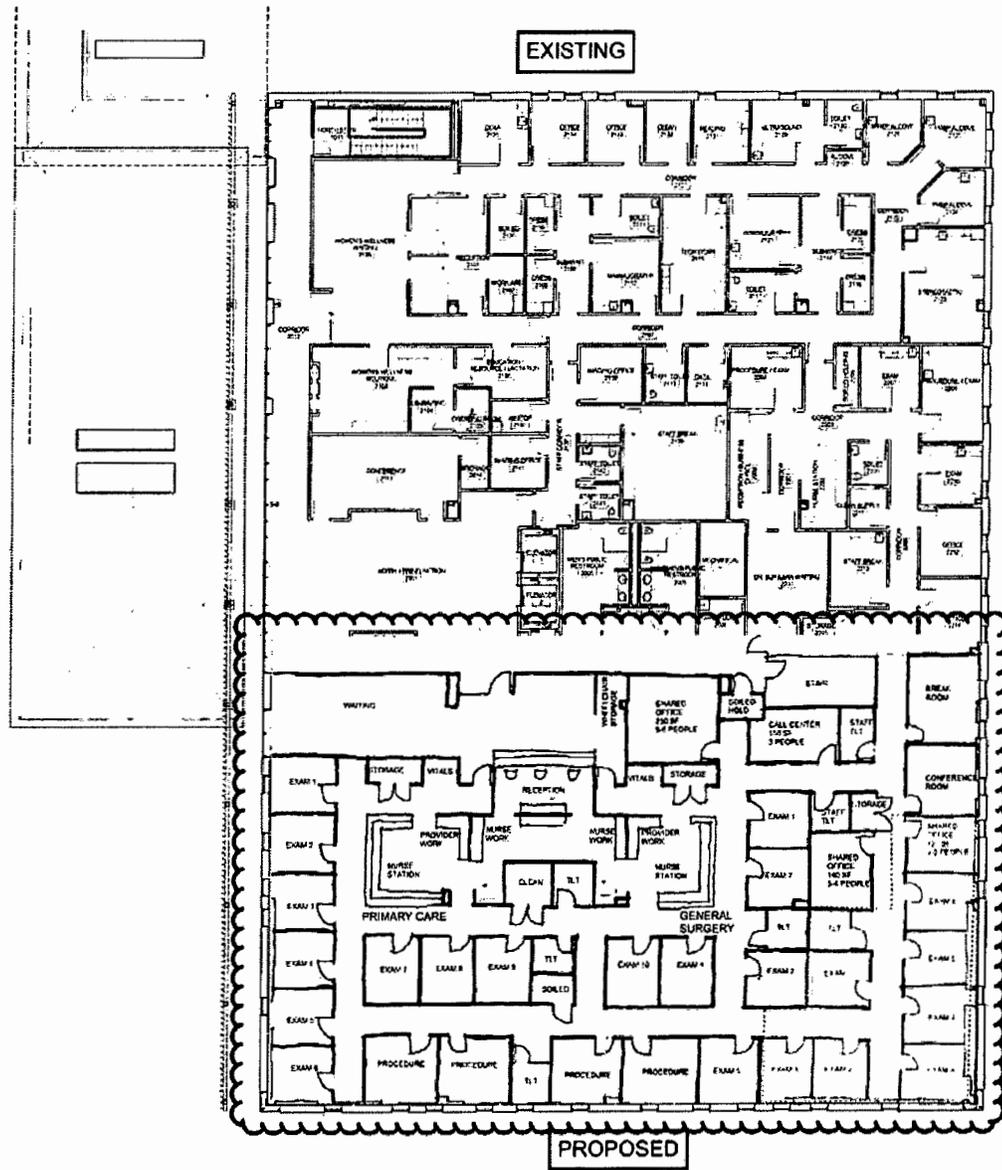
FIRST FLOOR PLAN - ACC CON Permit #14-056



SECOND FLOOR PLAN - ACC CON Permit #14-056



FIRST FLOOR PLAN - ACC SHELL SPACE COMPLETION



SECOND FLOOR PLAN - ACC SHELL SPACE COMPLETION

Project Costs and Sources of Funds (Shelled space completion)

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must equal.

| Project Costs and Sources of Funds | | | |
|---|-----------------|--------------------|------------------|
| USE OF FUNDS | CLINICAL | NONCLINICAL | TOTAL |
| Preplanning Costs | | * | * |
| Site Survey and Soil Investigation | | * | * |
| Site Preparation | | * | * |
| Off Site Work | | NA | NA |
| New Construction Contracts | | * | * |
| Modernization Contracts | | 2,999,892 | 2,999,892 |
| Contingencies | | 299,989 | 299,989 |
| Architectural/Engineering Fees | | 215,239 | 215,239 |
| Consulting and Other Fees | | 176,313 | 176,313 |
| Movable or Other Equipment (not in construction contracts) | | 1,363,941 | 1,363,941 |
| Bond Issuance Expense (project related) | | | NA |
| Net Interest Expense During Construction (project related) | | | NA |
| Fair Market Value of Leased Space or Equipment | | | NA |
| Other Costs To Be Capitalized | | 1,185,446 | 1,185,446 |
| Acquisition of Building or Other Property (excluding land) | | 500,000 | 500,000 |
| TOTAL USES OF FUNDS | | 6,740,820 | 6,740,820 |
| SOURCE OF FUNDS | CLINICAL | NONCLINICAL | TOTAL |
| Cash and Securities | | 6,740,820 | 6,740,820 |
| Pledges | | | |
| Gifts and Bequests | | | |
| Bond Issues (project related) | | | |
| Mortgages | | | |
| Leases (fair market value) | | | |
| Governmental Appropriations | | | |
| Grants | | | |
| Other Funds and Sources | | | |
| TOTAL SOURCES OF FUNDS | | 6,740,820 | 6,740,820 |
| NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT 7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. | | | |

* See approved CON Permit # 14-056

Note: This permit application proposes to complete / finish shelled space in altered Permit # 14-056 for non-clinical physician office use (HSHS Medical Group, Inc.)

| <u>Use of Funds by Category</u> | <u>Total</u> |
|---|--------------------|
| Pre Planning Costs | Permit #14-056 |
| Site Survey and Soil Inspection | Permit #14-056 |
| Site Preparation | Permit #14-056 |
| Off-site Work | Not Applicable |
| New Construction Contracts | |
| A) ACC Shell and Core, Link to EMC, Associated Construction | Permit #14-056 |
| B) Shelled Space Tenant Fit-out for HSHS Medical Group | \$2,999,892 |
| Contingencies @ 10% | \$299,989 |
| A & E Redesign Fees for Tenant Fit-out | \$215,239 |
| Consulting and Other Fees (allocated) | |
| A) Legal-Restructuring / Real Estate related | \$86,313 |
| B) CON Preparation and Filing Fee | 40,000 |
| C) Related Consulting | <u>50,000</u> |
| Subtotal | <u>\$176,313</u> |
| Moveable / Other Equipment | <u>\$1,363,941</u> |
| Bond Issue Expense | Not applicable |
| Net Interest During Construction | Not applicable |
| Fair Market Value of Leased Space / Equipment | Not applicable |
| Other Costs to be Capitalized | |
| A) Parking associated with HSHS Medical Group | \$ 776,706 |
| B) Relocation Expenses | <u>408,740</u> |
| Sub-Total | <u>\$1,185,446</u> |
| Acquisition of Building or Other Property (excluding land) | |
| A) Project Related purchase of existing condominium units to facilitate project development. | <u>\$500,000</u> |
| Total Project Cost (Non-Clinical) | <u>\$6,740,820</u> |

State Agency Submittals (To be verified)

Are the following submittals up to date as applicable:

- Cancer Registry
- APORS
- All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
- All reports regarding outstanding permits
- ESRD DPH Facility Survey @ Illinois.gov .

Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.

Project Status and Completion Schedules

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

HSHS CON Approved and open Projects

| | |
|----------|---|
| 14-043 | St. Elizabeth's Hospital Replacement, O'Fallon (4/22/15) |
| 14-044 | St. Elizabeth's Hospital Ambulatory Care Center, O'Fallon (4/22/15) |
| 14-056 | St. Anthony's Memorial Hospital Ambulatory Care Center, Effingham (3/10/15) |
| 16-053 | HSHS St. John's Hospital Women's and Children's Health Center Building, Springfield (3/15/17) |
| E-014-17 | St. Mary's Hospital, Decatur; Discontinuation of 14-bed Skilled Nursing Category of Service (3/16/17) |

Cost Space Requirements

Provide in the following format, the department/area **DGSF** or the building/area **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.**

| Dept. / Area | Project Cost | Gross Square Feet | | Amount of Proposed Total Gross Square Feet That Is: | | | |
|--|------------------|-------------------|-------------------|---|---------------|----------|---------------|
| | | Existing Shell | Proposed Complete | New Const. | Modernized | As Is | Vacated Space |
| REVIEWABLE | | | | | | | |
| Medical Surgical | | | | | | | |
| Intensive Care | | | | | | | |
| Diagnostic Radiology | | | | | | | |
| MRI | | | | | | | |
| Total Clinical | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NON REVIEWABLE | | | | | | | |
| Administrative | | | | | | | |
| Parking | | | | | | | |
| Gift Shop | | | | | | | |
| Physician Offices | 6,740,820 | 23,784 | 23,784 | 0 | 23,784 | 0 | 0 |
| Total Non-clinical | 6,740,820 | 23,784 | 23,784 | 0 | 23,784 | 0 | 0 |
| TOTAL | 6,740,820 | 23,784 | 23,784 | 0 | 23,784 | 0 | 0 |
| APPEND DOCUMENTATION AS <u>ATTACHMENT-9</u> , IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. | | | | | | | |

Note: This permit application proposes to complete / finish the shelled space developed in approved CON permit application # 14-056 for the St. Anthony's Memorial Hospital new ACC. Hence, the shelled space completion / finishing is being considered as tenant improvements, or modernization, for the HSHS Medical Group. As such, the space is physician office space; therefore, it is non-clinical in its entirety.

Facility Bed Capacity and Utilization

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert following this page. Provide the existing bed capacity and utilization data for the latest **Calendar Year for which the data are 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: St. Anthony's Memorial Hospital | | CITY: Effingham | | | |
|--|-----------------|------------------------|---------------------------|-------------|---------------|
| REPORTING PERIOD DATES: From: January 1, 2015 to: December 31, 2015 | | | | | |
| Category of Service | Authorized Beds | Admissions | Patient Days ¹ | Bed Changes | Proposed Beds |
| Medical/Surgical | 100 | 3,650 | 16,199 | 0 | 100 |
| Obstetrics/Gyn | 17 | 768 | 1,761 | 0 | 17 |
| Pediatrics | 6 | 128 | 418 | 0 | 6 |
| Intensive Care ² | 10 | 700 | 1,770 | 0 | 10 |
| Comprehensive Physical Rehabilitation | 0 | 0 | 0 | 0 | 0 |
| Acute/Chronic Mental Illness | 0 | 0 | 0 | 0 | 0 |
| Neonatal Intensive Care | 0 | 0 | 0 | 0 | 0 |
| General Long Term Care | 0 | 0 | 0 | 0 | 0 |
| Specialized Long Term Care | 0 | 0 | 0 | 0 | 0 |
| Long Term Acute Care | 0 | 0 | 0 | 0 | 0 |
| Other ((identify)) | 0 | 0 | 0 | 0 | 0 |
| TOTALS: | 133 | 5,393 | 20,148 | 0 | 133 |

Source: Published AHQ information

1. Includes observation days in respective nursing units by Category of Service

| | |
|----------------|--------------|
| <u>Service</u> | <u>Days</u> |
| Med / Surg | 1,705 |
| Pediatrics | 119 |
| ICU | 76 |
| OB/Gyn | <u>33</u> |
| | <u>1,933</u> |

². Includes 599 direct admissions to the ICU

Facility Bed Capacity and Utilization – Unpublished 2016 AHQ Survey Data

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert following this page. Provide the existing bed capacity and utilization data for the latest **Calendar Year for which the data are 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: St. Anthony's Memorial Hospital | | CITY: Effingham | | | |
|--|-----------------|------------------------|----------------|-------------|---------------|
| REPORTING PERIOD DATES: From: January 1, 2016 to: December 31, 2016 | | | | | |
| Category of Service | Authorized Beds | Admissions | Patient Days * | Bed Changes | Proposed Beds |
| Medical/Surgical | 100 | 3,650 | 13,598 | 0 | 100 |
| Obstetrics/Gyn | 17 | 775 | 1,734 | 0 | 17 |
| Pediatrics | 6 | 106 | 343 | 0 | 6 |
| Intensive Care | 10 | 721 ** | 1,736 | 0 | 10 |
| Comprehensive Physical Rehabilitation | 0 | 0 | 0 | 0 | 0 |
| Acute/Chronic Mental Illness | 0 | 0 | 0 | 0 | 0 |
| Neonatal Intensive Care | 0 | 0 | 0 | 0 | 0 |
| General Long Term Care | 0 | 0 | 0 | 0 | 0 |
| Specialized Long Term Care | 0 | 0 | 0 | 0 | 0 |
| Long Term Acute Care | 0 | 0 | 0 | 0 | 0 |
| Other ((identify)) | 0 | 0 | 0 | 0 | 0 |
| TOTALS: (Incl. ICU **) | 133 | 5,242 ** | 17,411 | 0 | 133 |

Source: Unpublished Annual Hospital Questionnaire, 2016

* Includes observation days in respective nursing units by category of service

| <u>Service</u> | <u>Days</u> |
|----------------|--------------|
| Med / Surg | 1,577 |
| Pediatrics | 113 |
| ICU | 100 |
| OB/Gyn | <u>29</u> |
| | <u>1,819</u> |

** Includes 109 internal ICU transfers

CERTIFICATION

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:

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

This Application for Permit is filed on the behalf of St. Anthony's Memorial Hospital of the Hospital Sisters of the Third Order of St. Francis * 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 for permit 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 permit application fee required for this application is sent herewith or will be paid upon request.


SIGNATURE

Theresa Rutherford
PRINTED NAME

President and Chief Executive Officer
PRINTED TITLE

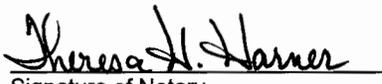

SIGNATURE

Bill Hawley
PRINTED NAME

Director of Finance
PRINTED TITLE

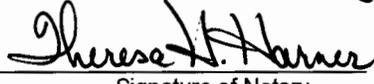
Notarization:
Subscribed and sworn to before me
this 1st day of May 2017

Notarization:
Subscribed and sworn to before me
this 1st day of May 2017


Signature of Notary

Seal 

*Insert EXACT legal name of the applicant


Signature of Notary

Seal 

CERTIFICATION

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:

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

This Application for Permit is filed on the behalf of Hospital Sisters Health System. *
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 for permit 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 permit application fee required for this application is sent herewith or will be paid upon request.

Mary Starmann-Harrison
SIGNATURE

Amy K Bulpitt
SIGNATURE

Mary Starmann-Harrison
PRINTED NAME

Amy K. Bulpitt
PRINTED NAME

President and Chief Executive Officer
PRINTED TITLE

Vice President and General Counsel
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 1 day of May

Notarization:
Subscribed and sworn to before me
this 1 day of May

Alyssa Henson
Signature of Notary
ALYSSA HENSON
Official Seal
Notary Public - State of Illinois
My Commission Expires Nov 13, 2019

Alyssa Henson
Signature of Notary
ALYSSA HENSON
Official Seal
Notary Public - State of Illinois
My Commission Expires Nov 13, 2019

*Insert EXACT legal name of the applicant

CERTIFICATION

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) 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 manger 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.

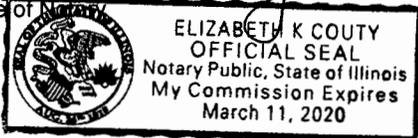
This Application for Permit is filed on the behalf of HSHS Medical Group, Inc. *
in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the 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 permit application fee required for this application is sent herewith or will be paid upon request.

Melinda Clark
SIGNATURE

Melinda Clark
PRINTED NAME

Chief Executive Officer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 1 day of May

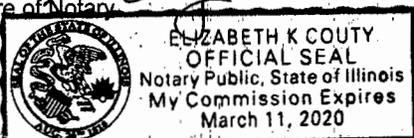
Elizabeth K. Couty
Signature of Notary
Seal


Anthony Kallenbach
SIGNATURE

Anthony Kallenbach
PRINTED NAME

Director Budget & Financial
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 1 day of May

Elizabeth K. Couty
Signature of Notary
Seal


*Insert EXACT legal name of the applicant

CERTIFICATION

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:

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

This Application for Permit is filed on the behalf of Hospital Sisters Services, Inc. *
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 for permit 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 permit application fee required for this application is sent herewith or will be paid upon request.

Mary Starmann-Harrison
SIGNATURE

Amy K Bulpitt
SIGNATURE

Mary Starmann-Harrison
PRINTED NAME

Amy K. Bulpitt
PRINTED NAME

President and Chief Executive Officer
PRINTED TITLE

Vice President and General Counsel
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 1 day of May

Notarization:
Subscribed and sworn to before me
this 1 day of May

Alyssa Henson
Signature of Notary
ALYSSA HENSON
Official Seal
Notary Public - State of Illinois
My Commission Expires Nov 13, 2019

Alyssa Henson
Signature of Notary
ALYSSA HENSON
Official Seal
Notary Public - State of Illinois
My Commission Expires Nov 13, 2019

*Insert EXACT legal name of the applicant

After paginating the entire, completed application, indicate in the chart below, the page numbers for the attachments included as part of the project's application for permit:

| INDEX OF ATTACHMENTS | | |
|-----------------------------|--|--------------|
| ATTACHMENT NO. | | PAGES |
| 1 | Applicant Identification including Certificate of Good Standing | 34 – 38 |
| 2 | Site Ownership | 39 |
| 3 | Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership. Certificate of Good Standing Etc. | 40 – 45 |
| 4 | Organizational Relationships (Organizational Chart) | 46 – 48 |
| 5 | Flood Plain Requirements | 49 – 50 |
| 6 | Historic Preservation Act Requirements | 51 – 52 |
| 7 | Project and Sources of Funds Itemization | 53 – 55 |
| 8 | Financial Commitment Document if required | 56 |
| 9 | Cost Space Requirements | 57 – 59 |
| 10 | Discontinuation | NA |
| 11 | Background of the Applicant | 60 – 83 |
| 12 | Purpose of the Project | 84 |
| 13 | Alternatives to the Project | 85 |
| 14 | Size of the Project | 86 |
| 15 | Project Service Utilization | 87 |
| 16 | Unfinished or Shell Space | 88 |
| 17 | Assurances for Unfinished/Shell Space | 89 – 90 |
| 18 | Master Design Project | NA |
| | Service Specific: | |
| 19 | Medical Surgical Pediatrics, Obstetrics, ICU | NA |
| 20 | Comprehensive Physical Rehabilitation | NA |
| 21 | Acute Mental Illness | NA |
| 22 | Open Heart Surgery | NA |
| 23 | Cardiac Catheterization | NA |
| 24 | In-Center Hemodialysis | NA |
| 25 | Non-Hospital Based Ambulatory Surgery | NA |
| 26 | Selected Organ Transplantation | NA |
| 27 | Kidney Transplantation | NA |
| 28 | Subacute Care Hospital Model | NA |
| 29 | Community-Based Residential Rehabilitation Center | NA |
| 30 | Long Term Acute Care Hospital | NA |
| 31 | Clinical Service Areas Other than Categories of Service | NA |
| 32 | Freestanding Emergency Center Medical Services | NA |
| 33 | Birth Center | NA |
| | Financial and Economic Feasibility: | |
| 34 | Availability of Funds | 91 – 97 |
| 35 | Financial Waiver | 98 |
| 36 | Financial Viability | 99 |
| 37 | Economic Feasibility | 100 – 103 |
| 38 | Safety Net Impact Statement | 104 – 108 |
| 39 | Charity Care Information | 109 – 112 |
| Appendix A | HSHS Audited Financials | 113 – 177 |
| Appendix B | Community Benefits Report | 178 – 179 |

Attachments

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

Applicant /Co-Applicant Identification

[Provide for each co-applicant [refer to Part 1130.220].

| | |
|----------------------------------|---|
| Exact Legal Name: | St. Anthony's Memorial Hospital of the Hospital Sisters of the Third Order of St. Francis |
| Address: | 503 North Maple Street, Effingham, Illinois 62401 |
| Name of Registered Agent: | Amy K. Bulpitt |
| Name of Chief Executive Officer: | Theresa Rutherford |
| CEO Address: | 503 North Maple Street, Effingham, Illinois 62401 |
| Telephone Number: | 217-347-1494 |

| | |
|----------------------------------|--|
| Exact Legal Name: | Hospital Sisters Health System |
| Address: | 4936 LaVerna Road, Springfield, Illinois 62707 |
| Name of Registered Agent: | Amy K. Bulpitt |
| Name of Chief Executive Officer: | Mary Starmann-Harrison, RN FACHE |
| CEO Address: | 4936 LaVerna Road, Springfield, Illinois 62707 |
| Telephone Number: | 217-523-5483 |

| | |
|----------------------------------|---|
| Exact Legal Name: | HSHS Medical Group, Inc. |
| Address: | 3051 Hollis Drive, Springfield Illinois 62704 |
| Name of Registered Agent: | Amy Marquardt |
| Name of Chief Executive Officer: | Melinda Clark |
| CEO Address: | 3051 Hollis Drive, Springfield Illinois 62704 |
| Telephone Number: | 217-492-5881 |

| | |
|----------------------------------|--|
| Exact Legal Name: | Hospital Sisters Services, Inc. |
| Address: | 4936 LaVerna Road, Springfield, Illinois 62707 |
| Name of Registered Agent: | Amy K. Bulpitt |
| Name of Chief Executive Officer: | Mary Starmann-Harrison, RN FACHE |
| CEO Address: | 4936 LaVerna Road, Springfield, Illinois 62707 |
| Telephone Number: | 217-788-6288 |

See Attachment 1, Exhibits 1, 2, 3, and 4

File Number

3528-153-3



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

ST. ANTHONY'S MEMORIAL HOSPITAL, OF THE HOSPITAL SISTERS OF THE THIRD ORDER OF ST. FRANCIS, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JUNE 03, 1955, 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.



Authentication #: 1706400184 verifiable until 03/05/2018
Authenticate at: <http://www.cyberdriveillinois.com>

In Testimony Whereof, I hereto set
my hand and cause to be affixed the Great Seal of
the State of Illinois, this 5TH
day of MARCH A.D. 2017 .

Jesse White

SECRETARY OF STATE

File Number

5163-355-5



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

HOSPITAL SISTERS HEALTH SYSTEM, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON DECEMBER 26, 1978, 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.



Authentication #: 1706400174 verifiable until 03/05/2018
Authenticate at: <http://www.cyberdriveillinois.com>

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 5TH day of MARCH A.D. 2017 .

Jesse White

SECRETARY OF STATE

File Number

6634-888-1



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

HSMS MEDICAL GROUP, INC., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON DECEMBER 31, 2008, 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.



Authentication #: 1706400200 verifiable until 03/05/2018
Authenticate at: <http://www.cyberdrivellinois.com>

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 5TH day of MARCH A.D. 2017 .

Jesse White

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

HOSPITAL SISTERS SERVICES, INC., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON NOVEMBER 04, 1983, 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.



Authentication #: 1706400206 verifiable until 03/05/2018
Authenticate at: <http://www.cyberdrivellinois.com>

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 5TH day of MARCH A.D. 2017 .

Jesse White

SECRETARY OF STATE

Site Ownership

[Provide this information for each applicable site]

| | |
|--|------------------------------|
| Exact Legal Name of Site Owner: | See approved permit # 14-056 |
| Address of Site Owner: | See approved permit # 14-056 |
| Street Address or Legal Description of Site: | See approved permit # 14-056 |
| Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statement, 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 <u>ATTACHMENT-2</u> , IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. | |

See Approved Permit Application # 14-056

This permit application is to complete / finish shelled non-clinical physician office space in the CON approved ACC.

Operating Identity/Licensee

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

| | | |
|--|--|--------------------------------|
| Exact Legal Name: | St Anthony's Memorial Hospital of the Hospital Sisters of the Third Order of St. Francis | |
| Address: | 503 North Maple Street, Effingham, Illinois 62401 | |
| <input checked="" type="checkbox"/> Non-profit Corporation | <input type="checkbox"/> Partnership | |
| <input type="checkbox"/> For-profit Corporation | <input type="checkbox"/> Governmental | |
| <input type="checkbox"/> Limited Liability Company | <input type="checkbox"/> Sole Proprietorship | <input type="checkbox"/> Other |
| <ul style="list-style-type: none">○ 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. | | |



**Illinois Department of
PUBLIC HEALTH** HF112026

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

Nirav D. Shah, M.D.,J.D.
Director

Issued under the authority of
the Illinois Department of
Public Health

| EXPIRATION DATE | CATEGORY | I.D. NUMBER |
|-----------------------|------------------|-------------|
| 12/31/2017 | General Hospital | 0002279 |
| Effective: 01/01/2017 | | |

St. Anthony's Memorial Hospital
503 North Maple Street
Effingham, IL 62401

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #4012320 10M 2/12

← DISPLAY THIS PART IN A
CONSPICUOUS PLACE

Exp. Date 12/31/2017
Lic Number 0002279

Date Printed 10/26/2016

St. Anthony's Memorial Hospital
503 North Maple Street
Effingham, IL 62401

FEE RECEIPT NO.

File Number

3528-153-3



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

ST. ANTHONY'S MEMORIAL HOSPITAL, OF THE HOSPITAL SISTERS OF THE THIRD ORDER OF ST. FRANCIS, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JUNE 03, 1955, 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.



Authentication #: 1706400184 verifiable until 03/05/2018
Authenticate at: <http://www.cyberdrivellinois.com>

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 5TH day of MARCH A.D. 2017 .

Jesse White

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

HOSPITAL SISTERS HEALTH SYSTEM, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON DECEMBER 26, 1978, 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 5TH day of MARCH A.D. 2017 .



Authentication #: 1706400174 verifiable until 03/05/2018
Authenticate at: <http://www.cyberdriveillinois.com>

Jesse White

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

HSMS MEDICAL GROUP, INC., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON DECEMBER 31, 2008, 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.

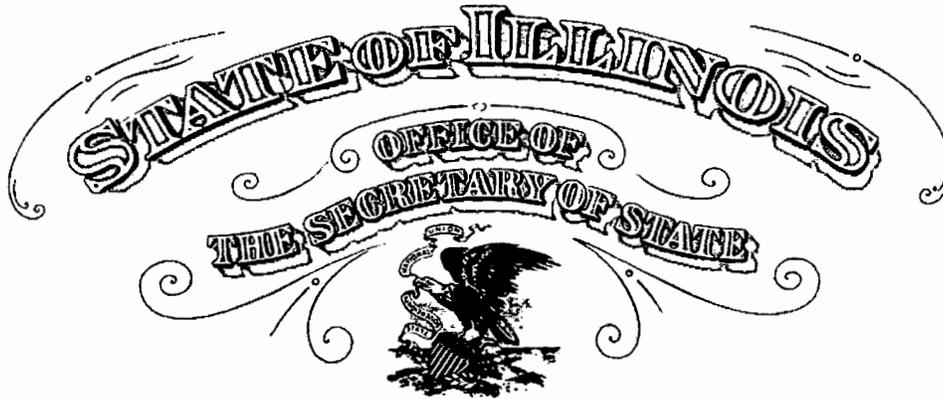


Authentication #: 1706400200 verifiable until 03/05/2018
Authenticate at: <http://www.cyberdriveillinois.com>

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 5TH day of MARCH A.D. 2017 .

Jesse White

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

HOSPITAL SISTERS SERVICES, INC., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON NOVEMBER 04, 1983, 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 5TH day of MARCH A.D. 2017 .



Authentication #: 1706400206 verifiable until 03/05/2018
Authenticate at: <http://www.cyberdrivellinois.com>

Jesse White

SECRETARY OF STATE

Organizational Relationships

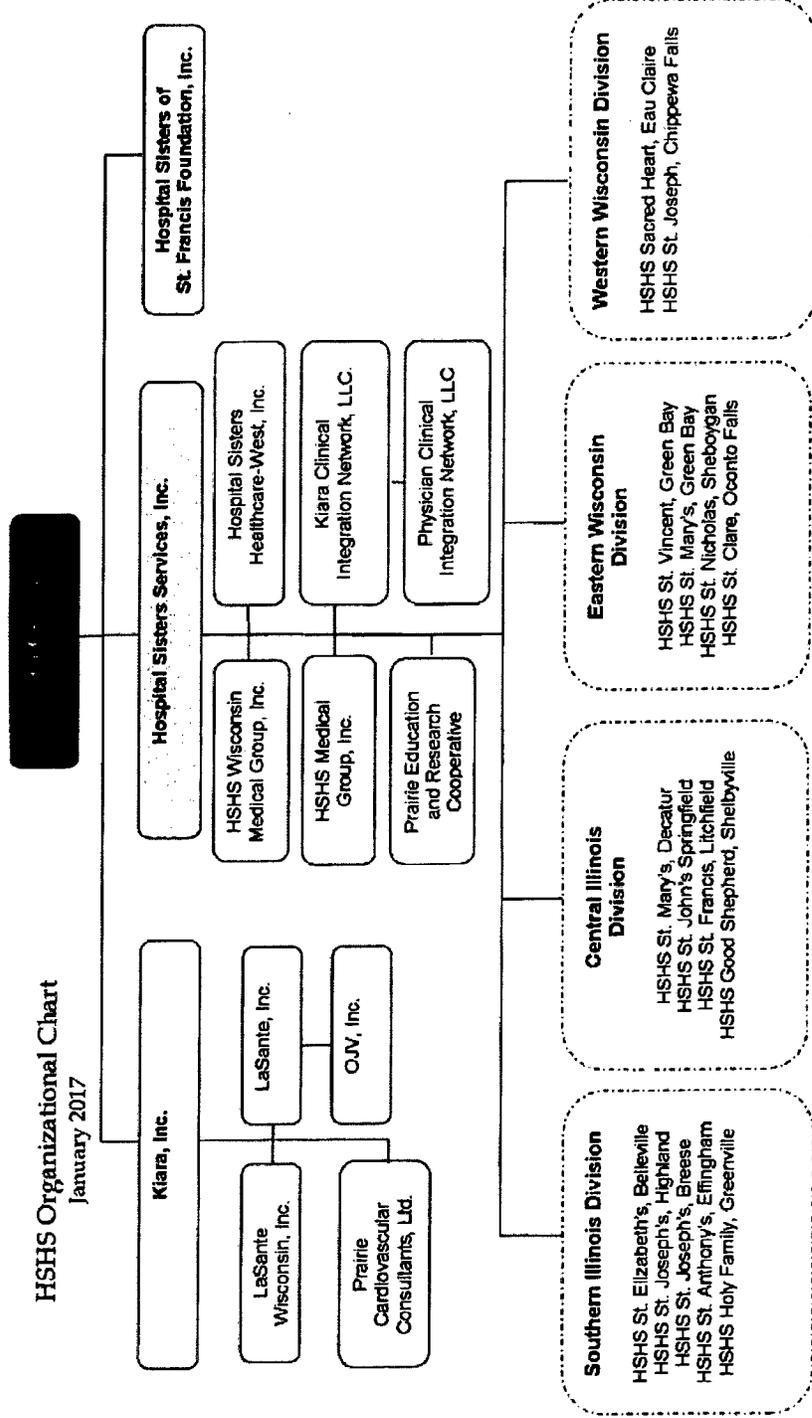
Provide (for each co-applicant) an organizational chart containing the name and relationship of any person or entity who is related (as defined in Part 1130.140). If the related person or entity is participating in the development or funding of the project, describe the interest and the amount and type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

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



Hospital Sisters
HEALTH SYSTEM

HSHS Organizational Chart
January 2017



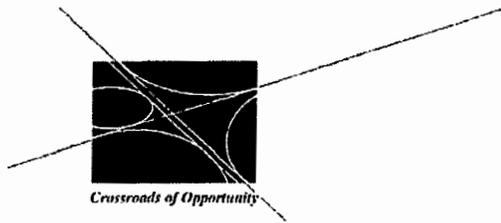
Flood Plain Requirements

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2005-5 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 #2005-5 (<http://www.hfsrb.illinois.gov>).

APPEND DOCUMENTATION AS ATTACHMENT -5, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

See Approved Permit # 14-056 for required supporting documentation for the originally approved ACC facility. This permit proposes to complete / finish shelled non-clinical physician office space within the building.



Effingham

ILLINOIS

CITY HALL
201 East Jefferson
P.O. Box 648
Effingham, Illinois
62401-0648

Mayor
Mervin D. Gilleanwater
Public Affairs

Commissioners
Alan Harris
Accounts & Finances

Don Althoff
Public Property

Brian T. Milleville
Public Health & Safety

Matt Hirtzel
Streets & Public
Improvements

August 7, 2014

Mr. David Storm
St. Anthony Memorial Hospital
503 N. Maple St.
Effingham, IL 62401

Re: Flood determination letter for property located at 900 Medical Park Drive, Effingham, IL 62401 (See Attached Legal Description w/map).

Dear Mr. Storm:

The undersigned, Building Official and Flood Plain Administrator for the City of Effingham, Illinois, does hereby certify that the property described above is located in a Zone "C", area of minimum flooding. This determination was made from City of Effingham FIRM Map, Community No. 170229 B, Effective Date July 18, 1985 (See Attached FIRM Map).

If you have any questions concerning this letter please contact the undersigned.

Sincerely,

CITY OF EFFINGHAM


BRUCE D. DEVALL
BUILDING OFFICIAL

attachment(s)

cc: Flood Plain Letter File

Administration
217-342-5308
Fax 217.342.2746

City Clerk
217-342-5301
Fax 217.347.2675

City Treasurer
217-342-5302
Fax 217.342.5311

Economic Development
217-342-5304
Fax 217.342.2746

Emergency Management
Agency
217-342-5368
Fax 217.342.2746

Public Works/Engineering
217-342-5303
Fax 217.342.5391

Street/Building Official
217-342-5300
Fax 217.342.5391

Water/Sewer
217-342-2366
Fax 217.342.5356

www.ewinghamil.com

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.

See Approved CON Permit Application # 14-056 and Attachment 6, Exhibit 1.

This application is to complete the interior shelled area for non-clinical physician office space within the approved ACC; approved CON Permit #14-056.



FAX 217/524-7525

Effingham County
Effingham
503 North Maple
Section:20-Township:8N-Range:6E
IHFSRB
New construction, Ambulatory care center, physician office bldg. & clinic - St. Anthony's Memorial Hospital

PLEASE REFER TO: IHPA LOG #002082614

September 3, 2014

Edwin Parkhurst, Jr.
Prism Consulting Services Inc.
Healthcare Consulting Division
800 Roosevelt Road
Building E, Suite 110
Glen Ellyn, IL 60137

Dear Mr. Parkhurst:

The Illinois Historic Preservation Agency is required by the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420, as amended, 17 IAC 4180) to review all state funded, permitted or licensed undertakings for their effect on cultural resources. Pursuant to this, we have received information regarding the referenced project for our comment.

Our staff has reviewed the specifications under the state law and assessed the impact of the project as submitted by your office. We have determined, based on the available information, that no significant historic, architectural or archaeological resources are located within the proposed project area.

According to the information you have provided concerning your proposed project, apparently there is no federal involvement in your project. However, please note that the state law is less restrictive than the federal cultural resource laws concerning archaeology. If your project will use federal loans or grants, need federal agency permits, use federal property, or involve assistance from a federal agency, then your project must be reviewed under the National Historic Preservation Act of 1966, as amended. Please notify us immediately if such is the case.

This clearance remains in effect for two (2) years from date of issuance. It does not pertain to any discovery during construction, nor is it a clearance for purposes of the IL Human Skeletal Remains Protection Act (20 ILCS 3440).

Please retain this letter in your files as evidence of compliance with the Illinois State Agency Historic Resources Preservation Act.

Sincerely,

Anne E. Haaker
Deputy State Historic
Preservation Officer

1 Old State Capitol Plaza
Springfield IL 62701

ILLINOISHISTORY.GOV

Project Costs and Sources of Funds (St. Anthony's Hospital only)

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must equal.

| Project Costs and Sources of Funds | | | |
|---|-----------------|--------------------|------------------|
| USE OF FUNDS | CLINICAL | NONCLINICAL | TOTAL |
| Preplanning Costs | | * | * |
| Site Survey and Soil Investigation | | * | * |
| Site Preparation | | * | * |
| Off Site Work | | NA | NA |
| New Construction Contracts | | * | * |
| Modernization Contracts | | 2,999,892 | 2,999,892 |
| Contingencies | | 299,989 | 299,989 |
| Architectural/Engineering Fees | | 215,239 | 215,239 |
| Consulting and Other Fees | | 176,313 | 176,313 |
| Movable or Other Equipment (not in construction contracts) | | 1,363,941 | 1,363,941 |
| Bond Issuance Expense (project related) | | | NA |
| Net Interest Expense During Construction (project related) | | | NA |
| Fair Market Value of Leased Space or Equipment | | | NA |
| Other Costs To Be Capitalized | | 1,185,446 | 1,185,446 |
| Acquisition of Building or Other Property (excluding land) | | 500,000 | 500,000 |
| TOTAL USES OF FUNDS | | 6,740,820 | 6,740,820 |
| SOURCE OF FUNDS | CLINICAL | NONCLINICAL | TOTAL |
| Cash and Securities | | 6,740,820 | 6,740,820 |
| Pledges | | | |
| Gifts and Bequests | | | |
| Bond Issues (project related) | | | |
| Mortgages | | | |
| Leases (fair market value) | | | |
| Governmental Appropriations | | | |
| Grants | | | |
| Other Funds and Sources | | | |
| TOTAL SOURCES OF FUNDS | | 6,740,820 | 6,740,820 |
| NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT 7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. | | | |

* See approved CON Permit # 14-056

Introductory Narrative

Background

The HSHS St. Anthony's Memorial Hospital Ambulatory Care Center, CON Permit # 14-056, was originally proposed to be developed by a third party, Agracel, and leased to both St. Anthony's and the Marshall Clinic, an independent physician group. Subsequent to the original approval, the Marshall Clinic chose not to occupy the ACC. Agracel withdrew from the project, and the Hospital Sister's Health System ("HSHS") and HSHS St. Anthony's Memorial Hospital ("St. Anthony's") assumed full responsibility for the project, as described in the Health Facilities and Services Review Board files. The original permit was altered to shell the physician office space proposed for the Marshall Clinic within the ACC and HSHS and St. Anthony's attested the shell would not be finished without filing a CON permit application.

This permit proposed to finish the shelled area in the approved ACC for the HSHS Medical Group, a wholly owned subsidiary of the Hospital Sisters Health System. As such, HSHS will assume all related project costs for the associated ACC tenant improvements as noted in Attachment 7.

If the facility would have been developed as originally proposed, many of the project costs would have been Marshall Clinic's obligation through their leasing costs with Agracel based on required tenant improvements. These costs would not have been subject to a CON Permit Application, and not previously disclosed. Now that HSHS is assuming full responsibility to complete the shell in contrast to a third party, all project related costs are now subject to a CON permit. These non-clinical costs are summarized in Attachment 7 to this application, and itemized as noted.

| <u>Use of Funds by Category</u> | <u>Total</u> |
|---|--------------------|
| Pre Planning Costs | Permit #14-056 |
| Site Survey and Soil Inspection | Permit #14-056 |
| Site Preparation | Permit #14-056 |
| Off-site Work | Not Applicable |
| New Construction Contracts | |
| A) ACC Shell and Core, Link to EMC, Associated Construction | Permit #14-056 |
| B) Shelled Space Tenant Fit-out for HSHS Medical Group | \$2,999,892 |
| Contingencies @ 10% | \$299,989 |
| A & E Redesign Fees for Tenant Fit-out | \$215,239 |
| Consulting and Other Fees | |
| A) Legal-Restructuring / Real Estate related | \$86,313 |
| B) CON Preparation and Filing Fee | 40,000 |
| C) Related Consulting | <u>50,000</u> |
| Subtotal | <u>\$176,313</u> |
| Moveable / Other Equipment | \$1,363,941 |
| Bond Issue Expense | Not applicable |
| Net Interest During Construction | Not applicable |
| Fair Market Value of Leased Space / Equipment | Not applicable |
| Other Costs to be Capitalized | |
| A) Parking associated with HSHS Medical Group | \$ 776,706 |
| B) Relocation Expenses | <u>408,740</u> |
| Sub-Total | <u>\$1,185,446</u> |
| Acquisition of Building or Other Property (excluding land) | |
| A) Project Related purchase of existing condominium units to facilitate project development. | <u>\$500,000</u> |
| Total Project Cost (Non-Clinical) | <u>\$6,740,820</u> |

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: | |
| <input type="checkbox"/> None or not applicable | <input type="checkbox"/> Preliminary |
| <input checked="" type="checkbox"/> Schematics | <input type="checkbox"/> Final Working |
| Anticipated project completion date (refer to Part 1130.140): <u>March 18, 2019</u> | |
| Indicate the following with respect to project expenditures or to obligation (refer to Part 1130.140): | |
| <input type="checkbox"/> Purchase orders, leases or contracts pertaining to the project have been executed. | |
| <input type="checkbox"/> Project obligation is contingent upon permit issuance. Provide a copy of the contingent "certification of obligation" document, highlighting any language related to CON Contingencies | |
| <input checked="" type="checkbox"/> Project obligation will occur after permit issuance. | |
| APPEND DOCUMENTATION AS <u>ATTACHMENT-8</u> , IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. | |

Project Status and Completion Schedules

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

HSHS CON Approved and open Projects

| | |
|----------|---|
| 14-043 | St. Elizabeth's Hospital Replacement, O'Fallon (4/22/15) |
| 14-044 | St. Elizabeth's Hospital Ambulatory Care Center, O'Fallon (4/22/15) |
| 14-056 | St. Anthony's Hospital Ambulatory Care Center, Effingham (3/10/15) |
| 16-053 | HSHS St. John's Hospital Women's and Children's Health Center Building, Springfield (3/15/17) |
| E-014-17 | St. Mary's Hospital, Decatur; Discontinuation of 14-bed Skilled Nursing Category of Service (3/16/17) |

Cost Space Requirements

Provide in the following format, the department/area **DGSF** or the building/area **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.**

| Dept. / Area | Project Cost | Gross Square Feet | | Amount of Proposed Total Gross Square Feet That Is: | | | |
|--|------------------|-------------------|-------------------|---|---------------|----------|---------------|
| | | Existing Shell | Proposed Complete | New Const. | Modernized | As Is | Vacated Space |
| REVIEWABLE | | | | | | | |
| Medical Surgical | | | | | | | |
| Intensive Care | | | | | | | |
| Diagnostic Radiology | | | | | | | |
| MRI | | | | | | | |
| Total Clinical | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NON REVIEWABLE | | | | | | | |
| Administrative | | | | | | | |
| Parking | | | | | | | |
| Gift Shop | | | | | | | |
| Physician Offices | 6,740,820 | 23,784 | 23,784 | 0 | 23,784 | 0 | 0 |
| Total Non-clinical | 6,740,820 | 23,784 | 23,784 | 0 | 23,784 | 0 | 0 |
| TOTAL | 6,740,820 | 23,784 | 23,784 | 0 | 23,784 | 0 | 0 |
| APPEND DOCUMENTATION AS <u>ATTACHMENT-9</u>, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. | | | | | | | |

St. Anthony's Space in ACC/POB

| Dept. / Area | Project Cost | Gross Square Feet | | Amount of Proposed Total Gross Square Feet That Is: | | | |
|-----------------------|------------------|-------------------|-------------------|---|---------------|----------|---------------|
| | | Existing Shell | Proposed Complete | New Const. | Modernized | As Is | Vacated Space |
| REVIEWABLE | | | | | | | |
| Medical Surgical | | | | | | | |
| Intensive Care | | | | | | | |
| Diagnostic Radiology | | | | | | | |
| MRI | | | | | | | |
| Total Clinical | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NON REVIEWABLE | | | | | | | |
| Administrative | | | | | | | |
| Parking | | | | | | | |
| Gift Shop | | | | | | | |
| Physician Offices | 6,740,820 | 23,784 | 23,784 | 0 | 23,784 | 0 | 0 |
| Total Non-clinical | 6,740,820 | 23,784 | 23,784 | 0 | 23,784 | 0 | 0 |
| TOTAL | 6,740,820 | 23,784 | 23,784 | 0 | 23,784 | 0 | 0 |

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



HSHS Medical Group

Attachment 17
Letter of Intent to Lease MOB
Space in St. Anthony's ACC (CON Permit # 14-056)

April 5, 2017

Kathryn J. Olson, Chair
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: MOB Space within an approved Ambulatory Care Center (Permit #14-056)
St. Anthony's Memorial Hospital, Effingham, Illinois

Dear Ms. Olson,

HSHS Medical Group is an affiliate of the Hospital Sisters Health System, Springfield, Illinois an integrated Health System enterprise (see Attachment 4 to this shelled space completion permit application).

St. Anthony's has an approved CON Permit Application to develop a hospital campus-based Ambulatory Care Center (ACC) including shelled space for physician offices. This letter indicates our intent to occupy this physician office area when completed. The occupancy date is estimated to be the latter part of 2018 with Permit completion to follow per the underlying application.

Please let me know if you have any questions. I can be reached at Melinda.clark@hshs.org or 217-492-5881.

Sincerely,

Melinda Clark
Chief Executive Officer

Corporate Services Center • 3051 Hollis Drive • Springfield, Illinois 62704
Office (217) 321-9292 • Fax (217) 492-9643

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.

Criterion 1110.230 – Background, Purpose of the Project, and Alternatives

READ THE REVIEW CRITERION and provide the following required information:

| |
|--|
| <p>BACKGROUND OF APPLICANT</p> <ol style="list-style-type: none">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 the information has been 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. |
|--|

| |
|--|
| <p>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.</p> |
|--|

For criterion 1110.230 Background; see the following exhibits for Attachment 11.

- Background; HSHS Illinois licenses and St. Anthony’s Memorial Hospital property listing including co-applicants
- Exhibit 1; Hospital license
- Exhibit 2; Joint Commission Accreditation
- Exhibit 3; Attestation letter regarding adverse actions and permission to access documents

III. Criterion 1110.230 – Background of the Applicant

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

Certified Listing of Health Care Facilities Owned or Operated by the Applicants in Illinois

Attachment 11, Table –

. Identification, Location, License Numbers and Joint Commission Accreditation Numbers of All HSHS Illinois Hospitals

| Facility | Location | Illinois License Number | Joint Commission Accreditation Number |
|--|-------------|-------------------------|---------------------------------------|
| St. Elizabeth's Hospital | Belleville | 0002345 | ID #7242 |
| St. Joseph's Hospital | Highland | 0002543 | ID #2825 |
| St. Anthony's Memorial Hospital | Effingham | 0002279 | ID #7335 |
| St. Francis Hospital | Litchfield | 0002386 | ID #7374 |
| St. John's Hospital | Springfield | 0002451 | ID #7432 |
| St. Joseph's Hospital | Breese | 0002527 | ID #7250 |
| St. Mary's Hospital | Decatur | 0002592 | ID #4605 |
| HSHS Holy Family Hospital | Greenville | 0005355 | * ID #189268 |
| HSHS Good Shepherd Hospital | Shelbyville | 0002154 | ** |
| Prairie Diagnostic Center at St. John's Hospital | Springfield | 7003157 | * ID #495818 |

* Accredited by HFAP (Healthcare Facilities Accreditation Program).

A copy of the most recent State of Illinois License for St. Anthony's Memorial Hospital is included as Attachment 11, Exhibit 1. A copy of the Hospital's Joint Commission Accreditation status is included as Attachment 11, Exhibit 2.

** NIAHO Hospital Accreditation Program Certificate Number 151512 – 2014 – AHC – USA - NIAHO

SAE Facilities and HSHS Hospitals

HSHS St. Anthony's Memorial Hospital HOSPITAL PROPERTY

- 1) 410 (420) N. Maple (8928).....Medical Office Building (lease to Bandy's DME)
- 2) 503 N. MapleHospital
- 3) 603 N. Maple (8917).....Parking Lot
- 4) 704 W. Kentucky (8913)Hospital Maintenance Garage
- 5) 609 W. St. Anthony (8936).....Empty Lot
- 6) 701 W. St. Anthony (8934).....Parking Lot
- 7) 710 W. St. Anthony (8930).....Bernsmeyer Building
- 8) 800 W. St. Anthony (8937).....House (Fr. Ralph)
- 9) 802 W. St. Anthony (8937).....Empty Lot (Fr. Ralph)
- 10) 701 W. Temple (8933).....Medical Office Building (Home Care/Hospice)
- 11) 801 W. Temple (8912).....Medical Office Building (Convenient Care)
- 12) 900 W. Temple (8929).....Effingham Medical Center
- 13) 902 W. Temple (8932).....SAMH - Open MRI and Diagnostic Center
- 14) 511 W. Virginia (8938) (Unit A & B)Medical Office Building (lease to Clark's)
- 15) 507 W. Washington, Newton (7326).....Newton Diagnostic Center (SAE leases)

- 16) 223 East Sixth Street, Neoga (7327).....Neoga Clinic (SAE leases)
 - 17) 501 – 511 N. Mulberry (5 lots).....Parking Lot (SAE leases)
 - 18) 206 N. Pearl, Teutopolis.....T-Town Diagnostic Clinic (SAE leases)
 - 19) 3 Do-It Drive, Altamont.....Altamont Diagnostic Clinic (SAE leases)
 - 20) 904 Medical Park Drive (includes 13 acres vacant land).Medical Office Building (lease to Davita/Dr. Boyajian/HSHS Medical Group)
 - 21) 1301 N. Maple.....Physical Rehab (Workman’s Sports Complex) (SAE leases)
-

HSHS Hospitals

HSHS St. Joseph's Hospital

2661 Co Hwy I.
Chippewa Falls , WI 54729
(715) 723-1811

HSHS Sacred Heart Hospital

900 West Clairemont Avenue
Eau Claire, WI 54701
(715) 717-4121

HSHS St. Clare Memorial Hospital

855 S. Main St.
Oconto Falls, WI 54154
(920) 846-3444

HSHS St. Mary's Hospital Medical Center

1726 Shawano Ave.
Green Bay , WI 54303
(920) 498-4200

HSHS St. Vincent Hospital

835 South Van Buren Street
Green Bay , WI 54307
(920) 433-0111

HSHS St. Nicholas Hospital

3100 Superior Avenue
Sheboygan, WI 53081
(920) 459-8300

HSHS St. John's Hospital

800 E. Carpenter St.
Springfield, IL 62769

HSHS St. Mary's Hospital

1800 E. Lake Shore Drive
Decatur, IL 62521
(217) 464-2966

HSHS St. Francis Hospital

1215 Franciscan Drive
Litchfield, Illinois 62056
(217) 324-2191

HSHS St. Anthony's Memorial Hospital

503 North Maple Street
Effingham, IL 62401
217-342-2121

HSHS St. Joseph's Hospital

9515 Holy Cross Lane
PO Box 99
Breese, IL 62230
618-526-4511

HSHS St. Joseph's Hospital

12866 Troxler Avenue
Highland, IL 62249
(618) 651-2600

HSHS Good Shepherd Hospital

200 S. Cedar St.
Shelbyville, IL 62565
(217) 774-3961

HSHS St. Elizabeth's Hospital

211 S. Third Street
Belleville, IL 62220

HSHS Holy Family Hospital

200 Health Care Drive
Greenville, IL 62246
618-664-1230

CENTRAL ILLINOIS DIVISION

HSHS Medical Group Foot & Ankle Specialists - Specialty Clinic

100 W. 15th St., Beardstown, IL 62618

Phone: 217-323-2245

Fax: 217-323-2684

HSHS Medical Group Internal Medicine

113 Sieberling St., Blue Mound, IL 62513

Phone: 217-321-9310

Fax: 217-321-9307

HSHS Medical Group Pulmonology Carlinville - Specialty Clinic

20733 N. Broad St., Carlinville, IL 62626

Phone: 217-241-3595

Fax: 217-241-3595

Joslin Diabetes Center Affiliate at HSHS Medical Group - Specialty Clinic

20733 N. Broad St., Carlinville, IL 62626

Phone: 217-787-8870

Fax: 217-787-6158

HSHS Medical Group Family Health

345 N. Main St., Chatham, IL 62629

Phone: 217-483-3333

Fax: 217-483-4393

HSHS Medical Group Adult & Geriatric Medicine

1750 E. Lake Shore Dr., Suite 100, Decatur, IL 62521

Phone: 217-464-1080

Fax: 217-475-2881

HSHS Medical Group Adult & Geriatric Medicine

2981 N. Main St., Decatur, IL 62526

Phone: 217-877-9775

Fax: 217-877-9806

HSHS Medical Group Family Medicine & Pediatrics

845 S. Hwy 51, Forsyth, IL 62535

Phone: 217-872-0953

Fax: 217-872-2056

HSHS Medical Group Family & Sports Medicine

2965 N. Main St., Suite F, Decatur, IL 62526

Phone: 217-875-7847

Fax: 217-875-7890

HSHS Medical Group Foot & Ankle Specialists - Specialty Clinic

2965 N. Main St., Suite F, Decatur, IL 62526

Phone: 217-546-5949

Fax: 217-546-7889

HSHS Medical Group Gastroenterology

1750 E. Lake Shore Dr., Suite 310, Decatur, IL 62521

Phone: 217-464-1220

Fax: 217-464-1229

HSHS Medical Group General Surgery

1750 E. Lake Shore Dr., Suite 110, Decatur, IL 62521
Phone: 217-464-1200
Fax: 217-464-1210

HSHS Medical Group Hospitalist Program - HSHS St. Mary's Hospital

1800 E. Lake Shore Dr., Decatur, IL 62521
Phone: 217-464-5811
Fax: 217-464-1318

HSHS Medical Group Infectious Disease

1770 E. Lake Shore Dr., Suite 300, Decatur, IL 62521
Phone: 217-464-1470
Fax: 217-464-5249

HSHS Medical Group Occupational Health & Wellness

1750 E. Lake Shore Dr., Suite LL, Decatur, IL 62521
Phone: 217-464-1440
Fax: 217-464-1469

HSHS Medical Group Pediatrics

1750 E. Lake Shore Dr., Suite 300, Decatur, IL 62521
Phone: 217-423-2889
Fax: 217-423-2923

HSHS Neuroscience Center

1770 E. Lake Shore Dr., Suite LL1, Decatur, IL 62521
Phone: 217-464-1340
Fax: 217-464-1349

HSHS Medical Group Pulmonology

1770 E. Lake Shore Dr., Suite 301, Decatur, IL 62521
Phone: 217-464-1350
Fax: 217-464-1359

Joslin Diabetes Center Affiliate at HSHS Medical Group - Specialty Clinic

1770 E. Lake Shore Dr., Suite LL1, Decatur, IL 62521
Phone: 217-464-1350
Fax: 217-464-1359

HSHS Medical Group Foot & Ankle Specialists - Specialty Clinic

615 N. Promenade St., Havana, IL 62644
Phone: 217-243-1101
Fax: 217-243-5003

HSHS Medical Group Family Medicine

400 Rountree St., Hillsboro, IL 62049
Phone: 217-532-9471
Fax: 217-532-9476

HSHS Medical Group Foot & Ankle Specialists

1515 W. Walnut St., Building 12, Jacksonville, IL 62650
Phone: 217-243-1101
Fax: 217-243-5003

HSHS Medical Group Neuroscience – Specialty Clinic

1515 W. Walnut St., Building 12, Jacksonville, IL 62650
Phone: 217-757-6868
Fax: 217-757-6869

HSHS Medical Group Family Medicine

1515 W. Walnut St., Suite 2, Jacksonville, IL 62650
Phone: 217-243-6454
Fax: 217-243-1388

HSHS Medical Group Foot & Ankle Specialists - Specialty Clinic

1215 Franciscan Dr., 2nd Floor, Litchfield, IL 62056
Phone: 217-324-8730
Fax: 217-324-8740

HSHS Medical Group Oncology - Specialty Clinic

1215 Franciscan Dr., 4th Floor, Litchfield, IL 62056
Phone: 217-525-5640
Fax: 217-324-8639

HSHS Medical Group Surgical Specialists

1215 Franciscan Dr., 2nd Floor, Litchfield, IL 62056
Phone: 217-324-8730
Fax: 217-324-8740

HSHS Medical Group Pulmonology - Specialty Clinic

1215 Franciscan Dr., 4th Floor, Litchfield, IL 62056
Phone: 217-241-3595
Fax: 217-324-8740

HSHS Medical Group Neuroscience - Specialty Clinic

1215 Franciscan Drive, 2nd Floor, Litchfield IL 62056
217-757-6868

HSHS Medical Group Family Medicine

1200 N. State Highway 121, Mt. Zion, IL 62549
Phone: 217-864-5531
Fax: 217-864-2449

HSHS Medical Group Foot & Ankle Specialists - Specialty Clinic

640 W. Washington St., Pittsfield, IL 62363
Phone: 217-243-1101
Fax: 217-243-5003

HSHS Medical Group Family Medicine

300 Sattley St., Rochester, IL 62563
Phone: 217-789-3630
Fax: 217-498-6812

HSHS Medical Group Family Medicine

108 Rodewald Dr., Rushville, IL 62681
Phone: 217-322-3529
Fax: 217-322-2605

HSHS Medical Group Foot & Ankle Specialists - Specialty Clinic

238 S. Congress St., Rushville, IL 62681
Phone: 217-322-4321
Fax: 217-322-2608

HSHS Medical Group Pulmonology -Specialty Clinic

238 S. Congress St., Rushville, IL 62681
Phone: 217-241-3595
Fax: 217-241-3596

HSHS Good Shepherd Family Health

200 S. Cedar Street, Shelbyville, IL 62565
Phone: 217- 774-4400

HSHS Medical Group Family Medicine

207 S. Pine St., Suite F, Shelbyville, IL 62565
Phone: 217-774-7883
Fax: 217-774-5935

HSHS Medical Group Specialty Clinic General Surgery - Shelbyville

200 S. Cedar Street, Shelbyville, IL 62565
Phone: 217-464-1200

HSHS Medical Group Pulmonology - Specialty Clinic

200 S. Cedar St., Shelbyville, IL 62565
Phone: 217-464-1350

HSHS Medical Group Diabetes & Endocrinology - Specialty Clinic

200 S. Cedar St., Shelbyville, IL 62565
Phone: 217-787-8870
Fax: 217-787-6158

HSHS Medical Group Specialty Clinic Neurology - Shelbyville

200 S. Cedar St., Shelbyville, IL 62565
Phone: 217-774-6402

HSHS Medical Group Anesthesiology and Perioperative Services

800 E. Carpenter St., Springfield, IL 62769
Phone: 217-544-6464 Ext. 64379
Fax: 217-757-6537

HSHS Medical Group Anesthesiology and Perioperative Services

800 E. Carpenter St., Springfield, IL 62769
Phone: 217-544-6464 Ext. 64379
Fax: 217-757-6537

HSHS Medical Group Anesthesiology and Perioperative Services

800 E. Carpenter St., Springfield, IL 62769
Phone: 217-544-6464 Ext. 64379
Fax: 217-757-6537

HSHS Medical Group Children's Surgical Services

301 N. 8th St., Springfield, IL 62701
Phone: 217-757-6535
Fax: 217-757-6536

HSHS Medical Group Cancer Institute at HSHS St. John's Hospital Springfield

301 N. 8th St., Springfield, IL 62701

Medical Oncology: 217-525-5640

Radiation Oncology: 217-525-5666

Fax: 217-757-6754

HSHS Medical Group Family & Internal Medicine

2801 Mathers Rd., Springfield, IL 62711

Phone: 217-789-3600

Fax: 217-726-5867

HSHS Medical Group Foot & Ankle Specialists

2901 Old Jacksonville Rd., Springfield, IL 62704

Phone: 217-546-5949

Fax: 217-546-7889

HSHS Medical Group Gastroenterology

2901 Old Jacksonville Rd., Springfield, IL 62704

Phone: 217-241-3588

HSHS Medical Group General Surgery

301 N. 8th St., Suite 3B300 Springfield, IL 62701

Phone: 217-757-6570

Fax: 217-757-6573

HSHS Medical Group Hospitalist Program - HSHS St. John's Hospital

800 E. Carpenter St., Springfield, IL 62769

Phone: 217-544-6464 Ext. 45012

Fax: 217-757-6805

HSHS Medical Group Intensivist Program - HSHS St. John's Hospital

800 E. Carpenter St., Springfield, IL 62769

Phone: 217-544-6464 Ext. 45012

Fax: 217-757-6805

HSHS Medical Group Multispecialty Care

2901 Old Jacksonville Rd., Springfield, IL 62704

Phone: 217-698-9722

Fax: 217-689-8012

HSHS Neuroscience Center

421 N. 9th St., Springfield, IL 62702

Phone: 217-757-6868

Fax: 217-757-6869

HSHS Medical Group Palliative Care

800 E. Carpenter St., Springfield, IL 62769

Phone: 217-544-6464 Ext. 45275

Fax: 217-757-6307

HSHS Medical Group Priority Care

2329 N. Dirksen Pkwy., Springfield, IL 62702

1836 S. MacArthur Blvd., Springfield, IL 62704

Phone: 217-789-1403

Fax: 217-525-1624

HSHS Medical Group Priority Care

2329 N. Dirksen Pkwy., Springfield, IL 62702
1836 S. MacArthur Blvd., Springfield, IL 62704
Phone: 217-789-1403
Fax: 217-525-1624

Joslin Diabetes Center Affiliate at HSHS Medical Group

1118 Legacy Pointe Dr., Springfield, IL 62704
Phone: 217-787-8870
Fax: 217-787-6158

HSHS Medical Group Pulmonology - Specialty Clinic

400 N. Caldwell St., Staunton, IL 62088
Phone: 618-635-2200
Fax: 618-635-5170

HSHS Medical Group Family Medicine

130 N. Broadway St., Table Grove, IL 61482
Phone: 309-758-5070
Fax: 309-758-5007

SOUTHERN ILLINOIS DIVISION

HSHS Medical Group Anesthesiology and Perioperative Services

211 S. 3rd St., Belleville, IL 62220
Phone: 618-234-2120, Ext. 1822
Fax: 618-641-5810

HSHS Medical Group Gastroenterology

340 W. Lincoln St., Suite 540, Belleville IL 62220
Phone: 618-222-1340
Fax: 618-222-4787

HSHS Medical Group Hospitalist Program - HSHS St. Elizabeth's Hospital

211 S. 3rd St., Belleville, IL 62220
Phone: 618-234-2120
Fax: 618-641-5806

HSHS Medical Group Intensivist Program - HSHS St. Elizabeth's Hospital

211 S. 3rd St., Belleville, IL 62220
Phone: 618-234-2120
Fax: 618-641-5806

HSHS Medical Group Pain Management

340 W. Lincoln St., Suite 200, Belleville, IL 62220
Phone: 618-222-2121, Ext. 2847
Fax: 618-222-4636

HSHS Medical Group Physical Medicine & Rehabilitation

180 S. 3rd Street, Suite 102, Belleville, IL 62220
Phone: 618-641-5411
Fax: 618-641-5410

HSHS Medical Group Pulmonology

340 W. Lincoln St., Suite 300, Belleville, IL 62220
Phone: 618-235-4883

HSHS Medical Group Urology

301 W. Lincoln St., Suite 101, Belleville, IL 62220
Phone: 618-641-5803
Fax: 618-641-5813

HSHS Medical Group Wound Clinic

211 S. 3rd St., Belleville, IL 62220
Phone: 618-234-2120
Fax: 618-641-5806

HSHS Neuroscience Center

340 W. Lincoln St., Suite 560, Belleville, IL 62220
Phone: 618-222-1341
Fax: 618-222-1487

Clinton County Rural Health

9401 Holy Cross Lane, Suite 112, Breese, IL 62230
Phone: 618-526-7271
Fax: 618-526-7313

HSHS Medical Group Foot & Ankle Specialists

14160 Jamestown Rd., Breese, IL 62230
Phone: 618-526-7154
Fax: 618-526-8248

HSHS Medical Group General Surgery

9401 Holy Cross Ln., Suite 113, Breese, IL 62230
Phone: 618-526-8430 or 618-526-7133
Fax: 618-526-7275 or 618-526-7160

HSHS Medical Group Hospitalist Program - HSHS St. Joseph's Hospital

9515 Holy Cross Ln., Breese, IL 62230
Phone: 618-526-4511
Fax: 618-526-5412

HSHS Medical Group Nephrology - Specialty Clinic

9515 Holy Cross Ln., Breese, IL 62230
Phone: 618-641-9011

HSHS Medical Group Pulmonology - Specialty Clinic

9515 Holy Cross Ln., Breese, IL 62230
Phone: 618-641-9011
Fax: 618-641-9017

Clinton County Rural Health

14509 Illinois 127, Carlyle, IL 62231
Phone: 618-594-8924
Fax: 618-594-7918

Clinton County Rural Health

1110 Mulliken St., Carlyle, IL 62231
Phone: 618-594-3631
Fax: 618-594-4347

HSHS Medical Group Family & Internal Medicine

1950 Vandalia St., Collinsville, IL 62234
Phone: 618-344-3046
Fax: 618-344-5284

HSHS Medical Group Hospitalist Program - HSHS St. Anthony's Hospital

503 N. Maple St., Effingham, IL 62401
Phone: 217-347-1691
Fax: 217-347-1693

HSHS Medical Group Family Health - Effingham

904 Medical Park Dr., Suite 3, Effingham, IL 62401
Phone: 217-540-2350
Fax: 217-347-2323

Clinton County Rural Health

205 Munster St., Germantown, IL 62245
Phone: 618-526-7271
Fax: 618-594-7313

HSHS Medical Group Family & Sports Medicine

5 Ludwig Dr., Fairview Heights, IL 62208
Phone: 618-397-9000
Fax: 618-397-9003

HSHS Holy Family Convenient Care

700 S. Dewey, Greenville, IL 62246-2288
Phone: 618-664-9390
Fax: 618-664-9398

HSHS Holy Family Health Center

201 Healthcare Drive, Greenville, IL 62246
Phone: 618-664-1380
Fax: 618-664-4239

HSHS Medical Group Specialty Clinic General Surgery

200 Healthcare Drive, Greenville, IL 62246
Phone: 618-641-9011

HSHS Medical Group Specialty Clinic General Surgery

200 Healthcare Drive Suite 1501, Greenville, IL 62246
Dr. Knolhoff: 618-651-2732
Dr. Osipov: 618-690-3411

HSHS Medical Group Family & Internal Medicine

12860 Troxler Ave., Suite 120, Highland, IL 62249
Phone: 618-654-6665 or 618-651-2810
Fax: 618-654-1703 or 618-651-0077

HSHS Medical Group General Surgery

12860 Troxler Ave., Suite 120, Highland, IL 62249
Phone: 618-651-2732
Fax: 618-651-2842

HSHS Medical Group Hospitalist Program - HSHS St. Joseph's Hospital
12866 Troxler Ave., Highland, IL 62249
Phone: 618-651-2650
Fax: 618-651-2655

HSHS Medical Group Orthopedic & Sports Medicine - Specialty Clinic
12866 Troxler Ave., Highland, IL 62249
Phone: 618-641-9011
Fax: 618-641-9017

HSHS Medical Group Pulmonology - Specialty Clinic
12866 Troxler Ave., Highland, IL 62249
Phone: 618-641-9011
Fax: 618-641-9017

HSHS Medical Group Wound Clinic
12866 Troxler Ave., Highland, IL 62249
Phone: 618-651-2502
Fax: 618-651-2511

Clinton County Rural Health
211 East Hanover St., New Baden, IL 62265
Phone: 618-588-2900
Fax: 618-588-2904

HSHS Medical Group Family Medicine
1512 N. Green Mt. Rd., Suite 108, O'Fallon, IL 62269
Phone: 618-624-5510
Fax: 618-624-5529

HSHS Medical Group Family & Sports Medicine
1512 N. Green Mt. Rd., Suite 200, O'Fallon, IL 62269
Phone: 618-624-1860
Fax: 618-624-1863

HSHS Medical Group Orthopedic & Sports Medicine
1512 N. Green Mt. Rd., Suite 300, O'Fallon, IL 62269
Phone: 618-622-0155
Fax: 618-641-5825

HSHS Holy Family Health Center
507 State Street, Pocahontas
Phone: 618-669-2270
Fax: 618-669-7276

HSHS Medical Group Family Medicine
1116 Hartman Ln., Shiloh, IL 62221
Phone: 618-641-9011
Fax: 618-641-9017

HSHS Medical Group Nephrology
1116 Hartman Ln., Shiloh, IL 62221
Phone: 618-641-9011
Fax: 618-641-9017

HSHS Medical Group Pulmonology

1116 Hartman Ln., Shiloh, IL 62221

Phone: 618-641-9011

Fax: 618-641-9017

Clinton County Rural Health

409 East Broadway, Trenton, IL 62293

Phone: 618-224-7366

Fax: 618224-9781

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.*

See Attachment 11, Exhibit 3

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 authorizations shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.*

See Attachment 11, Exhibit 3

4. *If during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior application may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest the information has been 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.*

Not Applicable



Illinois Department of PUBLIC HEALTH HF112026

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

Nirav D. Shah, M.D.,J.D.
Director

Issued under the authority of the Illinois Department of Public Health

| EXPIRATION DATE | CATEGORY | LD NUMBER |
|-----------------------|------------------|-----------|
| 12/31/2017 | General Hospital | 0002279 |
| Effective: 01/01/2017 | | |

St. Anthony's Memorial Hospital
503 North Maple Street
Effingham, IL 62401

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #4012320 10M 3/12

← DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Date 12/31/2017
Lic Number 0002279

Date Printed 10/26/2016

St. Anthony's Memorial Hospital
503 North Maple Street
Effingham, IL 62401

FEE RECEIPT NO.



The Joint Commission

Official Accreditation Report

St. Anthony's Memorial Hospital
503 North Maple Street
Effingham, IL 62401

Organization Identification Number: 7335

Unannounced Full Event: 7/8/2014 - 7/11/2014



October 14, 2014

Theresa J. Rutherford, BSN, MS, MBA,
FACHE
President and CEO
St. Anthony's Memorial Hospital
503 North Maple Street
Effingham, IL 62401

Joint Commission ID #: 7335
Program: Hospital Accreditation
Accreditation Activity: 60-day Evidence of
Standards Compliance
Accreditation Activity Completed: 10/14/2014

Dear Mrs. Rutherford:

The Joint Commission would like to thank your organization for participating in the accreditation process. This process is designed to help your organization continuously provide safe, high-quality care, treatment, and services by identifying opportunities for improvement in your processes and helping you follow through on and implement these improvements. We encourage you to use the accreditation process as a continuous standards compliance and operational improvement tool.

The Joint Commission is granting your organization an accreditation decision of Accredited for all services surveyed under the applicable manual(s) noted below:

- Comprehensive Accreditation Manual for Hospitals

This accreditation cycle is effective beginning July 12, 2014. The Joint Commission reserves the right to shorten or lengthen the duration of the cycle; however, the certificate and cycle are customarily valid for up to 36 months.

Please visit [Quality Check®](#) on The Joint Commission web site for updated information related to your accreditation decision.

We encourage you to share this accreditation decision with your organization's appropriate staff, leadership, and governing body. You may also want to inform the Centers for Medicare and Medicaid Services (CMS), state or regional regulatory services, and the public you serve of your organization's accreditation decision.

Please be assured that The Joint Commission will keep the report confidential, except as required by law. To ensure that The Joint Commission's information about your organization is always accurate and current, our policy requires that you inform us of any changes in the name or ownership of your organization or the health care services you provide.

Sincerely,

Mark G. Pelletier, RN, MS
Chief Operating Officer
Division of Accreditation and Certification Operations

The Joint Commission

Report Contents

Executive Summary

Requirements for Improvement

Observations noted within the Requirements for Improvement (RFI) section require follow up through the Evidence of Standards Compliance (ESC) process. The timeframe assigned for completion is due in either 45 or 60 days, depending upon whether the observation was noted within a direct or indirect impact standard. The identified timeframes of submission for each observation are found within the Requirements for Improvement Summary portion of the final onsite survey report. If a follow-up survey is required, the unannounced visit will focus on the requirements for improvement although other areas, if observed, could still become findings. The time frame for performing the unannounced follow-up visit is dependent on the scope and severity of the issues identified within the Requirements for Improvement.

Opportunities for Improvement

Observations noted within the Opportunities for Improvement (OFI) section of the report represent single instances of non-compliance noted under a C category Element of Performance. Although these observations do not require official follow up through the Evidence of Standards Compliance (ESC) process, they are included to provide your organization with a robust analysis of all instances of non-compliance noted during survey.

Equivalencies/Plan for Improvement

The Plan for Improvement (PFI) items were extracted from your Statement of Conditions™ (SOC) and represent all open and accepted PFIs during this survey. The number of open and accepted PFIs does not impact your accreditation status, and is fully in sync with the self-assessment process of the SOC. The implementation of Interim Life Safety Measures (ILSM) must have been assessed for each PFI. The Projected Completion Date within each PFI replaces the need for an individual ESC (Evidence of Standards Compliance) so the corrective action must be achieved within six months of the Projected Completion Date. Future surveys will review the completed history of these PFIs.

The Joint Commission

Executive Summary

Program(s)
Hospital Accreditation
Home Care Accreditation

Survey Date(s)
07/08/2014-07/11/2014

Hospital Accreditation : As a result of the accreditation activity conducted on the above date(s), Requirements for Improvement have been identified in your report.
You will have follow-up in the area(s) indicated below:

- Evidence of Standards Compliance (ESC)

Home Care Accreditation : As a result of the accreditation activity conducted on the above date(s), Requirements for Improvement have been identified in your report.
You will have follow-up in the area(s) indicated below:

- Evidence of Standards Compliance (ESC)

If you have any questions, please do not hesitate to contact your Account Executive.

Thank you for collaborating with The Joint Commission to improve the safety and quality of care provided to patients.



HSHS
St. Anthony's
Memorial Hospital

Attachment 11
 Adverse Action Letter

April 5, 2017

Kathryn J. Olson, Chair
 Administrator
 Illinois Health Facilities and Services Review Board
 525 West Jefferson Street, 2nd Floor
 Springfield, Illinois 62761

Dear Ms. Olson,

I hereby certify under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedures, 735 ILCS 5/1-109 that no adverse action has been taken against St. Anthony's Memorial Hospital during the three years prior to filing this CON permit application to complete the shelled spaced approved under altered CON Permit 14-056.

To the best of my knowledge, neither Hospital Sisters Health System nor any of its corporate officers or directors:

- have been cited, arrested, taken into custody, charged with, indicted, convicted or tried for, or pled guilty to the commission of (1) any felony or misdemeanor or violation of the law, except for minor parking violations or (2) the subject of any juvenile delinquency or youthful offender proceeding; or
- has been charged with fraudulent conduct or any act involving moral turpitude; or
- has any unsatisfied judgments against him or her; or
- is in default in the performance or discharge of any duty or obligation imposed by a judgment, decree, order, or directive of any court or governmental agency.

Additionally, pursuant to 77 Ill. Admin. Code § 1110.1540(b)(3)(J), I hereby authorize the Health Facilities and Services Review Board ("HFSRB") and the Illinois Department of Public Health ("IDPH") access to any documents necessary to verify information submitted as part of this shelled space completion application for permit. I further authorize HFSRB and IDPH to obtain any additional information or documents from other government agencies which HFSRB or IDPH deem pertinent to process this permit application.

Sincerely,

Theresa Rutherford
 President and Chief Executive Officer

Notarization:

Subscribed and sworn to before me

this 5th day of April 2017

Theresa H. Harner
 Signature of Notary

Seal



503 N MAPLE · EFFINGHAM, IL 62401
 www.stanthonyshospital.org · 217.342.2121



Hospital Sisters
HEALTH SYSTEM

Attachment 11
Adverse Action Letter

Belleville, IL
HSBS St. Elizabeth's Hospital

Breese, IL
HSBS St. Joseph's Hospital

Decatur, IL
HSBS St. Mary's Hospital

Effingham, IL
HSBS St. Anthony's Memorial
Hospital

Greenville, IL
HSBS Holy Family Hospital

Highland, IL
HSBS St. Joseph's Hospital

Litchfield, IL
HSBS St. Francis Hospital

Shelbyville, IL
HSBS Good Shepherd Hospital

Springfield, IL
HSBS St. John's Hospital

Chippewa Falls, WI
HSBS St. Joseph's Hospital

Eau Claire, WI
HSBS Sacred Heart Hospital

Green Bay, WI
HSBS St. Mary's Hospital
Medical Center
HSBS St. Vincent Hospital

Oconto Falls, WI
HSBS St. Clare Memorial
Hospital

Sheboygan, WI
HSBS St. Nicholas Hospital

HSBS Medical Group

Prairie Cardiovascular

P O Box 19456
Springfield, Illinois
62794-9456
P: 217-523-4747
F: 217-523-0542
www.hsbs.org

HSBS is sponsored by Hospital
Sisters Ministries and the
Hospital Sisters of St. Francis is
the founding Institute.

April 7, 2016

Kathryn J. Olson, Chair
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Dear Ms. Olson,

I hereby certify under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedures, 735 ILCS 5/1-109 that no adverse action has been taken against any facility owned or operated by the Hospital Sisters Health System during the three years prior to filing this CON permit application.

Neither Hospital Sisters Health System nor any of its corporate officers or directors:

- have been cited, arrested, taken into custody, charged with, indicted, convicted or tried for, or pled guilty to the commission of (1) any felony or misdemeanor or violation of the law, except for minor parking violations or (2) the subject of any juvenile delinquency or youthful offender proceeding; or
- has been charged with fraudulent conduct or any act involving moral turpitude; or
- has any unsatisfied judgments against him or her; or
- is in default in the performance or discharge of any duty or obligation imposed by a judgment, decree, order, or directive of any court or governmental agency.

Additionally, pursuant to 77 Ill. Admin. Code § 1110.1540(b)(3)(J), I hereby authorize the Health Facilities and Services Review Board ("HFSRB") and the Illinois Department of Public Health ("IDPH") access to any documents necessary to verify information submitted as part of this shelled space completion permit application, which complements approved CON permit # 14-056. I further authorize HFSRB and IDPH to obtain any additional information or documents from other government agencies which HFSRB or IDPH deem pertinent to process this permit application.

Sincerely,

Mary Starmann-Harrison, RN FACHE
President and CEO
Hospital Sisters Health System

Notarization:

Subscribed and sworn to before me

this 14 day of April
Alyssa Henson
Signature of Notary



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.

Criterion 1110.230 – Background, 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, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project. [See 1110.230(b) for examples of documentation.]
4. Cite the sources of the information provided as 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 age and condition and 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 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.

See Approved Permit Application # 14-056

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.

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.

See Approved Permit Application CON Permit # 14-056

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.**
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;
 - b. The existing facility's physical configuration has constraints or impediments and requires an architectural design that results in a size exceeding the standards of Appendix B;
 - c. The project involves the conversion of existing space that results in excess square footage.

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.

Not Applicable; this permit application is to complete shelled space in approved CON Permit # 14-056 for non-clinical physician office area.

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:

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 | MET STANDARD? |
| YEAR 1 | | | | | |
| YEAR 2 | | | | | |

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

Not Applicable; this permit application is to complete / finish the shelled space in approved CON Permit Application # 14-056.

UNFINISHED OR 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 ATTACHMENT 16, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Not Applicable; this permit application is to complete / finish the shelled space in approved CON Permit Application # 14-056.

ASSURANCES:

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 ATTACHMENT 17, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

As required, this Permit Application is being submitted to develop and utilize the shelled space in altered Permit # 14-056. This submission, by its nature, fulfills the assurance requirement.



HSHS Medical Group

**Attachment 17
Letter of Intent to Lease MOB
Space in St. Anthony's ACC (CON Permit # 14-056)**

April 5, 2017

Kathryn J. Olson, Chair
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: MOB Space within an approved Ambulatory Care Center (Permit #14-056)
St. Anthony's Memorial Hospital, Effingham, Illinois

Dear Ms. Olson,

HSHS Medical Group is an affiliate of the Hospital Sisters Health System, Springfield, Illinois an integrated Health System enterprise (see Attachment 4 to this shelled space completion permit application).

St. Anthony's has an approved CON Permit Application to develop a hospital campus-based Ambulatory Care Center (ACC) including shelled space for physician offices. This letter indicates our intent to occupy this physician office area when completed. The occupancy date is estimated to be the latter part of 2018 with Permit completion to follow per the underlying application.

Please let me know if you have any questions. I can be reached at Melinda.clark@hshs.org or 217-492-5881.

Sincerely,

Melinda Clark
Chief Executive Officer

Corporate Services Center • 3051 Hollis Drive • Springfield, Illinois 62704
Office (217) 321-9292 • Fax (217) 492-9643

VIII. - 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:**

This section is not applicable. Hospital Sisters Health System's bonds have been rated by Fitch as AA- and by Standard & Poor's as AA- which qualifies the applicants for the waiver. Bond rating letters are appended as Attachment 34, Exhibit. 1.

| | | |
|---|------------------------------|---|
| \$6,740,820 | a) | Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: <ol style="list-style-type: none"> 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: <ol style="list-style-type: none"> 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; |
| _____ | g) | All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project. |
| \$6,740,820 | TOTAL FUNDS AVAILABLE | |
| APPEND DOCUMENTATION AS ATTACHMENT-34 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. | | |

Bond Rating Letters

Exhibit 1 - Standard & Poors System Rating AA- / Stable

Research

Summary:

Hospital Sisters Services Inc., Illinois; Hospital; Joint Criteria; System

Primary Credit Analyst:

Brian T Williamson, Chicago (1) 312-233-7009; brian.williamson@spglobal.com

Secondary Contact:

Suzie R Desai, Chicago (1) 312-233-7046; suzie.desai@spglobal.com

Table Of Contents

Rationale

Outlook

WWW.STANDARDANDPOORS.COM

DECEMBER 21, 2016 1

© S&P Global Ratings. All rights reserved. No reprint or dissemination without S&P Global Ratings' permission. See Terms of Use/Disclaimer on the last page.

1777732

Summary:

**Hospital Sisters Services Inc., Illinois; Hospital;
Joint Criteria; System**

Credit Profile

US\$75.76 mil rev bnds (Hospital Sisters Services, Inc.) ser 2016 due 06/30/2047

Long Term Rating

AA-/Stable

New

Rationale

S&P Global Ratings assigned its 'AA-' long-term rating to the Southwestern Illinois Development Authority's series 2016 bonds. At the same time, S&P Global Ratings affirmed the following ratings:

- 'AA-' long-term rating on Hospital Sisters Services Inc. (HSSI), Ill.'s series 2012C bonds, the Wisconsin Health and Educational Facilities Authority's (WHEFA) series 2012B bonds, and the Illinois Finance Authority's (IFA) series 2007A bonds;
- 'AA-' underlying rating (SPUR) on IFA's series 2007A and 2007C bonds;
- 'AA-/A-1+' dual rating on IFA's series 2012H and 2012I bonds; and
- 'AAA/A-1' dual rating and 'AA-' SPUR on IFA's series 2012G bonds.

All bonds were issued for HSSI. The outlook is stable. All financial information is based on the parent, Hospital Sisters Health System (HSHS).

The 'AAA/A-1' rating on the series 2012G revenue refunding bonds is based on our joint criteria. The long-term component of the rating is based jointly (assuming low correlation) on the ratings on the obligor, HSSI, and the letter of credit provider, Bank of Montreal. The short-term component of the rating is based solely on the rating on Bank of Montreal. The bank facility expires July 31, 2017.

The 'AA-' rating continues to reflect our view of HSHS leadership's successful implementation of a strategic plan, which has helped improve the system's operations while maintaining its strong balance sheet. As the leadership of HSHS continues to update its strategic plan annually and move forward with the construction of a replacement hospital for its facility in Belleville, Ill., we anticipate that HSHS will be able to meet its goal of at least a 2% operating margin, which will be the base to support the long-range plan. Currently, HSHS is issuing the 2016 bonds and plans to issue series 2017A and 2017B (both to be rated at a later date) in support of the replacement facility, and we believe that HSHS has room to issue the debt without a negative impact to the rating. Also, as the leadership team prepares for population health, HSHS has decided to move forward with an accountable care organization (ACO) that became operational on Jan. 1, 2016. The ACO will initially have approximately 20,000 covered lives. Finally, HSHS has decided to discontinue health care services at St. Mary's Hospital in Sreator, Ill., and transition its outpatient services to OSF HealthCare. We view this transition as a positive rating factor.

The 'AA-' rating further reflects our view of HSHS:

WWW.STANDARDANDPOORS.COM

DECEMBER 21, 2016 2

© S&P Global Ratings. All rights reserved. No reprint or dissemination without S&P Global Ratings' permission. See Terms of Use/Disclaimer on the last page.

1777732

- Solid balance sheet, which we anticipate should strengthen as the operations continue to show improvement;
- Stable management team with a CEO who has a good background in Wisconsin-based hospitals and working with HSSI-employed and non-HSSI-employed physicians; and
- Geographic diversity, with 14 hospitals in Illinois and Wisconsin.

Partly offsetting the above strengths, in our view, are HSHS' operating margin, which, had been improving, remains less than adequate for the rating; and some of the decline in the days' cash on hand in the first four months of fiscal 2017.

The 'A-1+' short-term component of the dual rating reflects our view that HSSI utilizes its own liquidity. HSSI has committed several sources of short-term and long-term funds to support its unenhanced variable-rate demand bonds (VRDBs). As of Nov. 30, 2016, HSHS identified cash and fixed-income assets of approximately \$489 million. We will continue to monitor both the sufficiency and the liquidity available through HSSI's cash and fixed-income assets to ensure that it can cover the purchase price of any bonds in the event of failed remarketing for its three series of self-liquidity-backed VRDBs totaling \$155.3 million. Ample liquidity is provided through the money held in cash and high-quality, short-term fixed-income securities.

The 'AA-' rating is based on our view of HSSI's group credit profile and the obligated group's core status. Accordingly, we rate the bonds at the same level as the group credit profile. Gross revenue of the obligated group secures the various bonds.

HSHS has about \$50.1 million of direct placement bonds outstanding (with various banks); we do not rate the previously issued direct placement bonds but incorporated them into this analysis. Total pro forma long-term debt outstanding after the series 2016, 2017A, and 2017B issuance, with the expected premium, is about \$743 million. Total pro forma debt includes the planned cash defeasance of the series 2007A bonds, which have a current par amount of approximately \$73 million.

HSHS, the parent of HSSI, is a 14-hospital system operating in Illinois and Wisconsin. HSSI operates eight facilities in Illinois (Belleville, Breese, Decatur, Effingham, Greenville, Highland, Litchfield, and Springfield, the last of which is the flagship) and six in Wisconsin (Chippewa Falls, Eau Claire, two in Green Bay, Oconto Falls, and Sheboygan). HSHS also operates an integrated physician network with the HSHS Medical group, Prairie Cardiovascular Consultants, Prevea, and in collaboration with other large multispecialty groups in Wisconsin and Illinois.

For more information see our full analysis published Dec. 21, 2016 on RatingsDirect.

Outlook

The stable outlook reflects our opinion that HSHS' senior management will be able to achieve its goal of a 2% operating margin.

Downside scenario

We could revise the outlook to negative or lower the rating if HSHS began to experience a sustained operational downturn that would have an impact on its liquidity.

Upside scenario

We maintain that if management continues to improve and sustain its operations to a margin of greater than 2.5% for two consecutive review cycles, coupled with no less than 5x maximum annual debt service (MADS) coverage, and maintain its unrestricted reserves at no less than 300 days' cash, a positive rating action or outlook revision could occur.

Ratings Detail As Of December 21, 2016

Series 2012C

Long Term Rating AA-/Stable Affirmed

Illinois Finance Authority, Illinois

Hospital Sisters Services, Inc., Illinois

Illinois Fin Auth (Hospital Sisters Services, Inc.) ser 2007 A&C (AGM) (SEC MKT)

Unenhanced Rating AA-(SPUR)/Stable Affirmed

Series 2007A

Long Term Rating AA-/Stable Affirmed

Series 2012G

Unenhanced Rating AA-(SPUR)/Stable Affirmed

Long Term Rating AA+/A-1 Affirmed

Series 2012H

Long Term Rating AA-/A-1+/Stable Affirmed

Series 2012I

Long Term Rating AA-/A-1+/Stable Affirmed

Wisconsin Hlth & Ed Fac Auth, Wisconsin

Hospital Sisters Services, Inc., Illinois

Series 2012B

Long Term Rating AA-/Stable Affirmed

Many issues are enhanced by bond insurance.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright © 2016 Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

IX. **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

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.

Not Applicable regarding; the HSHS System is rate AA- / Stable. See Attachment 34, Exhibit 1.

IX. 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.

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.

| Provide Data for Projects Classified as: | Category A or Category B (last three years) | | | Category B (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.

2. 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.

Not applicable. See Attachments 34 and 35

X. 1120.140 - Economic Feasibility

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

A. Reasonableness of Financing Arrangements (Not applicable; Cash available)

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; Cash available)

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).
- 2.

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

* Include the percentage (%) of space for circulation

D. Projected Operating Costs

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

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.

| CONSTRUCTION COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE | | | | | | | | | |
|--|-------------------------|-------------|--------------------------------|----|-----------------------|--------|----------------------|--------------------|-----------------------|
| Department (list below) | A | B | C | D | E | F | G | H | Total Cost (G + H) |
| | Cost/Square Foot New | Mod. | Gross Sq. Ft. New Circ.* | | Gross Sq. Ft. Mod. | Circ.* | Const. \$ (A x C) | Mod. \$ (B x E) | |
| Physician Offices | 0 | \$2,999,892 | 0 | -- | 23,784 | | | | \$2,999,892 |
| Contingency | -- | \$ 299,989 | | | -- | | | | \$ 299,989 |
| TOTALS | 0 | \$3,299,881 | 0 | -- | 23,784 | | | | \$3,299,881 |

* Include the percentage (%) of space for circulation

D. Projected Operating Costs

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

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.

D. Projected Operating Cost

The completed shelled area will be occupied by the HSHS Medical Group, Inc.; as such, there are no projected operating costs associated with this particular use.

E. Total Effect of the Project on Capital Costs

Capital Cost \$6,740,820
Annual Depreciation \$ 337,041

| | <u>Year 1</u> | <u>Year 2</u> |
|---------------------------------|---------------|---------------|
| Equivalent Inpatient Days (EPD) | 3,706 | 3,969 |
| Capital Cost / EPD | \$1,818.89 | \$1,698.00 |
| Depreciation Cost / EPD | \$ 90.94 | \$ 84.92 |

XI. 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 38.

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

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

A safety net statement is not applicable in that the permit application is to complete / finish shelled space approved in altered Permit #14-056 for physician offices. The project is non-substantive.

SAFETY NET IMPACT STATEMENT that describes all of the following must be submitted for ALL SUBSTANTIVE AND DISCONTINUATION PROJECTS:

Although the Project is non-substantive, we submit the following:

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.

To the applicants' knowledge, St. Anthony's Memorial Hospital's proposed project will have no material impact on essential safety net services as to the community. The Project provides physician office space.

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.

To the applicants' knowledge, the project will have no impact on the ability of any other provider or health care system to cross subsidize safety net services in that it is physician office space.

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.

Not Applicable. No facilities or services are being discontinued.

A table in the following format must be provided as part of Attachment 38.
St. Anthony's Memorial Hospital

| Safety Net Information per PA 96-0031 (Published AHQ Data) | | | |
|--|----------------------|----------------------|----------------------|
| CHARITY CARE | | | |
| Charity (# of patients) | Year 2013 | Year 2014 | Year 2015 |
| Inpatient | 110 | 368 | 143 |
| Outpatient | 1,838 | 1,418 | 2,542 |
| Total | 1,948 | 1,786 | 2,685 |
| Charity (cost In dollars) | | | |
| Inpatient | 649,591 | 566,297 | 630,066 |
| Outpatient | 1,531,129 | 1,415,118 | 2,150,601 |
| Total | 2,180,720 | 1,981,415 | 2,780,667 |
| MEDICAID | | | |
| Medicaid (# of patients) | Year 2013 | Year 2014 | Year 2015 |
| Inpatient | 549 | 666 | 729 |
| Outpatient | 15,150 | 46,587 | 21,664 |
| Total | 15,699 | 47,253 | 22,393 |
| Medicaid (revenue) | | | |
| Inpatient | 2,746,095 | 4,353,909 | 10,431,330 |
| Outpatient | 5,230,392 | 7,324,845 | 38,269,591 |
| Total | 7,976,487 | 11,678,754 | 48,700,921 |
| APPEND DOCUMENTATION AS ATTACHMENT 38, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. | | | |

Information as submitted and published in the Annual AHQ's.... to be corrected independent of this permit application.

A table in the following format must be provided as part of Attachment 38.
St. Anthony's Memorial Hospital

| Safety Net Information per PA 96-0031 (Corrected AHQ Data) | | | |
|--|------------------|-------------------|---------------------|
| CHARITY CARE | | | |
| | Year | Year | Year |
| Charity (# of patients) | 2013 | 2014 | 2015 |
| Inpatient | 110 | 284 * | 143 |
| Outpatient | 1,838 | 3,059 * | 2,542 |
| Total | 1,948 | 3,343 * | 2,685 |
| Charity (cost In dollars) | | | |
| Inpatient | 649,591 | 566,297 | 630,066 |
| Outpatient | 1,531,129 | 1,415,118 | 2,150,601 |
| Total | 2,180,720 | 1,981,415 | 2,780,667 |
| MEDICAID | | | |
| | Year | Year | Year |
| Medicaid (# of patients) | 2013 | 2014 | 2015 |
| Inpatient | 549 | 629 * | 729 |
| Outpatient | 15,150 | 18,047 * | 21,664 |
| Total | 15,699 | 18,676 * | 22,393 |
| Medicaid (revenue) | | | |
| Inpatient | 2,746,095 | 4,353,909 | 4,369,144 * |
| Outpatient | 5,230,392 | 7,324,845 | 7,956,520 * |
| Total | 7,976,487 | 11,678,754 | 12,325,664 * |
| APPEND DOCUMENTATION AS ATTACHMENT 38, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. | | | |

This attachment profiles correct information which is in the process of being corrected independent of this Permit Application.

* Corrected data

**A table in the following format must be provided as part of Attachment 38.
Hospital Sisters Health System**

| Safety Net Information per PA 96-0031 | | | |
|--|--------------------|--------------------|--------------------|
| CHARITY CARE | | | |
| Charity (# of patients) | Year 2013 | Year 2014 | Year 2015 |
| Inpatient | 2,101 | 1,751 | 1,601 |
| Outpatient | 25,079 | 18,880 | 19,515 |
| Total | 27,180 | 20,631 | 21,116 |
| Charity (cost In dollars) | | | |
| Inpatient | -- | -- | -- |
| Outpatient | -- | -- | -- |
| Total | 25,376,255 | 21,820,899 | 20,025,778 |
| MEDICAID | | | |
| Medicaid (# of patients) | Year 2013 | Year 2014 | Year 2015 |
| Inpatient | 8,621 | 10,708 | 10,919 |
| Outpatient | 159,145 | 220,167 | 221,153 |
| Total | 167,766 | 230,875 | 232,072 |
| Medicaid (revenue) | | | |
| Inpatient | 68,279,143 | 93,121,204 | 115,118,001 |
| Outpatient | 61,064,785 | 61,528,211 | 107,045,284 |
| Total | 129,343,928 | 154,649,415 | 222,163,285 |
| APPEND DOCUMENTATION AS ATTACHMENT 38, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. | | | |

XII. 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 39.

| CHARITY CARE | | | |
|----------------------------------|------|------|------|
| | Year | Year | Year |
| Net Patient Revenue | | | |
| Amount of Charity Care (charges) | | | |
| Cost of Charity Care | | | |

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

Attachment 39, Table 1
St. Anthony's Memorial Hospital

| CHARITY CARE (Published AHQ Data) | | | |
|--|----------------------|----------------------|----------------------|
| | Year 2013 | Year 2014 | Year 2015 |
| Net Patient Revenue | 118,705,147 | 118,839,806 | 325,488,918 * |
| Amount of Charity Care (charges) | 5,943,637 | 5,400,420 | 8,662,513 |
| Cost of Charity Care | 2,180,720 | 1,981,415 | 2,780,667 |

This attachment profiles published AHQ information which requires correction.
(* 2015 Net Patient Revenue)

Attachment 39, Table 1
St. Anthony's Memorial Hospital

| CHARITY CARE (Corrected AHQ Data) | | | |
|--|----------------------|----------------------|----------------------|
| | Year 2013 | Year 2014 | Year 2015 |
| Net Patient Revenue | 118,705,147 | 118,839,806 | 127,702,752 * |
| Amount of Charity Care (charges) | 5,943,637 | 5,400,420 | 8,662,513 |
| Cost of Charity Care | 2,180,720 | 1,981,415 | 2,780,667 |

This attachment profiles corrected information which is in the process of being corrected independent of this Permit Application.

* Corrected data, 2015 Net Patient Revenue

Attachment 39, Table 1
Hospital Sisters Health System

| CHARITY CARE | | | |
|---|----------------------|----------------------|----------------------|
| | Year 2013 | Year 2014 | Year 2015 |
| Net Patient Revenue | 972,240,195 | 1,021,229,531 | 1,262,757,957 |
| Amount of Charity Care (charges) | 79,693,832 | 76,826,472 | 49,555,376 |
| Cost of Charity Care | 25,376,255 | 21,820,899 | 20,025,778 |

Consolidated Financial Statements and Supplementary Information

June 20, 2016 and 2015

(With Independent Auditors' Report Thereon)



HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidated Financial Statements and Supplementary Information

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)



KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

Independent Auditors' Report

The Board of Directors
Hospital Sisters Health System:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Hospital Sisters Health System and Subsidiaries, which comprise the consolidated balance sheets as of June 30, 2016 and 2015, and the related consolidated statements of operations and change in unrestricted net assets, 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 consolidated financial statements in accordance 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hospital Sisters Health System and Subsidiaries as of June 30, 2016 and 2015, and the results of their operations, the changes in their net assets, and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



Emphasis of Matter

As discussed in note 2 (t) to the consolidated financial statements, the Company has elected to change its method of accounting for net periodic pension costs by immediately recognizing actuarial gains and losses as of the financial reporting date. This election was made as of July 1, 2015 and the 2015 financial statements were restated to reflect the accounting method change. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Chicago, Illinois
October 18, 2016

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidated Balance Sheets

June 30, 2016 and 2015

(Dollars in thousands)

| | <u>2016</u> | <u>2015</u> |
|--|---------------------|------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 94,407 | 140,061 |
| Receivables: | | |
| Patients' accounts, less allowance for uncollectible accounts of approximately \$120,200 in 2016 and \$130,100 in 2015 | 394,879 | 356,123 |
| Due from third-party reimbursement programs | 2,274 | 3,104 |
| Other | <u>34,092</u> | <u>34,064</u> |
| Total receivables | 431,245 | 393,291 |
| Current portion of assets whose use is limited or restricted | 251,763 | 250,636 |
| Inventories | 45,574 | 43,869 |
| Prepaid expenses | <u>25,418</u> | <u>22,866</u> |
| Total current assets | 848,407 | 850,723 |
| Assets whose use is limited or restricted, net of current portion | 1,626,726 | 1,785,891 |
| Property, plant, and equipment, net | 1,342,416 | 1,274,214 |
| Assets held for sale | — | 40,569 |
| Other assets | <u>69,881</u> | <u>69,808</u> |
| | <u>\$ 3,887,430</u> | <u>4,021,205</u> |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Current installments of long-term debt | \$ 29,122 | 26,565 |
| Long-term debt subject to short-term remarketing agreements | 155,345 | 155,345 |
| Current portion of estimated self-insurance liabilities | 35,186 | 40,606 |
| Accounts payable | 103,485 | 120,057 |
| Accrued liabilities | 161,299 | 148,321 |
| Estimated payables under third-party reimbursement programs | <u>56,784</u> | <u>62,476</u> |
| Total current liabilities | 541,221 | 553,370 |
| Long-term debt, excluding current installments | 486,439 | 505,791 |
| Estimated self-insurance liabilities | 70,773 | 61,717 |
| Derivative instruments | 71,267 | 48,734 |
| Accrued benefit liability | 514,273 | 317,480 |
| Other noncurrent liabilities | <u>50,863</u> | <u>47,700</u> |
| Total liabilities | 1,734,836 | 1,534,792 |
| Net assets: | | |
| Unrestricted | 2,093,726 | 2,434,840 |
| Temporarily restricted | 31,432 | 25,754 |
| Permanently restricted | <u>27,436</u> | <u>25,819</u> |
| Total net assets | 2,152,594 | 2,486,413 |
| | <u>\$ 3,887,430</u> | <u>4,021,205</u> |

See accompanying notes to consolidated financial statements.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidated Statements of Operations and Change in Unrestricted Net Assets

Years ended June 30, 2016 and 2015

(Dollars in thousands)

| | 2016 | 2015 |
|---|--------------|-----------|
| Net patient service revenues | \$ 2,227,721 | 2,162,241 |
| Provision for uncollectible accounts | (31,419) | (66,390) |
| Net patient service revenues less provision for uncollectible accounts | 2,196,302 | 2,095,851 |
| Other revenues: | | |
| Investment (loss) income | (286) | 209 |
| Net assets released from restrictions used for operations | 5,105 | 4,023 |
| Other | 76,508 | 94,150 |
| Total revenues | 2,277,629 | 2,194,233 |
| Expenses: | | |
| Sisters' services | 1,128 | 1,073 |
| Salaries and wages | 840,256 | 804,716 |
| Employee benefits | 196,209 | 193,078 |
| Pension expense, excluding mark-to-market adjustment | 32,350 | 24,495 |
| Pension expense, mark-to-market adjustment | 257,203 | 133,244 |
| Professional fees | 113,316 | 96,441 |
| Supplies | 324,850 | 304,008 |
| Depreciation and amortization, excluding Belleville campus | 151,571 | 167,947 |
| Accelerated depreciation on Belleville campus | 7,479 | — |
| Interest | 11,931 | 13,490 |
| Other | 572,289 | 540,345 |
| Total expenses | 2,508,582 | 2,278,837 |
| Loss from operations | (230,953) | (84,604) |
| Nonoperating gains (losses): | | |
| Investment (loss) income | (34,414) | 34,928 |
| Contributions of excess assets over liabilities | 749 | 8,900 |
| Change in fair value of interest rate swaps | (22,533) | (5,682) |
| Loss on conversion and early extinguishment of debt | — | (907) |
| Revenues and gains deficient of expenses and losses before discontinued operations | (287,151) | (47,365) |
| Net losses from discontinued operations | (55,210) | (294) |
| Revenues and gains deficient of expenses and losses | (342,361) | (47,659) |
| Other changes in unrestricted net assets: | | |
| Net assets released from restrictions used for the purchase of property, plant, and equipment | 667 | 2,724 |
| Recognition of change in pension funded status | 580 | 425 |
| Change in unrestricted net assets | \$ (341,114) | (44,510) |

See accompanying notes to consolidated financial statements.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2016 and 2015

(Dollars in thousands)

| | 2016 | 2015 |
|--|--------------|-----------|
| Unrestricted net assets: | | |
| Revenues and gains deficient of expenses and losses | \$ (342,361) | (47,659) |
| Other changes in unrestricted net assets: | | |
| Net assets released from restrictions used for the purchase of property, plant, and equipment | 667 | 2,724 |
| Recognition of change in pension funded status | 580 | 425 |
| Change in unrestricted net assets | (341,114) | (44,510) |
| Temporarily restricted net assets: | | |
| Investment income (loss) | 40 | (179) |
| Contributions | 11,410 | 5,985 |
| Net assets released from restrictions | (5,772) | (6,747) |
| Change in temporarily restricted net assets | 5,678 | (941) |
| Permanently restricted net assets: | | |
| Investment income | 3 | 9 |
| Contributions | 1,614 | 1,353 |
| Change in permanently restricted net assets | 1,617 | 1,362 |
| Change in net assets | (333,819) | (44,089) |
| Net assets at beginning of year | 2,486,413 | 2,530,502 |
| Net assets at end of year | \$ 2,152,594 | 2,486,413 |

See accompanying notes to consolidated financial statements.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidated Statements of Cash Flows

Years ended June 30, 2016 and 2015

(Dollars in thousands)

| | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (333,818) | (44,089) |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Loss on conversion and early extinguishment of debt | — | 907 |
| Loss on disposal of SMS | 40,569 | — |
| Pension expense, mark-to-market adjustment | 261,316 | 133,244 |
| Recognition of change in pension funded status | (587) | (425) |
| Income from equity basis investments | (1,989) | (2,276) |
| Cash received from equity basis investments, net | 2,650 | 2,570 |
| Net assets released from restrictions and used for operations | 5,105 | 4,023 |
| Contributions of excess assets over liabilities for Holy Family/St. Clare | (1,727) | (8,900) |
| Restricted contributions and investment return | (13,067) | (7,168) |
| Amortization of bond issuance costs, included in interest expense | 583 | 389 |
| Depreciation and amortization | 159,050 | 172,410 |
| Provision for uncollectible accounts | 32,528 | 66,390 |
| Change in net unrealized gain and losses on investments | 83,169 | 39,486 |
| Net realized gains on sale of investments | (29,146) | (56,445) |
| Change in fair value of interest rate swaps | 22,533 | 5,682 |
| Changes in assets and liabilities: | | |
| Patients' accounts receivable | (67,938) | (93,486) |
| Other receivables | (28) | 4,463 |
| Inventories | (1,282) | (4,049) |
| Prepaid expenses | (1,701) | (1,644) |
| Change in net amounts due to and estimated payables under third-party reimbursement programs | (10,236) | 3,992 |
| Accounts payable and accrued liabilities | (7,054) | 15,134 |
| Estimated self-insurance liabilities and other noncurrent liabilities | (59,076) | (24,868) |
| Net cash provided by operating activities | <u>79,853</u> | <u>205,140</u> |
| Cash flows from investing activities: | | |
| Acquisition of property, plant, and equipment | (221,855) | (157,766) |
| Cash received from Hospital acquisition | 606 | 2,152 |
| Gross purchases of investments | (1,733,706) | (944,489) |
| Gross proceeds from sale or maturity of investments | 1,842,472 | 893,551 |
| Change in other assets | (1,187) | 2,446 |
| Net cash used in investing activities | <u>(113,670)</u> | <u>(204,106)</u> |
| Cash flows from financing activities: | | |
| Repayment of long-term debt | (19,799) | (184,537) |
| Proceeds from issuance of debt | — | 180,000 |
| Payment of bond issuance cost | — | (1,778) |
| Net assets released from restrictions and used for operations | (5,105) | (4,023) |
| Restricted contributions and investment return | 13,067 | 7,168 |
| Net cash (used in) provided by financing activities | <u>(11,837)</u> | <u>16,830</u> |
| Change in cash and cash equivalents | (45,654) | 17,864 |
| Cash and cash equivalents at beginning of year | 140,061 | 122,197 |
| Cash and cash equivalents at end of year | <u>\$ 94,407</u> | <u>140,061</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest, net of amounts capitalized | \$ 13,529 | 13,490 |
| Supplemental disclosure of noncash transactions: | | |
| Assets acquired under capital lease | \$ 4,447 | 7,806 |
| Noncash transactions associated with acquisitions: | | |
| Patients' account receivable | \$ 3,346 | 3,375 |
| Inventories | 423 | 1,785 |
| Prepaid expenses | 851 | 144 |
| Investments | 4,751 | 6,873 |
| Property, plant, and equipment | 9,844 | 9,355 |
| Other assets | 130 | 299 |
| Estimated payables under third-party reimbursement programs | (5,374) | 319 |
| Accounts payable and accrued expenses | (3,460) | (3,526) |
| Other noncurrent liabilities | (1,939) | (150) |
| Long-term debt | (7,451) | (8,627) |

See accompanying notes to consolidated financial statements.

(1) Organization and Purpose

Hospital Sisters Health System (HSHS), an Illinois not-for-profit corporation, considers all wholly owned or controlled entities as subsidiaries for consolidated financial statement purposes. The accompanying consolidated financial statements include the accounts of HSHS and its subsidiaries. HSHS is the parent corporation for several subsidiary corporations and exerts control through various reserved powers. The subsidiary corporations and controlled entities presented in the accompanying consolidated financial statements include Hospital Sisters Services, Inc. (HSSI), HSHS System Services Center (the SSC), Hospital Sisters of St. Francis Foundation, Inc. (the Foundation), and Kiara, Inc. HSSI, an Illinois not-for-profit holding company, is the sole member of 15 hospitals in Illinois and Wisconsin, Hospital Sisters Healthcare – West, Inc. (HCW), HSHS Medical Group, Inc., and HSHS Wisconsin Medical Group, Inc. (collectively, referred to as the Medical Group), Unity Limited Partnership, Kiara Clinical Integration Network (KCIN), Prairie Education & Research Cooperative (PERC), and Renaissance Quality Insurance, Ltd. (RQIL).

The hospitals are organized for the purpose of providing inpatient and outpatient healthcare services. HSSI formed the Medical Group for the purpose of affiliating with physicians. RQIL is a captive insurance company incorporated in the Cayman Islands to provide professional and general liability insurance coverage to HSHS and affiliates. Effective July 1, 2013, RQIL started providing workers compensation coverage for the 14 hospitals.

Other than St. Clare Memorial, Oconto Falls (SCO), and Holy Family Greenville (HFG), the remaining 13 hospitals within HSSI have formed an Obligated Group for debt financing purposes through the use of a Master Trust Indenture (MTI) (note 12).

The 15 hospitals, of which HSSI is the sole corporate member, are as follows:

| Hospital | Location |
|------------------------------------|----------------|
| | Illinois: |
| St. Elizabeth's Hospital | Belleville |
| St. Joseph's Hospital | Breese |
| St. Mary's Hospital | Decatur |
| St. Anthony's Memorial Hospital | Effingham |
| Holy Family Hospital | Greenville |
| St. Joseph's Hospital | Highland |
| St. Francis Hospital | Litchfield |
| St. John's Hospital | Springfield |
| St. Mary's Hospital | Streator |
| | Wisconsin: |
| St. Joseph's Hospital | Chippewa Falls |
| Sacred Heart Hospital | Eau Claire |
| St. Mary's Hospital Medical Center | Green Bay |
| St. Vincent Hospital | Green Bay |
| St. Nicholas Hospital | Sheboygan |
| St. Clare Memorial Hospital | Oconto Falls |

The SSC administers the Health Care claims. The SSC is supported by annual fees paid by the HSHS affiliated hospitals and certain other HSHS controlled entities to the SSC. The SSC utilizes these funds to provide centralized management and information services to the 15 affiliated hospitals and employee health administration. In addition, the SSC administers a centralized investment program and defined-contribution pension plan on behalf of all HSHS entities.

The Foundation, an Illinois not-for-profit corporation, is an entity whose purpose is to solicit and administer philanthropic funds. The Foundation is structured into 14 separate divisions to administer restricted and unrestricted gifts and bequests at each of the respective hospital locations and the SSC.

Kiara, Inc., an Illinois for-profit corporation, provides a vehicle for joint ventures with physicians and an entry into those health related services, which do not qualify as tax-exempt services, such as pharmacy, durable medical equipment, nonaffiliated electronic health records (EHR) implementations, and real estate holdings. Kiara, Inc. is the sole stockholder of LaSante, Inc., LaSante Wisconsin, Inc., and Prairie Cardiovascular Consultants, Inc. (PCC). The operations of these three wholly owned subsidiaries are consolidated into the financial statements of Kiara, Inc.

On September 1, 2014, HSSI became the sole corporate member of Community Memorial Hospital (CMH) in Oconto Falls, Wisconsin. Effective on the acquisition date, CMH became a Catholic entity and the hospital name was changed to St. Clare Memorial Hospital, Inc. Prior to the acquisition, two HSSI affiliates held a combined 24% minority interest in CMH. Revised governing documents are consistent with HSHS policies applicable to affiliates. HSSI will retain certain reserve powers over St. Clare Memorial Hospital, Inc. consistent with other HSSI subsidiaries. As a part of the change in sponsorship, HSHS recorded \$8,900 of contribution for the excess of fair value of assets over liabilities less their equity based investment in SCO of \$3,100 and acquired \$22,978 of total assets, \$10,978 of total liabilities, and \$12,000 of net assets.

On June 22, 2015, the Board of Directors approved the intention to sell and donate certain assets associated with St. Mary's Hospital (SMS) in Streator, Illinois. Effective January 4, 2016, HSHS transferred sponsorship of substantially all of the assets and certain liabilities of and associated with SMS (note 9).

On May 2, 2016, HSSI became the sole corporate member of Greenville Regional Healthcare, Inc. (GRH) in Greenville, Illinois. Effective on the acquisition date, GRH became a Catholic entity and the hospital name was changed to HSHS Holy Family Hospital, Inc. (HFG) prior to the acquisition. Revised governing documents are consistent with HSHS policies applicable to affiliates. HSSI will retain certain reserve powers over HFG consistent with other HSSI subsidiaries. As a part of the change in sponsorship, HSHS recorded \$749 of contribution for the excess of fair value of assets over liabilities. HSHS acquired \$20,152 of total assets, \$18,423 of total liabilities, and \$1,729 of net assets. Annual revenue and expenses for HFG are estimated as \$28,400 and \$31,400, respectively.

All significant intercompany transactions have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies

The significant accounting policies of HSHS are as follows:

(a) Presentation

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains or losses. Nonoperating gains or losses include investment return, other than that which is associated with self-insurance programs, or funds held by trustee under indenture agreements, loss on conversion and early extinguishment of debt, contributions of excess assets over liabilities, discontinued operations, and the change in fair value of the interest rate swaps.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Significant estimates include allowances for contractual allowances and bad debts, third-party payor settlements, valuation of investments, recoverability of property, plant, and equipment, self-insurance liabilities, derivative instruments, accrued benefit liability, and other liabilities. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less when purchased, excluding those amounts included as assets whose use is limited or restricted.

(d) Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted include assets set aside by the Board of Directors for future capital improvements, self-insurance funding, and for other purposes over which the board of directors retains control and may at its discretion subsequently use for other purposes; assets held by third-party trustees under indenture agreements; and funds temporarily or permanently restricted by donors. Management classifies the current portion of assets whose use is limited or restricted based on the approximate amount of the current portion of long-term debt and self-insurance.

Investments in equity securities with readily determinable values and all investments in debt securities are measured at fair value in the accompanying consolidated balance sheets. Investment return on assets associated with self-insurance programs or assets deposited in funds held by trustee under indenture agreements is reported as other revenues. Investment return from all other investments is reported as nonoperating gains (losses), unless the income or loss is restricted by donor or law. Changes in net unrealized gains and losses on investments are included in revenues and gains in excess of expenses and losses as all investments are considered to be trading securities.

(e) Inventories

Inventories are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis.

(f) Property, Plant, and Equipment

Property, plant, and equipment additions are stated at cost or fair value at the date of acquisition or donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method of accounting. Useful lives may be reassessed from time to time as facts and circumstances change in regards to how assets are being used. Interest costs incurred on borrowed funds during the period of construction of major projects are capitalized as a component of the cost of acquiring those assets. Capitalized interest is reduced by the amount of investment income earned on unexpended proceeds from project specific borrowings. Construction

on a new \$300 million project began in early 2016 on a replacement hospital for HSHS, located in O'Fallon, Illinois. This will allow the hospital to offer more accessible care, which is critical to providing life-saving and life-sustaining services for the entire region. Plus, building a new facility that can meet inpatient and increasing outpatient needs for future generations, is a more efficient and responsible use of healthcare dollars, rather than renovating the current landlocked, aging facility. The replacement hospital will provide many benefits to the community it will allow HSHS to continue its mission to provide all Metro East residents, including the underserved, with accessible, high quality and region-leading care. HSHS accelerated the depreciation related to the St. Elizabeth's Belleville campus for \$7,479 for the year ended June 30, 2016. HSHS is in the process of repurposing the current campus to continue providing healthcare services in Belleville.

(g) Long-Lived Assets

Long-lived assets (including property, plant, and equipment) are periodically assessed for recoverability based on the occurrence of a significant adverse event or change in the environment in which HSHS operates or if the expected future cash flows (undiscounted and without interest) would become less than the carrying amount of the asset. An impairment loss would be recorded in the period such determination is made based on the fair value of the related entity. No impairments were recorded for the years ended June 30, 2016 and 2015.

(h) Other Assets – Joint Ventures

HSHS invests in various organizations that are not wholly owned or controlled by HSHS. Investments in affiliates in which HSHS has significant influence but does not control are reported on the equity method of accounting, which represents HSHS' equity in the underlying net book value. The equity method of accounting is discontinued when the investment is reduced to zero unless HSHS has guaranteed the obligations of the organization or is committed to provide additional capital support.

(i) Loss Reserves

HSHS is self-insured for professional and general liability, workers' compensation, and employee health claims. The provision for loss reserves include the ultimate cost for both reported losses and losses incurred, but not reported as of the respective consolidated balance sheet dates. HSHS reports the amount predicted to settle within one year as the current portion of estimated self-insurance liabilities with the corresponding investments held as current portion of assets whose use is limited or restricted. The long-term portion is reported as estimated self-insurance liabilities with the corresponding investments held as assets whose use is limited or restricted.

The liability for loss reserves represents an estimate of the ultimate net cost of all such amounts that are unpaid at the consolidated balance sheet dates. The liability is based on projections and the historical claim experience of HSHS and gives effect to estimates of trends. Although management believes the estimate of the liability for claims is reasonable, it is possible HSHS' actual incurred claims will not conform to the assumptions' inherent variability with respect to the significant assumptions utilized. The ultimate settlement of claims may vary from the liability for unpaid claims included in the accompanying consolidated financial statements.

(j) Derivative Instruments

HSHS accounts for derivatives and hedging activities in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) SubTopic 815-10, *Accounting for Derivative Instruments and Hedging Activities*, which requires that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheet and measure those instruments at fair value. HSHS is involved in four interest rate swaps. The fair value of the interest rate swap programs is included as derivative instruments in the accompanying consolidated balance sheets. For HSHS, the derivatives are not designated as hedge instruments, and therefore, settlements on derivative instruments and the change in fair values of the interest rate swap agreements are recognized in the consolidated statements of operations and change in unrestricted net assets as a component of nonoperating gains (losses).

(k) Asbestos Removal Costs

HSHS accounts for asbestos removal costs in accordance with ASC SubTopic 410-20, *Accounting for Conditional Asset Retirement Obligations*. ASC SubTopic 410-20 requires the current recognition of a liability when a legal obligation exists to perform an asset retirement obligation (ARO) in which the timing or method of settlement is conditional on a future event that may or may not be under the control of the entity. ASC SubTopic 410-20 requires an ARO liability be recorded at its net present value with recognition of a related long-lived asset in a corresponding amount. The ARO liability is accreted through periodic charges to depreciation expense. The initially capitalized ARO long-lived asset is depreciated over the corresponding long-lived asset's remaining useful life. HSHS is legally liable to remove asbestos from existing buildings prior to future remodeling or demolishing of the existing hospital buildings. The estimated asbestos removal cost at June 30, 2016 and 2015 is \$27,906 and \$28,897, respectively, and is included within other noncurrent liabilities in the accompanying consolidated balance sheets.

(l) Donor-Restricted Net Assets

Net assets and activities are classified into three classes based on the existence or absence of donor-imposed restrictions: unrestricted, temporarily restricted, and permanently restricted. Temporarily restricted net assets represent those net assets whose use by HSHS has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by HSHS in perpetuity.

HSHS classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Investment returns in excess of spending are classified as increases in temporarily restricted net assets until appropriated for expenditure by HSHS.

HSHS has established a spending policy, which is evaluated and approved by the Foundation's board every year. The approved spending rate for fiscal year 2016 and 2015 was 3.44% and 4.90%, respectively. In establishing this policy, the long-term expected return on the endowment is considered. This is consistent with HSHS' objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term.

Endowment funds are commingled with the pooled investment fund administered by HSHS. HSHS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). HSHS targets a diversified asset allocation of 27.0% fixed income, 21.5% domestic equities, 21.5% international equities, 22% custom hedge funds, 6% real assets, and 2% master limited partnerships to achieve its long-term return objectives within prudent risk constraints.

(m) Gifts, Bequests, and Grants

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and change in unrestricted net assets as assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are recorded as unrestricted contributions. Unrestricted contributions are included in other revenues.

Gifts of long-lived assets such as property, plant, and equipment are reported as unrestricted gifts and bequests and are excluded from revenues and gains in excess of expenses and losses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. In the absence of explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

(n) Net Patient Service Revenues

Net patient service revenues are reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and amounts received under the Medicaid assessment tax programs. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

(o) Charity Care

HSHS provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Amounts determined to qualify as charity care are not reported as net patient service revenues, since HSHS does not pursue collection of such amounts.

(p) Revenues and Gains Deficient of Expenses and Losses

The consolidated statements of operations and change in unrestricted net assets include revenues and gains deficient of expenses and losses. Changes in unrestricted net assets that are excluded from revenues and gains deficient of expenses and losses, consistent with industry practice, include contributions of property, plant, and equipment (including assets acquired using contributions that by donor restrictions or grants were to be used for the purpose of acquiring such assets), net assets released from restrictions used for the purpose of property, plant, and equipment, and the change in pension funded status.

(q) Income Taxes

HSHS and the Foundation are Illinois not-for-profit organizations as described in Section 501(c) (3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Kiara, Inc. is an Illinois for-profit corporation that recognizes income taxes under the asset- and-liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets-and-liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Kiara, Inc.'s tax effects of temporary differences that give rise to significant portions of the deferred tax assets at June 30, 2016 and 2015 are primarily the result of net operating loss carryforwards of \$125,538 and \$94,120 at June 30, 2016 and 2015, respectively, which expire at various future dates through 2034.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable losses and projections for future taxable losses over the periods for which the deferred tax assets are deductible, management believes it is more likely than not Kiara, Inc. will not realize the majority of the benefits of these deductible differences. Full valuation allowances have been applied against the deferred tax assets attributable to the net operating loss carryforwards not realized as of June 30, 2016 and 2015 in the accompanying consolidated financial statements due to the uncertainty of realization.

HSHS recognizes the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. As of June 30, 2016 and 2015, HSHS does not have any liabilities for unrecognized tax benefits.

(r) Fair Value

HSHS has adopted the provisions of ASC Topic 820, *Fair Value Measurement*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

In conjunction with the adoption of ASC Topic 820, HSHS adopted the measurement provisions of FASB Accounting Standards Update (ASU) No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*; to certain investments in funds that do not have readily determinable fair values including private investments, hedge funds, real estate, and other funds. This guidance amends ASC Topic 820 and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value (NAV) per share or its equivalent.

In May 2015, the FASB issued ASU No. 2015-07, *Fair Value Measurement (Topic 820), Disclosures for Investment in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. ASU No. 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. It also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient. The requirements of the standard are effective for reporting periods in fiscal years that begin after December 15, 2016 with early adoption permitted. ASU No. 2015-07 is to be applied retrospectively. HSHS has elected to early adopt ASU No. 2015-07 in 2016. The adoption resulted in the elimination of the disclosure noted above. There was no effect on HSHS's financial statements.

(s) Electronic Health Record (EHR) Incentive Program

The EHR Incentive Program (the Program) provides incentive payments to eligible hospitals and professionals as they adopt, implement, upgrade, or demonstrate meaningful use of certified EHR technology in their first year of participation and demonstrate meaningful use for up to five remaining participation years. HSHS accounts for the Program using the grant model. HSHS applies the "ratable recognition" approach, which states that the grant income can be recognized ratably over the entire EHR reporting period once a "reasonable assurance" income recognition threshold is met. For the years ended June 30, 2016 and 2015, HSHS recognized \$3,951 and \$8,427, respectively, as other revenues related to EHR incentives, which have been received or are expected to be received based on certifications prepared by management under the appropriate guidelines.

(t) Pension

On July 1, 2015, HSHS changed its methodology for calculating and reporting pension expense. The new accounting methodology, referred to as mark-to-market (MTM), immediately recognizes actuarial gains and losses as a separate component of net periodic pension costs as of the financial reporting date. Prior methodology smoothed the effects of actuarially determined gains and losses over future periods. HSHS has made this change to improve transparency of its underlying operational performance by immediate recognition of the effects of investment performance and interest rates, which historically have caused high volatility in the conventional calculation of pension expense.

Effective with the change, and reported in the accompanying consolidated financial statements, pension expense is reported in two elements: 1) Pension expense, excluding mark-to-market adjustment comprised of service cost, interest cost, assumed returns on plan assets, and recognition of prior service cost and 2) Pension expense, mark-to-market adjustment is the gains and losses resulting from change in the discount rates and/or the difference between actual experience and assumed experience including the return on plan assets. The prior year amounts below have been reclassified to conform to the 2016 consolidated financial statement presentation as a result of the change related to accounting for pension for MTM.

| | PY Presentation 2015 | CY Presentation 2015 |
|--|----------------------------|----------------------------|
| Employee benefits | \$ 53,952 | — |
| Pension expense, excluding mark-to-market adjustment | — | 24,495 |
| Pension expense, mark-to-market adjustment | — | 133,244 |
| Recognition(reversal) of change in pension funded status | (106,859) | 425 |

(u) New Accounting Presentation

In April 2015, the FASB issued ASU No. 2015-03, *Interest – Imputation of Interest* (ASU No. 2015-03). ASU No. 2015-03 amends ASC Topic 835, *Interest* by requiring debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with the debt discounts and premiums. The adoption of ASU No. 2015-03 will be effective for HSHS for the year ending June 30, 2017.

(v) Reclassification

Certain 2015 amounts have been reclassified to conform to the 2016 consolidated financial statement presentation as a result of the change related to accounting for pension for MTM.

(3) Community Benefit

Consistent with its mission, HSHS provides medical care to all patients regardless of their ability to pay. In addition, HSHS provides services intended to benefit the poor and underserved, including those persons who cannot afford health insurance because of inadequate resources and/or are uninsured or underinsured, and to enhance the health status of the communities in which it operates.

The following summary has been prepared in accordance with the Catholic Health Association of the United States' (CHA) policy document, *A Guide for Planning and Reporting Community Benefit*, released in May 2006. HSHS uses a cost-to-charge ratio to calculate the cost of charity care and the unpaid cost of Medicaid. The amounts in the following table reflect the quantifiable costs of HSHS' community benefit for the years ended June 30, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|---|-------------------|----------------|
| Benefits for the poor: | | |
| Charity care at cost | \$ 28,114 | 24,026 |
| Unpaid cost of Medicaid and other public programs | 134,302 | 129,546 |
| Community health services | 2,009 | 1,845 |
| Other | 4,330 | 2,826 |
| | <u>168,755</u> | <u>158,243</u> |
| Benefits for the broader community: | | |
| Community health services | 4,849 | 5,100 |
| Health professions education | 19,089 | 18,298 |
| Other | 11,104 | 9,472 |
| | <u>35,042</u> | <u>32,870</u> |
| Total community benefit | <u>\$ 203,797</u> | <u>191,113</u> |

Benefits for the poor represent the cost of services provided to persons who cannot afford healthcare because of inadequate resources and who are uninsured or underinsured.

Benefits for the broader community represent the cost of services provided to other needy populations that may not qualify as poor, but that need special services and support. It also includes the cost of services for the general benefit of the communities in which HSHS operates. Many programs are targeted toward populations that may be poor, but also include those areas that may need special health services and support. These programs are not financially self-supporting.

Charity care at cost represents the cost of services provided to patients who cannot afford healthcare services due to inadequate resources. All or a portion of a patient's services may be considered charity care for which no payment is anticipated in accordance with HSHS' established policies.

Unpaid cost of Medicaid and other public programs represents the cost of providing services to beneficiaries of public programs, including state Medicaid and indigent care programs, in excess of payments for those services. (See note 4 for an explanation of changes to the Medicaid reimbursement from the State of Illinois.)

Community health services are activities and services for which no patient bill exists although there may be nominal patient fees. These services are not expected to be financially self-supporting although some may be partially supported by outside grants or funding.

Health professions education includes the unreimbursed cost of training health professionals, such as medical residents, nursing students, technicians, and students, in allied health professions.

Other benefits include subsidized health services, in-kind donations, and other benefits.

In addition to the amounts reported above, HSHS committed significant resources in serving the Medicare population. The cost (determined using a cost-to-charge ratio) of providing services to primarily elderly beneficiaries of the Medicare program, in excess of governmental and managed care contract payments, was \$221,250 and \$183,772 for the years ended June 30, 2016 and 2015, respectively.

A related organization, the Foundation, funded \$7,482 and \$12,794 for charity care or other operating expenses on behalf of the hospitals during the years ended June 30, 2016 and 2015, respectively. The community benefits reported above are net of the contributions from the Foundation for such benefits.

HSHS also provides a significant amount of uncompensated care for patients, which is not included above, but is reported in the consolidated statements of operations and change in unrestricted net assets as a provision for uncollectible accounts. Many of those patients are uninsured or underinsured, but did not apply for, or qualify for, charity care.

(4) Net Patient Service Revenues

HSHS has agreements with third-party payors that provide for payment at amounts different from their established rates. A summary of the payment arrangements with major third-party payors is as follows:

Medicare – Inpatient acute care services rendered to Medicare program beneficiaries are generally paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain patient services related to Medicare beneficiaries are paid based upon a cost reimbursement method, prospectively determined rates, established fee screens, or a combination thereof. The hospitals are reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the hospitals and audits by the Medicare fiscal intermediary. Certain outpatient services performed by the hospitals are reimbursed at a prospectively determined rate per service

based upon their ambulatory payment classification. Home health services performed by the hospitals are reimbursed at a prospectively determined rate per episodic treatment.

As of June 30, 2016, Medicare cost reports have been audited and final settled through June 30, 2010.

Medicaid – Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per discharge. Outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon per visit rates. Medicaid payment methodologies and rates for services are based on the amount of funding available to state Medicaid programs.

HSHS participates in the State of Illinois (the State) provider assessment program that assists in the financing of its Medicaid program. The program has been renewed by the State since its inception in 2004. Pursuant to this program, hospitals within the State are required to remit payment to the State Medicaid program under an assessment formula approved by the Centers for Medicare and Medicaid Services (CMS).

The hospitals have included their assessments of \$25,743 for both 2016 and 2015 within other expenses in the accompanying consolidated statements of operations and change in unrestricted net assets. The assessment program also provides hospitals within the State with additional Medicaid reimbursement based on funding formulas also approved by CMS. The hospitals have included their additional reimbursement of \$43,897 for both 2016 and 2015 within net patient service revenues in the accompanying consolidated statements of operations and change in unrestricted net assets.

As of and for the years ended June 30, 2016 and 2015, HSHS has included its assessment of \$8,106 under the Illinois Enhanced Hospital Assessment Program, within other expenses in the accompanying consolidated statement of operations and change in unrestricted net assets. The Enhanced Hospital Assessment Program provides hospitals within the State of Illinois with additional Medicaid reimbursement, based on funding formulas also approved by CMS. HSHS has included its additional related reimbursements for the years ended June 30, 2016 and 2015 of \$13,519 within net patient service revenues in the accompanying consolidated statement of operations and change in unrestricted net assets.

During 2016, CMS approved Illinois' request for a new supplemental payment to hospitals for services provided to newly eligible Medicaid beneficiaries under the Affordable Care Act. The new supplemental payment to hospitals was approved retroactive to March 1, 2014. Illinois will use the same pro rata allocation as a percentage of the gross assessment payments under the existing Hospital Assessment Programs. HSHS has included its additional related reimbursements for the years ended June 30, 2016 and 2015 of \$13,519 and \$18,030, respectively, within net patient service revenues in the accompanying 2016 consolidated statement of operations and change in unrestricted net assets.

The State of Wisconsin has an assessment tax on the gross revenue of all Wisconsin hospitals, which is used to increase reimbursements made under its Medicaid program. During the years ended June 30, 2016 and 2015, the HSHS Wisconsin hospitals were assessed \$20,305 and \$20,640, respectively, related to this tax, which is included as a component of other expenses in the accompanying consolidated statements of operations and change in unrestricted net assets, and received \$26,400 and \$25,499, respectively, in supplemental Medicaid reimbursement, which is included as a component of net patient service revenues in the accompanying consolidated statements of operations and change in unrestricted net assets.

Other – HSHS has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

A summary of gross and net patient service revenues for the years ended June 30, 2016 and 2015 is as follows:

| | <u>2016</u> | <u>2015</u> |
|--|---------------------|------------------|
| Inpatient revenue | \$ 2,538,030 | 2,492,017 |
| Outpatient revenue | 3,953,987 | 3,629,158 |
| Less provisions for estimated contractual adjustments under third-party reimbursement programs | <u>4,264,296</u> | <u>3,958,934</u> |
| Net patient service revenues | <u>\$ 2,227,721</u> | <u>2,162,241</u> |

Net patient service revenues for the years ended June 30, 2016 and 2015 include \$11,556 and \$4,829, respectively, of favorable retrospectively determined prior year settlements with third-party payors.

A summary of Medicare, Medicaid, and managed care/contracted payor utilization percentages, based upon gross patient service revenue, is as follows:

| | <u>2016</u> | <u>2015</u> |
|-------------------------------|-------------|-------------|
| Medicare | 47% | 47% |
| Medicaid | 18 | 18 |
| Managed care/contracted payor | 32 | 31 |
| Self-pay | 1 | 1 |
| Other | 2 | 3 |

Patients' accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectability of patients' accounts receivable, HSHS analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, HSHS analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (e.g., for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), HSHS records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

HSHS' allowance for uncollectible accounts for self-pay patients increased from 83.6% of self-pay accounts receivable at June 30, 2015, to 90.7% of self-pay accounts receivable at June 30, 2016. HSHS' self-pay write-offs decreased \$13,694 from \$54,990 for fiscal year 2015 to \$41,296 for fiscal year 2016 as a result of the expansion of Medicaid eligibility.

HSHS recognizes patient service revenues associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, HSHS recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of HSHS' uninsured patients will be unable or unwilling to pay for the services provided. Thus, HSHS records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (before the provision for bad debts), is recognized in the period from these major payor sources, as follows:

| | <u>2016</u> | <u>2015</u> |
|-------------------------------|---------------------|------------------|
| Medicare | \$ 769,773 | 737,981 |
| Medicaid | 286,050 | 294,603 |
| Managed care/contracted payor | 1,084,801 | 1,034,681 |
| Self-pay | 15,138 | 30,567 |
| Other | <u>71,959</u> | <u>64,409</u> |
| Net patient service revenue | <u>\$ 2,227,721</u> | <u>2,162,241</u> |

(5) Concentration of Credit Risk

HSHS provides healthcare services through their inpatient and outpatient facilities located in Illinois and Wisconsin. HSHS grants credit to patients, substantially all of whom are local residents. HSHS does not require collateral or other security in extending credit to patients; however, they routinely obtain assignment of (or are otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, health maintenance organizations, and commercial insurance policies).

The mix of net receivables from patients and third-party payors as of June 30, 2016 and 2015 is as follows:

| | <u>2016</u> | <u>2015</u> |
|-------------------------------|-------------|-------------|
| Medicare | 27% | 31% |
| Medicaid | 15 | 11 |
| Managed care/contracted payor | 50 | 47 |
| Self-pay | 1 | 5 |
| Other | 7 | 6 |

(6) Investment Composition and Fair Value Measurements

(a) Overall Investment Objective

The overall investment objective of HSHS is to invest its assets in a prudent manner that will achieve an expected rate of return, manage risk exposure, and focus on downside protection. HSHS' invested assets maintain sufficient liquidity to fund a portion of HSHS' annual operating activities and structure the invested assets to maintain a high percentage of available liquidity. HSHS diversifies its investments among various asset classes incorporating multiple strategies and managers. The HSHS board approves the investment policy statement. The Investment Subcommittee oversees the investment program in accordance with the investment policy statement.

(b) Allocation of Investment Strategies

To manage risk, HSHS invests in fixed income, domestic equities, international equities, custom hedge funds, and real assets. HSHS engages outside portfolio managers as follows: 6 fixed income managers, 12 domestic equity managers, 5 international managers, 2 custom hedge fund portfolio managers (K2 and Mesrirow), and 2 real estate managers. Because of the inherent uncertainties for valuation of some holdings, the estimated fair values may differ from values that would have been used had a ready market existed.

The investment objective of the K2 Custom Solutions Hospital Sisters Fund is to achieve equity type returns with reduced volatility and risk. This is achieved through a diversified portfolio targeting allocations of long strategies and low volatility strategies and spread across 30 separate underlying funds.

The investment objective of the Mesriow Custom Solutions Hospital Sisters Fund is to achieve positive returns with low volatility and risk. This is achieved through a multimanager, multistrategy, and diversified investment approach and spread across 40 separate underlying funds.

A summary of the strategies used by the hedge fund managers is as follows:

- *Commodities* include investment entities that may trade in agricultural, metal, and energy markets at various stages of the commodity cycle.
- *Event Driven* includes investment entities that focus on identifying and analyzing securities that may benefit from the occurrence of specific corporate events.
- *Global Macro* includes investment entities, which invest in products that may benefit from overall economic and political events of various countries.
- *Insurance-Linked* includes investment entities with an income-based strategy that invest across instruments, the value of which is driven by insurance-related events primarily related to property and life insurance. Risk is managed by diversifying over geography, insurance type, and sensitivity to insured losses amongst other factors. The strategy is a tool to reduce overall investment risk as underlying insurance risk factors are less sensitive to general market factors.
- *Long/Short Equity* includes investment entities that invest both long and short, primarily in common stocks and debt instruments, based on the manager's perception of such securities being undervalued or overvalued by the market.
- *Multi-Strategy* includes investment entities that pursue multiple strategies to diversify risks and reduce volatility.
- *Relative Value* includes investment entities that utilize nondirectional strategies. Relative value investing involves trading around the mispricing of two related securities using various types of securities or instruments.
- *Specialist Credit* includes investment entities that seek to generate superior risk-adjusted returns from a combination of capital appreciation and current income by opportunistically investing and trading in a diversified portfolio of credit-related securities and other instruments.
- *Structured Credit* includes investment entities that invest across structured credit markets including agency and nonagency residential mortgage-backed securities, commercial mortgage-backed securities, and various asset-backed securities. Strategies can be trading oriented or directional, and may include a hedging component to offset market risks.

(c) Basis of Reporting

Assets whose use is limited or restricted are reported at estimated fair value. If an investment is held directly by HSHS and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in common and preferred stock and fixed income are based on share prices reported by the funds as of the last business day of the fiscal year. HSHS' interests in alternative investment funds are generally reported at the NAV reported by the fund managers, which is used as a practical expedient to estimate the fair value of the HSHS'

interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2016, HSHS had no plans or intentions to sell investments at amounts different from NAV.

(d) Fair Value of Financial Instruments

The following methods and assumptions were used by HSHS in estimating the fair value of its financial instruments:

- The carrying amount reported in the consolidated balance sheets for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, receivables, accounts payable, accrued liabilities, and estimated payables under third-party reimbursement programs.
- Fair values of HSHS' investments held as assets whose use is limited or restricted are estimated based on prices provided by its investment managers and its custodian bank except pledges receivable and other, whereby carrying amounts approximate fair value. Fair value for cash and cash equivalents, common stocks, foreign securities, U.S. government securities, corporate bonds, taxable municipals, and commingled mutual funds are measured using quoted market prices at the reporting date multiplied by the quantity held. The carrying value equals fair value.
- HSHS has two real-estate fund investments for which quoted market prices are not available. The estimated fair value of these real-estate fund investments includes estimates, appraisals, assumptions, and methods provided by external financial advisers and reviewed by HSHS.
- HSHS has two hedge fund investments for which quoted market prices are not available. The estimated fair value of these hedge fund investments includes estimates, appraisals, assumptions, and methods provided by external financial advisers and reviewed by HSHS.
- Fair value of fixed rate long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to HSHS for debt of the same remaining maturities. For variable rate debt, carrying amounts approximate fair value. Fair value was estimated using quoted market prices based upon HSHS' current borrowing rates for similar types of long-term debt securities.
- Fair value of interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data by financial advisers. The value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and HSHS. The carrying value equals fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although HSHS believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the carrying amounts and estimated fair values of HSHS' financial instruments not carried at fair value at June 30, 2016:

| | 2016 | | 2015 | |
|----------------|-----------------|------------|-----------------|------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Long-term debt | \$ 670,906 | 684,248 | 687,701 | 684,863 |

(e) Fair Value Hierarchy

HSHS has adopted ASC Topic 820 for fair value measurements of financial assets and liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques 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 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that HSHS has the ability to access at the measurement date.
- Level 2 inputs are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 inputs are unobservable inputs for the asset or liability.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. There were no transfers between Level 1, Level 2, or Level 3 for the fiscal years ended June 30, 2016 and 2015.

The following table summarizes HSHS' fair values of cash and cash equivalents, assets whose use is limited or restricted by major category and derivative instruments in the fair value hierarchy as of June 30, 2016, as well as related strategy, liquidity, and funding commitments:

| | June 30, 2016 | | | | Redemption or liquidation | Days' notice |
|---|---------------|---------|---------|-----------|---------------------------------|-----------------|
| | Level 1 | Level 2 | Level 3 | Total | | |
| Cash and cash equivalents | \$ 94,407 | — | — | 94,407 | Daily | One |
| Assets whose use is limited or restricted excluding accrued interest and other of \$3,947 and pledges receivable and other of \$10,419: | | | | | | |
| Cash and cash equivalents | 16,796 | — | — | 16,796 | Daily | One |
| Common stocks | 397,648 | — | — | 397,648 | Daily | One |
| U.S. government securities | — | 200,306 | — | 200,306 | Daily | One |
| Taxable municipals | — | 36,564 | — | 36,564 | Daily | Two |
| Corporate bonds | — | 139,154 | — | 139,154 | Daily | Two |
| Foreign securities | 306,312 | 16,028 | — | 322,340 | Daily | Three |
| Commingled mutual funds | — | 284,475 | — | 284,475 | Daily | Three |
| Subtotal | 815,163 | 676,527 | — | 1,491,690 | | |
| Real-estate funds: | | | | | | |
| JLL Income Property Trust, Inc. | | | | 71,536 | Daily | Zero |
| J.P. Morgan U.S. Real Estate Income and Growth Fund | | | | 35,227 | Quarterly | Sixty |
| Hedge funds: | | | | | | |
| K2 multistrategy fund | | | | 276,938 | See below | |
| Mesirow multistrategy | | | | 83,139 | See below | |
| Total financial assets | \$ 815,163 | 676,527 | — | 1,958,530 | | |
| Liabilities: | | | | | | |
| Derivative instruments | \$ — | 71,267 | — | 71,267 | | |

The following table summarizes HSHS' fair values of cash and cash equivalents, assets whose use is limited or restricted by major category and derivative instruments in the fair value hierarchy as of June 30, 2015, as well as related strategy, liquidity, and funding commitments:

| | June 30, 2015 | | | | Redemption or liquidation | Days' notice |
|---|---------------|---------|---------|-----------|---------------------------------|-----------------|
| | Level 1 | Level 2 | Level 3 | Total | | |
| Cash and cash equivalents | \$ 140,061 | — | — | 140,061 | Daily | One |
| Assets whose use is limited or restricted excluding accrued interest and other of \$4,306 and pledges receivable and other of \$25,684: | | | | | | |
| Cash and cash equivalents | 80,971 | — | — | 80,971 | Daily | One |
| Common stocks | 440,974 | — | — | 440,974 | Daily | One |
| U.S. government securities | — | 191,577 | — | 191,577 | Daily | One |
| Taxable municipals | — | 32,929 | — | 32,929 | Daily | Two |
| Corporate bonds | — | 144,863 | — | 144,863 | Daily | Two |
| Foreign securities | 355,643 | 21,150 | — | 376,793 | Daily | Three |
| Commingled mutual funds | — | 329,088 | — | 329,088 | Daily | Three |
| Subtotal | 1,017,649 | 719,607 | — | 1,737,256 | | |
| Real-estate fund: | | | | | | |
| JLL Income Property Trust, Inc | | | | 37,018 | Daily | Zero |
| Hedge funds: | | | | | | |
| K2 multistrategy fund | | | | 284,267 | See below | |
| Mesirow multistrategy | | | | 88,057 | See below | |
| Total financial assets | \$ 1,017,649 | 719,607 | — | 2,146,598 | | |
| Liabilities: | | | | | | |
| Derivative instruments | \$ — | 48,734 | — | 48,734 | | |

The following table presents information about the redemption terms and restrictions as of June 30, 2016 and 2015 for the alternative investments:

(i) *K2 Custom Solutions Hospital Sisters Fund*

| Redemption terms: | Fair value | | Notice period (days) minimum maximum |
|-------------------|------------|---------|---|
| | 2016 | 2015 | |
| Monthly | \$ 60,926 | 63,040 | 15–90 days |
| Quarterly | 166,163 | 170,647 | 30–90 days |
| Biannual | 22,155 | 22,297 | 60–90 days |
| Annually | 27,694 | 28,283 | 90 days |
| Total | \$ 276,938 | 284,267 | |

(ii) *Mesirow Custom Solutions Hospital Sisters Fund*

| | Fair value | | Notice period (days) minimum maximum |
|-------------------|------------------|---------------|---|
| | 2016 | 2015 | |
| Redemption terms: | | | |
| Monthly | \$ 31,593 | 31,786 | 15-90 days |
| Quarterly | 20,785 | 17,279 | 30-90 days |
| Biannual | 26,604 | 35,381 | 60-90 days |
| Annually | 4,157 | 3,611 | 90 days |
| Total | \$ <u>83,139</u> | <u>88,057</u> | |

A summary of assets whose use is limited or restricted as of June 30, 2016 and 2015 is as follows:

| | 2016 | 2015 |
|--|---------------------|------------------|
| Assets whose use is limited or restricted: | | |
| By the board for capital improvements | \$ 1,599,294 | 1,769,762 |
| Funds held by custodian/trustee under indenture agreements | 904 | — |
| Funds held by trustee for self-insurance | 69,212 | 63,849 |
| Funds held by RQIL | 105,015 | 103,291 |
| Funds temporarily restricted by donors | 1,453 | 527 |
| Investments held at the Foundation | 102,611 | 99,098 |
| Total assets whose use is limited or restricted | \$ <u>1,878,489</u> | <u>2,036,527</u> |

The composition of investment return for the years ended June 30, 2016 and 2015 is as follows:

| | 2016 | 2015 |
|---|--------------------|---------------|
| Investment return: | | |
| Interest and dividend income | \$ 19,366 | 18,008 |
| Net realized gains on sale of investments | 29,146 | 56,445 |
| Change in net unrealized gains and losses | (83,169) | (39,486) |
| Total investment return | \$ <u>(34,657)</u> | <u>34,967</u> |

Investment returns are included in the accompanying consolidated statements of operations and change in unrestricted net assets and changes in net assets for the years ended June 30, 2016 and 2015 as follows:

| | <u>2016</u> | <u>2015</u> |
|---|--------------------|---------------|
| Other revenues – investment (loss) income | \$ (286) | 209 |
| Nonoperating (losses) gains – investment return | (34,414) | 34,928 |
| Temporarily restricted net assets – income (loss) | 40 | (179) |
| Permanently restricted net assets – income | <u>3</u> | <u>9</u> |
| Total investment return | <u>\$ (34,657)</u> | <u>34,967</u> |

(7) Derivative Instruments

HSHS has interest-rate related derivative instruments to manage its exposure on its debt instruments. HSHS does not enter into derivative instruments for any purpose other than cash flow hedging purposes, and HSHS does not speculate using derivative instruments.

By using derivative financial instruments to hedge exposures to changes in interest rates, HSHS exposes itself to credit risk, tax risk, and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes HSHS, which creates credit risk for HSHS. When the fair value of a derivative contract is negative, HSHS owes the counterparty, and therefore, it does not possess credit risk. HSHS minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties.

Tax risk is the adverse effect that HSHS takes on to the extent tax law changes impact the rates paid to a variable rate bondholder (either positively or negatively) that would affect the variable rate received from the counterparty under a LIBOR-based swap that may not match the tax-exempt equivalent rate being paid. HSHS minimizes the tax risk in derivative instruments by maintaining sufficient cash reserves to handle potential tax law changes.

Market risk is the adverse effect on the value of the derivative instrument that results from a change in interest rates. The market risk associated with interest rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

HSHS is exposed to credit loss in the event of nonperformance by the counterparty to the interest rate swap agreements; however, this is not anticipated. During the years ended June 30, 2016 and 2015, HSHS was not required to post collateral.

HSHS maintains interest rate swap agreements, which effectively change the interest rate exposure on a portion of its variable rate bonds to fixed rates. HSHS receives 86.1% of the three-month LIBOR (\$76,750 notional amount) and 67% of the one-month LIBOR (\$41,300 and \$100,425 notional amounts) and pays a fixed rate of 4.02% (\$76,750 notional amount) and 3.47% (\$41,300 and \$100,425 notional amounts). The interest rate swap agreements have notional amounts of \$218,475 at June 30, 2016 and 2015, respectively, which will amortize through March 2036.

HSHS maintains a fixed spread basis swap that removes the tax risk from the bondholders and transfers the risk to HSHS. The premium that HSHS receives for taking on this risk is 67.00% of the one-month LIBOR plus a fixed spread of 48 basis points less the SIFMA Index rate. The fixed spread basis swap has a notional amount of \$150,000 with a final maturity in May 2033.

The following is a summary of the swaps as of June 30, 2016:

| Type of interest swap | Notional amount | Settlement value | Fair value |
|-----------------------|-----------------|------------------|------------|
| Fixed payor | \$ 76,750 | (28,831) | (27,198) |
| Fixed spread basis | 150,000 | 3,056 | 3,016 |
| Fixed payor | 41,300 | (14,582) | (13,706) |
| Fixed payor | 100,425 | (35,593) | (33,379) |
| Fixed payor | | \$ (75,950) | (71,267) |

The following is a summary of the swaps as of June 30, 2015:

| Type of interest swap | Notional amount | Settlement value | Fair value |
|-----------------------|-----------------|------------------|------------|
| Fixed payor | \$ 76,750 | (17,755) | (16,723) |
| Fixed spread basis | 150,000 | (96) | 221 |
| Fixed payor | 41,300 | (9,955) | (9,385) |
| Fixed payor | 100,425 | (24,238) | (22,847) |
| | | \$ (52,044) | (48,734) |

(8) Property, Plant, and Equipment

A summary of property, plant, and equipment at June 30, 2016 and 2015 is as follows:

| | <u>2016</u> | <u>2015</u> |
|----------------------------------|---------------------|------------------|
| Land | \$ 77,861 | 56,974 |
| Land improvements | 41,390 | 39,619 |
| Buildings and permanent fixtures | 1,548,396 | 1,510,514 |
| Equipment and furnishings | <u>1,200,575</u> | <u>1,180,086</u> |
| | 2,868,222 | 2,787,193 |
| Less accumulated depreciation | <u>1,667,634</u> | <u>1,588,496</u> |
| | 1,200,588 | 1,198,697 |
| Construction in progress | <u>141,828</u> | <u>75,517</u> |
| | <u>\$ 1,342,416</u> | <u>1,274,214</u> |

As of June 30, 2016, construction in progress represents various building and remodeling projects. These projects, which have remaining contracted costs at June 30, 2016 of \$145,497, will be financed with board-designated assets or from operations.

A reconciliation of total interest costs, as reported in the accompanying consolidated statements of operations and change in unrestricted net assets for 2016 and 2015, is as follows:

| | <u>2016</u> | <u>2015</u> |
|----------------------------------|------------------|---------------|
| Interest cost capitalized | \$ 1,598 | — |
| Interest cost charged to expense | <u>11,931</u> | <u>13,490</u> |
| Total interest cost | <u>\$ 13,529</u> | <u>13,490</u> |

(9) Discontinued Operations

SMS in Streator, Illinois was an inpatient hospital previously operated by HSSI. HSSI and SMS submitted a Certificate of Exemption application to the Health Facilities and Services Review Board for the State of Illinois to discontinue all services, both inpatient and outpatient at SMS, which was approved.

SMS' long-term assets of property, plant, and equipment have been presented as assets held for sale in the accompanying 2015 consolidated balance sheet for \$40,569. The operations of SMS are presented in the accompanying consolidated statements of operations and changes in unrestricted net assets as discontinued operations.

Included in the discontinued operations for pension expense excluding MTM adjustment at June 30, 2016 and 2015 is \$295 and \$279, respectively. The mark to market adjustment at June 30, 2016 and 2015 is \$4,113 and \$4,513, respectively.

A summary of the operating components of the gain (loss) from discontinued operations for SMS for the years ended June 30, 2016 and 2015 is as follows:

| | <u>2016</u> | <u>2015</u> |
|--|--------------------|---------------|
| Revenue | \$ 15,460 | 44,378 |
| Expenses, including \$40,569 of impairment | <u>70,670</u> | <u>44,672</u> |
| Loss from discontinued operations | <u>\$ (55,210)</u> | <u>(294)</u> |

(10) Self-Insurance

(a) Workers' Compensation, Professional, and General Liability

RQIL provides coverage in addition to workers' compensation, professional, and general liability, but the associated liabilities for the other coverages are less than 1% of the total RQIL liabilities at June 30, 2016 and 2015.

Under the System's Workers' Compensation, Professional, and General Liability self-insurance program through RQIL, claims are reflected based upon actuarial estimation, including both reported and incurred but not reported claims, taking into consideration the severity of incidents and the expected timing of claim payments. At June 30, 2016 and 2015, funds held by RQIL were \$105,015 and \$103,291, respectively. The related current estimated self-insurance liabilities for June 30, 2016 and 2015 were \$22,368 and \$29,319, respectively. The related long-term estimated self-insurance liabilities for June 30, 2016 and 2015 were \$70,599 and \$61,717, respectively. At June 30, 2016 and 2015, the estimated self-insurance liability for all future claims payments reflects the actuarially determined outstanding losses at the undiscounted/expected level. The amount included in expenses for 2016 and 2015 was \$23,389 and \$26,862, respectively, and is included in other expense in the consolidated statements of operations and change in unrestricted net assets. These calculations take

into consideration any liability that may be covered under an extended reporting endorsement and considered tail liability.

HSHS is involved in litigation arising in the ordinary course of business. Reported claims are in various stages of litigation. Additional claims may be asserted against HSHS arising from services through June 30, 2016. It is the opinion of management that the estimated liabilities accrued at June 30, 2016 are adequate to provide for potential losses resulting from pending or threatened litigation.

(b) Employee Health

The HSHS self-insurance program provides health insurance for employees. HSHS has developed internal techniques for estimating costs. The amounts funded are administered by the custodian.

At June 30, 2016 and 2015, funds held by the custodian for health insurance liability for employees' self-insurance are \$69,212 and \$63,849, respectively, and are included in current and noncurrent assets whose use is limited or restricted. At June 30, 2016 and 2015, related estimated current self-insurance liabilities are \$12,818 and \$11,287, respectively.

(11) Pension

HSHS employees participate in The Hospital Sisters Health System Employees' Pension Plan (the Plan). This noncontributory defined-benefit pension plan covers substantially all employees of HSHS who have completed 1,000 hours of employment during any calendar year subsequent to the commencement of employment. The Plan recognizes and funds the costs related to employee service using the projected unit credit actuarial cost method. The information below represents the aggregation of HSHS' pension financial status, which is determined by the consulting actuaries on a member-specific basis.

The following table sets forth the Plan's funded status, amounts recognized in HSHS' consolidated financial statements, and assumptions at June 30, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|--|---------------------|------------------|
| Change in benefit obligation: | | |
| Benefit obligation at beginning of year | \$ 1,514,591 | 1,350,052 |
| Service cost | 56,091 | 54,409 |
| Interest cost | 73,196 | 63,934 |
| Plan amendments | — | 160 |
| Actuarial loss | 194,380 | 87,859 |
| Expected expenses | (8,979) | (8,546) |
| Benefits paid | (39,656) | (33,277) |
| Benefit obligation at end of year | <u>\$ 1,789,623</u> | <u>1,514,591</u> |
| Change in plan assets: | | |
| Fair value of plan assets at beginning of year | \$ 1,197,111 | 1,139,431 |
| Actual gain on plan assets | 21,308 | 35,707 |
| Employer contributions | 96,587 | 55,250 |
| Benefits paid | (39,656) | (33,277) |
| Fair value of plan assets at end of year | <u>\$ 1,275,350</u> | <u>1,197,111</u> |
| Reconciliation of funded status: | | |
| Funded status | \$ (514,273) | (317,480) |
| Amounts recognized in the accompanying consolidated balance sheets: | | |
| Accrued benefit liability | (514,273) | (317,480) |
| Amounts not yet reflected in net periodic benefit cost and included as an accumulated charge to unrestricted net assets: | | |
| Prior service cost | \$ (914) | (1,495) |
| Actuarial loss | (513,359) | (315,985) |
| | <u>\$ (514,273)</u> | <u>(317,480)</u> |

| | <u>2016</u> | <u>2015</u> |
|---|-------------------|----------------|
| Changes recognized in unrestricted net assets: | | |
| Net gain arising during the period | \$ — | — |
| Prior service cost arising during the period | — | 160 |
| Amortization of prior service credit | (580) | (583) |
| Amortization or settlement recognition of net loss | — | — |
| Total recognized in unrestricted net assets | <u>\$ (580)</u> | <u>(423)</u> |
| Total recognized in net periodic pension cost and unrestricted net assets | \$ 293,381 | 162,108 |
| Estimated amounts that will be amortized from unrestricted net assets over the next fiscal year: | | |
| Prior service credit | (301) | (581) |
| Net loss | — | — |
| Accumulated benefit obligation | 1,645,180 | 1,386,244 |
| Components of net periodic benefit cost: | | |
| Service cost | \$ 56,091 | 54,409 |
| Interest cost | 73,196 | 63,934 |
| Expected return on plan assets | (97,222) | (94,152) |
| Amortization of prior service cost | 580 | 583 |
| Net periodic benefit cost excluding MTM adjustment * | 32,645 | 24,774 |
| MTM adjustment* | <u>261,316</u> | <u>137,757</u> |
| Net periodic benefit cost | <u>\$ 293,961</u> | <u>162,531</u> |

* Includes amounts for SMS in Streator, Illinois.

| | <u>2016</u> | <u>2015</u> |
|--|---------------|---------------|
| Weighted average assumptions used to determine benefit obligations at June 30: | | |
| Discount rate | 4.16% | 4.86% |
| Average rate of compensation increase | 3.00 | 3.00 |
| Measurement date | June 30, 2016 | June 30, 2015 |
| Weighted average assumptions used to determine net periodic benefit cost for the year ended June 30: | | |
| Discount rate | 4.86% | 4.74% |
| Expected long-term return on plan assets | 8.00 | 8.25 |
| Average rate of compensation increase | 3.00 | 3.00 |
| Measurement date | June 30, 2015 | June 30, 2014 |

The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual assets categories. The return is based exclusively on historical returns, without adjustments.

A client-specific Yield Curve in conjunction with the Mercer Bond Model (spot rate approach) was used to measure liabilities of the Plan. HSHS concluded the spot rate approach provided the best estimate at which the pension benefits could be effectively settled in accordance with ASC Section 715-30-55-25. The Plan's liability at the measurement date is determined by discounting cash flow by the corresponding annual spot rate on the client-specific Yield Curve.

| | |
|--|------------|
| <p>HSHS expects to contribute to its pension plan for the 2017 fiscal year the following amount</p> | \$ 130,384 |
| <p>The following benefit payments that reflect expected future service, as appropriate, are expected to be paid:</p> | |
| 2017 | \$ 48,169 |
| 2018 | 54,672 |
| 2019 | 61,252 |
| 2020 | 68,055 |
| 2021 | 74,693 |
| 2022-2026 | 470,057 |

The expected benefits are based on the same assumptions used to measure HSHS' benefit obligation at June 30, 2016 and 2015 and include estimated future employee service.

As of June 30, 2016 and 2015, HSHS adopted the new RP-2014 Society of Actuaries Employee and Retiree Healthy no Collar Mortality Table backed off to 2007 with generational mortality improvements projected using the mortality projection scale implied by the Social Security Administration's rate of mortality (MSS-2007). As a result of the adoption, the projected benefit obligation increased in 2015 by approximately \$96,900.

The Plan has developed an Investment Policy Statement (the IPS), which is reviewed and approved by the HSHS Board of Directors. The IPS establishes goals and objectives of the fund, asset allocations, allowable and prohibited investments, socially responsible guidelines, and asset classifications. The IPS dictates that assets should be rebalanced back to target allocation on a quarterly basis. Investments are managed by independent managers. Management monitors the performance of these managers on a quarterly basis.

The table below lists the target asset allocation and acceptable ranges and actual asset allocations as of June 30, 2016 and 2015:

| Asset | Target allocation | Acceptable range | Actual allocation at June 30 | |
|---------------------------|-------------------|------------------|------------------------------|------|
| | | | 2016 | 2015 |
| Equities | 57% | 30%–70% | 53% | 55% |
| Debt securities | 30 | 20–70 | 31 | 27 |
| Alternative investments | 13 | 0–15 | 11 | 13 |
| Cash and cash equivalents | — | 0–6 | 5 | 5 |

(a) Overall Investment Objective

The overall investment objective of the Plan is to invest the Plan's assets in a prudent manner to best serve the participants of the Plan. Plan investment assets are to produce investment results that achieve the Plan's actuarial assumed rate of return, protect the integrity of the Plan, assist HSHS in meeting the obligations to the Plan's participants, manage risk exposures, focus on downside protection, and to maintain enough liquidity in the portfolio to ensure timely cash outflows and beneficiary payments. The Plans' investments are diversified among various asset classes incorporating multiple strategies and managers to exceed a weighted benchmark return based upon policy asset allocation targets and standard index returns. Major investment decisions are authorized by the HSHS's Retirement Committee, which oversees the Plan's investment program in accordance with established guidelines.

(b) Allocation of Investment Strategies

The Plan maintains a percent of assets in domestic and international equity stocks to achieve the expected rate of return. To manage risk exposure, up to 30% of the Plans' assets are invested in a liability driven investment strategy.

(c) Basis of Reporting

Investments are reported at estimated fair value. If an investment is held directly by the Plan and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The Plan's ownership in alternative investment funds are generally reported at the NAV reported by the fund managers, which is used as a practical expedient to estimate the fair value of the Plan's ownership therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2016, the Plan had no plans or intentions to sell investments at amounts different from NAV.

The fair values of the Plan's assets at June 30, 2016, by asset category class, are as follows:

| | June 30, 2016 | | | Total | Redemption or liquidation | Days' notice |
|--|---------------|---------|---------|-----------|---------------------------------|-----------------|
| | Level 1 | Level 2 | Level 3 | | | |
| Pension plan assets excluding accrued interest of \$1,008: | | | | | | |
| Cash and cash equivalents | \$ 59,281 | — | — | 59,281 | Daily | One |
| Common stocks | 458,598 | — | — | 458,598 | Daily | One |
| U.S. government securities | — | 148,942 | — | 148,942 | Daily | One |
| Commingled mutual funds | — | 239,870 | — | 239,870 | Daily | Three |
| Municipal bonds | — | 1,263 | — | 1,263 | Daily | Two |
| Corporate bonds, notes, and debentures | — | 3,732 | — | 3,732 | Daily | Two |
| Foreign securities | 218,396 | 1,281 | — | 219,677 | Daily | Three |
| Subtotal | 736,275 | 395,088 | — | 1,131,363 | | |
| Hedge funds: | | | | | | |
| K2 multistrategy fund | | | | 32,306 | Note 6(e)* | Note 6(e)* |
| Mesirow multistrategy fund | | | | 110,673 | Note 6(e)* | Note 6(e)* |
| Total assets at fair value | \$ 736,275 | 395,088 | — | 1,274,342 | | |

* Liquidity terms are allocated the same as disclosed in note 6(e) for Plan assets.

The fair values of the Plan's assets at June 30, 2015, by asset category class, are as follows:

| | June 30, 2015 | | | Total | Redemption or liquidation | Days' notice |
|--|---------------|---------|---------|-----------|---------------------------------|-----------------|
| | Level 1 | Level 2 | Level 3 | | | |
| Pension plan assets excluding accrued interest of \$1,311: | | | | | | |
| Cash and cash equivalents | \$ 55,624 | — | — | 55,624 | Daily | One |
| Common stocks | 460,007 | — | — | 460,007 | Daily | One |
| U.S. government securities | — | 125,260 | — | 125,260 | Daily | One |
| Commingled mutual funds | — | 194,721 | — | 194,721 | Daily | Three |
| Municipal bonds | — | 1,231 | — | 1,231 | Daily | Two |
| Corporate bonds, notes, and debentures | — | 4,395 | — | 4,395 | Daily | Two |
| Foreign securities | 202,285 | 1,899 | — | 204,184 | Daily | Three |
| Subtotal | 717,916 | 327,506 | — | 1,045,422 | | |
| Hedge funds: | | | | | | |
| K2 multistrategy fund | | | | 33,161 | Note 6(e)* | Note 6(e)* |
| Mesirow multistrategy fund | | | | 117,217 | Note 6(e)* | Note 6(e)* |
| Total assets at fair value | \$ 717,916 | 327,506 | — | 1,195,800 | | |

* Liquidity terms are allocated the same as disclosed in note 6(e) for Plan assets.

(d) Fair Value of Financial Instruments

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

- Cash and cash equivalents: Valued at the carrying amount that approximates fair value because of the short-term maturity of these investments.
- Common and preferred stocks, U.S. government securities, commingled mutual funds, and foreign securities: Valued at the closing price reported on the active market on which the individual securities are traded.
- Municipal bonds, corporate bonds, notes, and debentures: Certain corporate bonds are valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity.

The Plan has certain hedge fund investments for which quoted market prices are not available. The estimated fair value of these hedge fund investments includes estimates, appraisals, assumptions, and methods provided by external financial advisers and reviewed by HSHS.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(e) Fair Value Hierarchy

The Plan has adopted ASC Subtopic 715-20-50, *Compensation – Retirement Benefits: Defined Benefit Plans – General: Disclosures*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Subtopic 715-20-50 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

(12) Long-Term Debt

Under the terms of the Obligated Group MTI, each member of the Obligated Group is jointly and severally liable for all obligations issued thereunder. Bonds issued are unsecured general obligations, but carry covenants regarding withdrawals from the Obligated Group, issuance of additional debt, and creations of liens on property. Obligations outstanding under the Obligated Group MTI are issued through state health facility authorities and comprise both serial and term bonds with varying maturities.

On November 1, 2014, HSSI issued \$180,000 in fixed rate debt Series 2014A bonds. HSSI received a bond premium of \$27,358 and paid bond issue costs of \$1,778, related to this issuance. As a result of this issuance, HSSI incurred a noncash loss of \$907 for previously unamortized bond issue costs.

As of June 30, 2016, long-term debt consisted of the following:

| <u>Series</u> | <u>Interest rates</u> | <u>Final maturity dates</u> | <u>2016</u> |
|---|---|-----------------------------|-------------------|
| Fixed interest rate issues: | | | |
| 2007A | 5.00% | March 15, 2028 | \$ 72,035 |
| 2012B | 4% and 5% | August 15, 2021 | 54,815 |
| 2012C | 5.00% | August 15, 2021 | 48,665 |
| 2014A | 5.00% | November 15, 2029 | 174,125 |
| Variable interest rate issues: | | | |
| 2012A | Variable 1.08% at June 30, 2016 | June 30, 2041 | 50,160 |
| 2012G | Variable 0.42% at June 30, 2016 | August 1, 2041 | 31,645 |
| 2012H | Variable 0.45% to 0.52% at June 30, 2016 | August 1, 2041 | 65,885 |
| 2012I | Variable 0.45% to 0.54% at June 30, 2016 | August 1, 2041 | <u>89,460</u> |
| Total fixed and variable interest debt | | | 586,790 |
| Other long-term debt | | | 48,130 |
| Plus unamortized bond issue premiums | | | <u>35,986</u> |
| Total debt | | | 670,906 |
| Less: | | | |
| Current installments | | | 29,122 |
| Long-term debt subject to short-term remarketing agreements | | | <u>155,345</u> |
| Total long-term debt, excluding current installments | | | <u>\$ 486,439</u> |

As of June 30, 2015, long-term debt consisted of the following:

| Series | Interest rates | Final maturity dates | 2015 |
|---|---|----------------------|------------|
| Fixed interest rate issues: | | | |
| 2007A | 5.00% | March 15, 2028 | \$ 72,035 |
| 2012B | 4.00% and 5.00% | August 15, 2021 | 62,430 |
| 2012C | 5.00% | August 15, 2021 | 55,610 |
| 2014A | 5.00% | November 15, 2029 | 180,000 |
| Variable interest rate issues: | | | |
| 2012A | Variable 0.87% at June 30, 2015 | June 30, 2041 | 50,160 |
| 2012G | Variable 0.07% at June 30, 2015 | August 1, 2041 | 31,645 |
| 2012H | Variable 0.07% to 0.10% at June 30, 2015 | August 1, 2041 | 65,885 |
| 2012I | Variable 0.08% to 0.09% at June 30, 2015 | August 1, 2041 | 89,460 |
| Total fixed and variable interest debt | | | 607,225 |
| Other long-term debt | | | 37,724 |
| Plus unamortized bond issue premiums | | | 42,752 |
| Total debt | | | 687,701 |
| Less: | | | |
| Current installments | | | 26,565 |
| Long-term debt subject to short-term remarketing agreements | | | 155,345 |
| Total long-term debt, excluding current installments | | | \$ 505,791 |

The Obligated Group's effective interest rates for variable debt for the years ended June 30, 2016 and 2015 are as follows:

| | 2016 | 2015 |
|--------------------------------|-------|-------|
| Variable interest rate issues: | | |
| 2012A | 0.99% | 0.87% |
| 2012G | 0.13 | 0.05 |
| 2012H | 0.11 | 0.08 |
| 2012I | 0.14 | 0.08 |

Bond issue premiums and costs are amortized over the term of the related bonds using the bonds outstanding method. Bond issuance costs, net of amortization, are reported as other assets in the accompanying consolidated balance sheets.

HSSI has variable rate bonds, a portion of which has a put option available to the holder. If the put option is exercised, the bonds are presented to the bank, which in turn draws on the underlying direct pay letter of credit, if available. Self-liquidity bonds are backed by the financial assets of HSSI and are presented as long-term debt subject to short-term remarketing agreements in the accompanying consolidated balance sheets. The bond series and the underlying credit facility terms are described as follows as of June 30, 2016:

| <u>Series</u> | <u>Term</u> |
|---------------------|--|
| Series 2012 G | Equal quarterly installments on the first business day of each January, April, July, or October whichever occurs first on or following the 367th day after the purchase date and paid in full no later than the third anniversary of the purchase date |
| Series 2012 H and I | Self-liquidity – 270 days |

Scheduled principal repayments on long-term debt based on the variable rate demand notes being put back to HSHS and a corresponding draw being made on the underlying credit facility, if available, are as follows:

| | |
|----------------------|-------------------|
| Year ending June 30: | |
| 2017 | \$ 184,467 |
| 2018 | 29,933 |
| 2019 | 29,037 |
| 2020 | 27,936 |
| 2021 | 28,311 |
| Thereafter | <u>335,236</u> |
| | <u>\$ 634,920</u> |

Scheduled principal repayments on the long-term debt based on the scheduled redemptions according to the Obligated Group MTI are as follows:

| Year ending June 30: | | |
|----------------------|----|-----------------------|
| 2017 | \$ | 29,122 |
| 2018 | | 29,933 |
| 2019 | | 29,037 |
| 2020 | | 27,936 |
| 2021 | | 28,311 |
| Thereafter | | <u>490,581</u> |
| | \$ | <u><u>634,920</u></u> |

(13) Capital Leases

HSHS leases certain equipment under capital leases. Included with property, plant, and equipment are \$39,754 and \$35,178 of assets held under capital leases and \$13,536 and \$12,145 of related accumulated amortization at June 30, 2016 and 2015, respectively. A summary of future minimum lease payments and the present value of future minimum lease payments related to capital leases at June 30, 2016 are as follows:

| Year: | | <u>Amount</u> |
|--|----|-------------------------|
| 2017 | \$ | 7,939 |
| 2018 | | 7,216 |
| 2019 | | 5,113 |
| 2020 | | 2,624 |
| 2021 | | 1,581 |
| Thereafter | | <u>11,778</u> |
| Total future minimum lease payments | | 36,251 |
| Less amount representing interest at rates ranging from 5.0% to 6.5% | | <u>8,385</u> |
| Present value of future minimum lease payments | | 27,866 |
| Less current portion of obligations under capital leases included in current installments of long-term debt | | <u>6,440</u> |
| Obligations under capital leases, excluding current portion included in long-term debt, excluding current installments | | <u><u>\$ 21,426</u></u> |

(14) Functional Expenses

HSHS provides general healthcare services to residents within its respective geographic regions. Expenses related to providing these services for the years ended June 30, 2016 and 2015 are as follows:

| | <u>2016</u> | <u>2015</u> |
|-------------------------------------|---------------------|------------------|
| Healthcare services | \$ 1,952,281 | 1,765,049 |
| General and administrative services | <u>556,301</u> | <u>513,788</u> |
| | <u>\$ 2,508,582</u> | <u>2,278,837</u> |

(15) Prevea

St. Vincent Hospital (St. Vincent) and St. Mary's Hospital Medical Center (St. Mary's) (collectively, referred to as the Green Bay Hospitals), two members of the Obligated Group located in Green Bay, Wisconsin, each have a 25% interest in Prevea Health Systems, Inc. (Prevea). The Green Bay Hospitals held \$21,989 (21,989 shares), at June 30, 2016 and 2015, of Prevea preferred stock. Prevea has 9,000 shares of authorized stock consisting of 900 shares of Class P voting common stock, 3,600 shares of Class P nonvoting, and 4,500 shares of Class H common stock.

With respect to all matters upon which shareholders are entitled to vote or give consent, the outstanding shares of Class P voting common stock constitute one voting group and the holders of outstanding shares of Class H common stock constitute a separate voting group. Each voting group gets 50% of the total voting privileges (with each entitled to elect one half of the total authorized number of directors of the corporation). As of June 30, 2016 and 2015, there are 100 voting shares for the Hospitals (Class H) and 146 voting shares for Physicians (Class P). There are 457 nonvoting shares. The preferred stockholders of Prevea have liquidation preferences to common stockholders, as defined in the Articles of Incorporation of Prevea. The preferred stock entitles the Green Bay Hospitals to receive dividends equal to 7% of the face value of the preferred stock. Additionally, preferred stock dividends are cumulative. The Green Bay Hospitals' policy is to recognize preferred stock dividends when the dividends are declared. Dividends were declared and paid by Prevea totaling \$750 in 2016 and \$250 in 2015. The investment in Prevea is accounted for using the equity method. The carrying value of the Green Bay Hospitals' investment in Prevea, inclusive of preferred stock holdings, is reported as other assets in the accompanying consolidated balance sheets.

St. Vincent assumed operations of Prevea's medical clinic (Clinic) locations, and is now operating these sites as St. Vincent doing business as Prevea Health, receiving all of the Clinic's patient revenue and responsible for all of the operating expenses. The expenses directly related to Prevea Health, primarily for the leasing of all employees and doctors, for the years ended June 30, 2016 and 2015 are \$229,472 and \$217,981, respectively, included in other expenses in the consolidated statements of operations and change in unrestricted net assets.

During the years ended June 30, 2016 and 2015, the Green Bay Hospitals have \$831 and \$857, respectively, of notes receivable for cash advances to Prevea.

The following are Prevea's condensed unaudited financial statement data as of and for the years ended June 30, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|-------------------|-------------|-------------|
| Total assets | \$ 94,417 | 92,796 |
| Total liabilities | 52,533 | 51,219 |
| Total equity | 41,884 | 41,577 |
| Total net revenue | 291,145 | 265,012 |
| Net income | 1,047 | 611 |

The Green Bay Hospitals' equity portion in Prevea at June 30, 2016 and 2015 decreased by \$246 and \$106, respectively, and is included in other revenues in the accompanying consolidated statements of operations and change in unrestricted net assets.

In fiscal year 2014, the Obligated Group guaranteed all outstanding debt of Prevea. The Obligated Group will be paid 1.25% of the average outstanding principal amount of the outstanding notes. Included in the guarantee are \$2,920 taxable variable rate demand notes of PHP Insurance Plan, Inc. (PHP). PHP, a former health maintenance organization, sold its insurance license, changed its corporate structure, and became Prevea Ventures, LLC (PV). Prevea is the sole corporate member of PV. At June 30, 2016 and 2015, the Clinic has commercial loans outstanding, which replaced these notes with balances of \$18,825 and \$19,528, respectively. At June 30, 2016 and 2015, PV has notes outstanding of \$2,073 and \$2,170, respectively.

(16) Joint Ventures

Joint ventures are accounted for using the equity method of accounting and represent \$7,232 and \$6,686 of other long-term assets in the accompanying consolidated balance sheets at June 30, 2016 and 2015, respectively. The most significant of these investments, excluding Prevea (note 15), include:

- Protestant Memorial Medical Center and St. Elizabeth's Healthcare Services, LLP (held by St. Elizabeth's Hospital) – 50% ownership interest
- Northeast Wisconsin Radiation Therapy Services, LLC (held by St. Vincent and St. Mary's, Green Bay) – each hospital has a 25% ownership interest. St. Vincent hospital purchased the remaining 50% of the LLC on April 3, 2015. Then St. Mary's hospital transferred its 25% ownership interest to St. Vincent hospital. This service is an operating department of St. Vincent hospital as of April 3, 2015.
- Pain Center of Wisconsin (held by St. Vincent) – 50% ownership interest
- Orange Cross Ambulance, Inc. (held by St. Nicholas Hospital) – 50% ownership interest

For the years ended June 30, 2016 and 2015, HSHS recognized income of \$1,485 and \$2,132, respectively, in investments in affiliated companies. This activity is included as a component of other revenues in the accompanying consolidated statements of operations and change in unrestricted net assets. During 2016 and 2015, HSHS received cash distributions of \$1,900 and \$2,320, respectively, from the joint ventures.

The following table summarizes the unaudited aggregated financial information of unconsolidated affiliated companies of HSHS as of June 30, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|-------------------|-------------|-------------|
| Total assets | \$ 13,821 | 14,491 |
| Total liabilities | 1,356 | 1,172 |
| Total equity | 12,465 | 13,319 |
| Total net revenue | 15,030 | 15,942 |
| Net income | 2,970 | 4,264 |

(17) Pledges Receivable

Pledges, net of a present value discount rate, determined in the year the pledge is made, and an allowance for uncollectible pledges are recorded as a component of assets whose use is limited or restricted in the accompanying consolidated financial statements based on their expected collection date.

Included in assets whose use is limited or restricted at June 30, 2016 and 2015 are the following unconditional promises to give:

| | <u>2016</u> | <u>2015</u> |
|--|-----------------|--------------|
| Unconditional promises to give | \$ 8,321 | 5,407 |
| Less unamortized discount | <u>304</u> | <u>189</u> |
| | 8,017 | 5,218 |
| Less allowance for uncollectible pledges | <u>211</u> | <u>140</u> |
| Net pledges receivable | <u>\$ 7,806</u> | <u>5,078</u> |
| Amounts due in: | | |
| Less than one year | \$ 2,189 | 4,057 |
| One to five years | 5,949 | 1,189 |
| More than five years | <u>183</u> | <u>161</u> |
| Total | <u>\$ 8,321</u> | <u>5,407</u> |

(18) Temporarily and Permanently Restricted Assets

Temporarily restricted assets are available for the following purposes or periods at June 30, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|----------------------|------------------|---------------|
| Healthcare services | \$ 23,120 | 18,754 |
| Capital expenditures | 7,838 | 6,522 |
| Catholic radio | 252 | 260 |
| College of nursing | <u>222</u> | <u>218</u> |
| | <u>\$ 31,432</u> | <u>25,754</u> |

As of June 30, 2016 and 2015, HSHS has permanently restricted endowments as follows:

| | <u>2016</u> | <u>2015</u> |
|--|------------------|---------------|
| Assets to be held in perpetuity, the income from which expendable to support nursing schools | \$ 4,194 | 3,044 |
| Assets to be held in perpetuity, the income from which expendable to support specific operations of HSHS facilities | <u>23,242</u> | <u>22,775</u> |
| | <u>\$ 27,436</u> | <u>25,819</u> |

As of June 30, 2016 and 2015, HSHS has unrestricted and temporarily restricted funds that represent the unspent accumulation of earnings for endowment funds as follows:

| | <u>2016</u> | <u>2015</u> |
|--|-----------------|--------------|
| Unspent income from which is expendable to support nursing schools | \$ 170 | 365 |
| Unspent income from which is expendable to support specific operations of HSHS facilities | <u>8,272</u> | <u>8,707</u> |
| | <u>\$ 8,442</u> | <u>9,072</u> |

(19) Commitments and Contingencies

(a) Operating Leases

HSHS occupies space in certain facilities and leases various pieces of equipment under long-term noncancelable operating lease arrangements. Total equipment rental, asset lease, and facility rental expense in 2016 and 2015 were \$40,866 and \$39,931, respectively.

The following is a schedule by year of future minimum lease payments to be made under operating leases as of June 30, 2016 that have initial or remaining lease terms in excess of one year:

| | <u>Amount</u> |
|----------------------|---------------|
| Year ending June 30: | |
| 2017 | \$ 28,610 |
| 2018 | 22,241 |
| 2019 | 16,776 |
| 2020 | 14,589 |
| 2021 | 12,232 |
| Thereafter | 22,511 |

(b) Legal, Regulatory, and Other Contingencies and Commitments

The laws and regulations governing the Medicare, Medicaid, and other government healthcare programs are extremely complex and subject to interpretation, making compliance an ongoing challenge for HSHS and other healthcare organizations. The federal government has increased its enforcement activity, including audits and investigations related to billing practices, clinical documentation, and related matters. HSHS maintains a compliance program designed to educate employees and to detect and correct possible violations.

(c) Litigation

HSHS is involved in litigation arising in the ordinary course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the HSHS's future consolidated financial position or results of operations.

(d) Unemployment

The Wisconsin hospitals of HSHS pledged a U.S. Treasury note as collateral for any unpaid unemployment compensation claims with a face value of \$4,630 for 2016 and 2015 to the Wisconsin Unemployment Reserve Fund. The pledged U.S. Treasury note remained unused at June 30, 2016 and 2015.

(e) Tax Exemption for Sales Tax and Property Tax

Effective June 14, 2012, the Governor of Illinois signed into law, Public Act 97-0688, which creates new standards for state sales tax and property tax exemptions in Illinois. The law establishes new standards for the issuance of charitable exemptions, including requirements for a nonprofit hospital to certify annually that in the prior year, it provided an amount of qualified services and activities to low-income and underserved individuals with a value at least equal to the hospital's estimated property tax liability. HSHS certified in 2016 and 2015 and has not recorded a liability for related property taxes based upon management's current determination of qualified services provided.

(f) Investment Risk and Uncertainties

HSHS invests in various investment securities. Investment securities are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated balance sheets.

(g) Guarantee Agreement

During fiscal year 2014, the Obligated Group executed a Guarantee Agreement with JPMorgan Chase, NA to guaranty \$10,000 of debt for Touchette Regional Hospital in East Saint Louis, Illinois. The Obligated Group will be paid a fee of 0.90% of the average outstanding principal amount of the outstanding debt. Relative to the Guarantee Agreement, no amounts have been paid or accrued as of June 30, 2016 and 2015.

(20) Subsequent Events

As disclosed in note 11, Pension, HSHS sponsors a defined benefit pension plan (the Plan). On September 27, 2016, a lawsuit was filed in the U.S. District Court for the Northern District of Illinois against HSHS, on behalf of the participants of the Plan. The lawsuit challenges the eligibility of the Plan to be treated as a "Church Plan" exempt from the Employee Retirement Income Security Act of 1974. HSHS intends to vigorously defend the Plans' status as an eligible Church Plan, consistent with long-standing positions of the U.S. Congress, the IRS and the U.S. Department of Labor.

In connection with the preparation of the consolidated financial statements and in accordance with ASC Topic 855, *Subsequent Events*, HSHS evaluated subsequent events after the consolidated balance sheet date of June 30, 2016 through October 18, 2016, which was the date the financial statements were issued and other than noted above, there were no other items to disclose.

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidating Balance Sheet Information

June 30, 2016

(Dollars in thousands)

| Assets | HSSI – Obligated Group | St. Clare Wisconsin | Holy Family Illinois | RQIL | Unity Limited Partnership | KCIN |
|---|------------------------------|------------------------|-------------------------|---------|---------------------------------|---------|
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 48,899 | 3,861 | 765 | — | 1,953 | 3,901 |
| Receivables: | | | | | | |
| Patients' accounts, net of uncollectible amounts | 366,256 | 4,009 | 3,134 | — | 3,814 | — |
| Due from third-party reimbursement programs | 2,274 | — | — | — | — | — |
| Other | 33,436 | (2,132) | 209 | — | 842 | 3,410 |
| Total receivables | 401,966 | 1,877 | 3,343 | — | 4,656 | 3,410 |
| Current portion of assets whose use is limited or restricted | 178,112 | — | 622 | 27,387 | 3,531 | — |
| Inventories | 41,034 | 1,683 | 496 | — | — | — |
| Prepaid expenses | 9,944 | 58 | 790 | — | — | 1,225 |
| Total current assets | 679,955 | 7,479 | 6,036 | 27,387 | 10,140 | 8,536 |
| Assets whose use is limited or restricted | 1,682,782 | 3,340 | 4,151 | 77,628 | 364 | — |
| Property, plant, and equipment, net | 1,142,900 | 10,375 | 9,743 | — | 4,585 | 3,773 |
| Other assets | 76,053 | 214 | 188 | — | — | — |
| | \$ 3,581,690 | 21,408 | 20,118 | 105,015 | 15,089 | 12,309 |
| Liabilities and Net Assets | | | | | | |
| Current liabilities: | | | | | | |
| Current installments of long-term debt | \$ 22,255 | 387 | 663 | — | — | 2 |
| Long-term debt subject to short-term remarketing agreements | 155,345 | — | — | — | — | — |
| Current portion of estimated self-insurance liabilities | — | — | — | 22,368 | — | — |
| Accounts payable | 77,835 | 4,382 | 1,547 | 4,809 | 1,725 | 2,573 |
| Accrued liabilities | 111,885 | 1,058 | 2,170 | 210 | 48 | 5,806 |
| Estimated payables under third-party reimbursement programs | 53,848 | (2,767) | 5,703 | — | — | — |
| Total current liabilities | 421,168 | 3,060 | 10,083 | 27,387 | 1,773 | 8,381 |
| Long-term debt, excluding current installments | 661,290 | 7,557 | 6,667 | — | — | 5,003 |
| Estimated self-insurance liabilities | — | — | 174 | 70,599 | — | — |
| Derivative instruments | 71,267 | — | — | — | — | — |
| Accrued benefit liability | 447,760 | 454 | — | — | — | — |
| Other noncurrent liabilities | 36,248 | 138 | 1,937 | — | 5,992 | — |
| Total liabilities | 1,637,733 | 11,209 | 18,881 | 97,986 | 7,765 | 13,384 |
| Net assets: | | | | | | |
| Unrestricted | 1,846,774 | 10,049 | 258 | 7,029 | 7,324 | (1,075) |
| Temporarily restricted | 71,725 | 140 | 11 | — | — | — |
| Permanently restricted | 25,456 | 10 | 968 | — | — | — |
| Total net assets | 1,943,957 | 10,199 | 1,237 | 7,029 | 7,324 | (1,075) |
| Stockholder's equity | — | — | — | — | — | — |
| | \$ 3,581,690 | 21,408 | 20,118 | 105,015 | 15,089 | 12,309 |

See accompanying independent auditors' report.

| HCW | System Office | Medical Group | Health Care Trust Fund | Flex Plan | Foundation | Kiara, Inc. | PERC | Eliminations | Total |
|---------------|----------------|---------------|------------------------|--------------|----------------|---------------|--------------|------------------|------------------|
| 6 | 12,794 | 15,066 | -- | 1,108 | 1,688 | 3,367 | 2,667 | (1,688) | 94,407 |
| -- | -- | 11,075 | -- | -- | -- | 6,591 | -- | -- | 394,879 |
| -- | 19,691 | 2,466 | -- | -- | 7,807 | 2,734 | 563 | (34,934) | 34,092 |
| -- | 19,691 | 13,541 | -- | -- | 7,807 | 9,325 | 563 | (34,934) | 431,245 |
| -- | -- | 7,426 | 39,909 | -- | -- | 124 | -- | (5,348) | 251,763 |
| -- | -- | 187 | -- | -- | -- | 2,174 | -- | -- | 45,574 |
| -- | 11,281 | 1,621 | -- | -- | -- | 462 | 37 | -- | 25,418 |
| 6 | 43,766 | 37,841 | 39,909 | 1,108 | 9,495 | 15,452 | 3,267 | (41,970) | 848,407 |
| 9,819 | 171,692 | -- | 29,303 | -- | 93,732 | 7,842 | 1,020 | (454,947) | 1,626,726 |
| 2,634 | 150,151 | 11,677 | -- | -- | -- | 6,367 | 211 | -- | 1,342,416 |
| -- | 16,717 | -- | -- | -- | 468 | 7,575 | -- | (31,334) | 69,881 |
| <u>12,459</u> | <u>382,326</u> | <u>49,518</u> | <u>69,212</u> | <u>1,108</u> | <u>103,695</u> | <u>37,236</u> | <u>4,498</u> | <u>(528,251)</u> | <u>3,887,430</u> |
| -- | 5,681 | -- | -- | -- | -- | 124 | -- | -- | 29,122 |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | 155,345 |
| -- | -- | -- | 12,818 | -- | -- | -- | -- | -- | 35,186 |
| 353 | 6,263 | 2,667 | 25,212 | 808 | -- | 2,394 | 44 | (27,127) | 103,485 |
| -- | 11,860 | 17,478 | 1,879 | -- | 103,695 | 8,514 | 391 | (103,695) | 161,299 |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | 56,784 |
| 353 | 23,814 | 20,145 | 39,909 | 808 | 103,695 | 11,032 | 435 | (130,822) | 541,221 |
| -- | 170,226 | -- | -- | -- | -- | 7,239 | -- | (371,563) | 486,439 |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | 70,773 |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | 71,267 |
| -- | 44,443 | 14,593 | -- | -- | -- | 6,723 | 300 | -- | 514,273 |
| 399 | 5,300 | 120 | -- | -- | -- | 729 | -- | -- | 50,863 |
| <u>752</u> | <u>243,783</u> | <u>34,858</u> | <u>39,909</u> | <u>808</u> | <u>103,695</u> | <u>25,723</u> | <u>735</u> | <u>(502,385)</u> | <u>1,734,836</u> |
| 11,707 | 132,792 | 14,660 | 29,303 | 300 | -- | -- | 3,763 | 30,842 | 2,093,726 |
| -- | 4,751 | -- | -- | -- | -- | -- | -- | (45,195) | 31,432 |
| -- | 1,000 | -- | -- | -- | -- | -- | -- | -- | 27,436 |
| 11,707 | 138,543 | 14,660 | 29,303 | 300 | -- | -- | 3,763 | (14,353) | 2,152,594 |
| -- | -- | -- | -- | -- | -- | 11,513 | -- | (11,513) | -- |
| <u>12,459</u> | <u>382,326</u> | <u>49,518</u> | <u>69,212</u> | <u>1,108</u> | <u>103,695</u> | <u>37,236</u> | <u>4,498</u> | <u>(528,251)</u> | <u>3,887,430</u> |

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidating Statement of Operations Information and Change in Unrestricted Net Assets

Year ended June 30, 2016

(Dollars in thousands)

| | HSSI – Obligated Group | St. Clare Wisconsin | Holy Family Illinois | RQIL | Unity Limited Partnership | KCIN |
|---|------------------------------|------------------------|-------------------------|---------------|---------------------------------|---------------|
| Net patient service revenues | \$ 2,065,684 | 31,306 | 3,992 | — | 18,107 | — |
| Provision for uncollectible accounts | (27,378) | (386) | (211) | — | — | — |
| Net patient service revenues less provision for uncollectible accounts | 2,038,306 | 30,920 | 3,781 | — | 18,107 | — |
| Other revenues: | | | | | | |
| Investment income (loss) | — | — | — | (1,291) | (70) | — |
| Net assets released from restrictions used for operations | 1,478 | — | — | — | — | — |
| Other | 34,115 | 6,803 | 367 | 24,680 | 475 | 8,231 |
| Total revenues | 2,073,899 | 37,723 | 4,168 | 23,389 | 18,512 | 8,231 |
| Expenses: | | | | | | |
| Sisters' services | 88 | — | — | — | — | — |
| Salaries and wages | 572,601 | 12,142 | 1,728 | — | 10,536 | — |
| Employee benefits | 153,661 | 4,434 | 222 | — | 3,108 | — |
| Pension expense, excluding mark-to-market adjustment | 19,766 | 241 | — | — | — | — |
| Pension expense, mark-to-market adjustment | 220,812 | 465 | — | — | — | — |
| Professional fees | 83,512 | 2,230 | 432 | — | 401 | 100 |
| Supplies | 315,377 | 8,650 | 347 | — | 241 | 10 |
| Depreciation and amortization, excluding Belleville campus | 109,282 | 1,696 | 115 | — | 420 | 1,247 |
| Accelerated depreciation on Belleville campus | 7,479 | — | — | — | — | — |
| Interest | 14,191 | 214 | 51 | — | — | 115 |
| Other | 708,398 | 8,332 | 1,789 | 23,389 | 4,190 | 10,007 |
| Total expenses | 2,205,167 | 38,404 | 4,684 | 23,389 | 18,896 | 11,479 |
| (Loss) income from operations | (131,268) | (681) | (516) | — | (384) | (3,248) |
| Nonoperating gains (losses): | | | | | | |
| Investment (loss) income | (36,785) | (125) | 25 | — | — | — |
| Contributions of excess assets over liabilities | — | — | 749 | — | — | — |
| Change in fair value of interest rate swaps | (22,533) | — | — | — | — | — |
| Revenues and gains deficit of expenses and losses before discontinued operations | (190,586) | (806) | 258 | — | (384) | (3,248) |
| Net losses from discontinued operations | (48,435) | — | — | — | — | — |
| Revenues and gains deficit of expenses and losses | (239,021) | (806) | 258 | — | (384) | (3,248) |
| Other changes in unrestricted net assets: | | | | | | |
| Net assets released from restrictions used for the purchase of property, plant, and equipment | 5,999 | — | — | — | — | — |
| Recognition of change in pension funded status | 295 | — | — | — | — | — |
| Transfers (to)/from affiliates | (65,027) | (188) | — | — | — | 2,815 |
| Change in unrestricted net assets | \$ (297,754) | (992) | 258 | — | (384) | (433) |

See accompanying independent auditors' report

| HCW | System Office | Medical Group | Health Care Trust Fund | Flex Plan | Foundation | Kiara, Inc. | PERC | Eliminations | Total |
|-------|---------------|---------------|------------------------|-----------|------------|-------------|-------|--------------|-----------|
| -- | -- | 72,443 | -- | -- | -- | 36,189 | -- | -- | 2,227,721 |
| -- | -- | (3,034) | -- | -- | -- | (410) | -- | -- | (31,419) |
| -- | -- | 69,409 | -- | -- | -- | 35,779 | -- | -- | 2,196,302 |
| -- | -- | -- | (395) | 1 | -- | (101) | -- | 1,570 | (286) |
| -- | -- | -- | -- | -- | 5,772 | -- | -- | (2,145) | 5,105 |
| 776 | 130,214 | 84,244 | 154,885 | 201 | 4,396 | 30,487 | 5,174 | (408,560) | 76,508 |
| 776 | 130,214 | 153,653 | 154,490 | 202 | 10,188 | 66,165 | 5,174 | (409,135) | 2,277,629 |
| -- | 1,040 | -- | -- | -- | -- | -- | -- | -- | 1,128 |
| -- | 60,467 | 113,877 | -- | -- | -- | 66,950 | 1,955 | -- | 840,256 |
| -- | 13,102 | 11,386 | 154,855 | 102 | -- | 9,635 | 417 | (154,693) | 196,209 |
| -- | 4,087 | 5,002 | -- | -- | -- | 3,079 | 175 | -- | 32,350 |
| -- | 19,577 | 9,291 | -- | -- | -- | 6,898 | 160 | -- | 257,203 |
| 52 | 5,743 | 18,299 | -- | -- | -- | 2,224 | 323 | -- | 113,316 |
| 56 | 238 | 3,970 | -- | -- | -- | 1,348 | 16 | (5,403) | 324,850 |
| 265 | 33,918 | 2,993 | -- | -- | -- | 1,543 | 92 | -- | 151,571 |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | 7,479 |
| -- | 685 | -- | -- | -- | -- | 234 | -- | (3,559) | 11,931 |
| 328 | 60,687 | 22,857 | -- | -- | 11,543 | 10,917 | 1,013 | (291,161) | 572,289 |
| 701 | 199,544 | 187,655 | 154,855 | 102 | 11,543 | 102,828 | 4,151 | (454,816) | 2,508,582 |
| 75 | (69,330) | (34,002) | (365) | 100 | (1,375) | (36,663) | 1,023 | 45,681 | (230,953) |
| (137) | 7,578 | (37) | -- | -- | (1,483) | -- | (11) | (3,439) | (34,414) |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | 749 |
| -- | -- | -- | -- | -- | -- | -- | -- | -- | (22,533) |
| (62) | (61,752) | (34,039) | (365) | 100 | (2,858) | (36,663) | 1,012 | 42,242 | (287,151) |
| -- | (6,775) | -- | -- | -- | -- | -- | -- | -- | (55,210) |
| (62) | (68,527) | (34,039) | (365) | 100 | (2,858) | (36,663) | 1,012 | 42,242 | (342,361) |
| -- | 8 | -- | -- | -- | -- | -- | -- | (5,340) | 667 |
| -- | 114 | -- | -- | -- | -- | 154 | 17 | -- | 580 |
| -- | 33,254 | 29,144 | -- | -- | 2,858 | 36,509 | -- | (39,367) | -- |
| (62) | (35,151) | (4,895) | (365) | 100 | -- | -- | 1,029 | (2,485) | (341,114) |

HOSPITAL SISTERS HEALTH SYSTEM AND SUBSIDIARIES
Springfield, Illinois

Consolidating Statement of Changes in Net Assets Information

Year ended June 30, 2016

(Dollars in thousands)

| | HSSI - Obligated Group | St. Clare Wisconsin | Holy Family Illinois | RQIL | Unity Limited Partnership | KCIN |
|--|------------------------------|------------------------|-------------------------|-------|---------------------------------|---------|
| Unrestricted net assets: | | | | | | |
| Revenues and gains deficit of expenses and losses | \$ (239,021) | (806) | 258 | — | (384) | (3,248) |
| Other changes in unrestricted net assets: | | | | | | |
| Net assets released from restrictions use for the purchase of property, plant, and equipment | 5,999 | — | — | — | — | — |
| Recognition of change in pension funded status | 295 | — | — | — | — | — |
| Transfers (to) from affiliates | (65,027) | (185) | — | — | — | 2,815 |
| Change in unrestricted net assets | (297,754) | (992) | 258 | — | (384) | (433) |
| Temporarily restricted net assets: | | | | | | |
| Investment (loss) income | (5,987) | (16) | — | — | — | — |
| Contributions | 12,555 | 90 | 11 | — | — | — |
| Transfers from (to) affiliates | 946 | 31 | — | — | — | — |
| Net assets released from restrictions | (7,477) | — | — | — | — | — |
| Change in temporarily restricted net assets | 37 | 105 | 11 | — | — | — |
| Permanently restricted net assets: | | | | | | |
| Investment income | 7 | (4) | — | — | — | — |
| Contributions | 646 | — | 968 | — | — | — |
| Transfers (to) from affiliates | — | — | — | — | — | — |
| Change in permanently restricted net assets | 653 | (4) | 968 | — | — | — |
| Change in net assets | (297,064) | (891) | 1,237 | — | (384) | (433) |
| Net assets at beginning of year | 2,241,021 | 11,090 | — | 7,029 | 7,708 | (642) |
| Net assets at end of year | \$ 1,943,957 | 10,199 | 1,237 | 7,029 | 7,324 | (1,075) |

See accompanying independent auditors' report.

| HCW | System Office | Medical Group | Health Care Trust Fund | Flex Plan | Foundation | Kiara, Inc. | PERC | Eliminations | Total |
|--------|---------------|---------------|------------------------|-----------|------------|-------------|-------|--------------|-----------|
| (62) | (68,527) | (34,039) | (365) | 100 | (2,858) | (36,663) | 1,012 | 42,242 | (342,361) |
| — | 8 | — | — | — | — | — | — | (5,340) | 667 |
| — | 114 | — | — | — | — | 154 | 17 | — | 590 |
| — | 33,254 | 29,144 | — | — | 2,858 | 36,509 | — | (39,367) | — |
| (62) | (35,151) | (4,895) | (365) | 100 | — | — | 1,029 | (2,465) | (341,114) |
| — | 4,565 | — | — | — | 35 | — | — | 1,443 | 40 |
| — | (904) | — | — | — | 11,403 | — | — | (11,745) | 11,410 |
| — | (977) | — | — | — | (5,666) | — | — | 5,666 | — |
| — | (8) | — | — | — | (5,772) | — | — | 7,485 | (5,772) |
| — | 2,676 | — | — | — | — | — | — | 2,849 | 5,678 |
| — | — | — | — | — | 7 | — | — | (7) | 3 |
| — | — | — | — | — | 647 | — | — | (647) | 1,614 |
| — | — | — | — | — | (654) | — | — | 654 | — |
| — | — | — | — | — | — | — | — | — | 1,617 |
| (62) | (32,475) | (4,895) | (365) | 100 | — | — | 1,029 | 384 | (333,819) |
| 11,769 | 171,018 | 19,555 | 29,668 | 200 | — | — | 2,734 | (14,737) | 2,486,413 |
| 11,707 | 138,543 | 14,660 | 29,303 | 300 | — | — | 3,763 | (14,353) | 2,152,594 |

HOSPITAL SISTERS SERVICES, INC. –
OBLIGATED GROUP
Springfield, Illinois

Consolidating Balance Sheet Information

June 30, 2016

(Dollars in thousands)

| Assets | St. Elizabeth's Belleville, Illinois | St. Joseph's Breese, Illinois | St. Mary's Decatur, Illinois | St. Anthony's Effingham, Illinois | St. Joseph's Highland, Illinois | St. Francis Litchfield, Illinois |
|---|--|-------------------------------------|------------------------------------|---|---------------------------------------|--|
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ (4,172) | 822 | 2,032 | 8,609 | 3,354 | 4,768 |
| Receivables: | | | | | | |
| Patents' accounts, net of uncollectible amounts | 30,901 | 10,848 | 29,509 | 30,152 | 7,145 | 5,677 |
| Due from third-party reimbursement programs | 1,120 | 221 | (610) | 893 | (87) | — |
| Other | 2,011 | 88 | 3,449 | 2,673 | (5) | 194 |
| Total receivables | 34,032 | 11,157 | 32,348 | 33,718 | 7,053 | 5,871 |
| Current portion of assets whose use is limited or restricted | 1,695 | 2,544 | 546 | 7,594 | 5,554 | 3,287 |
| Inventories | 3,337 | 613 | 3,037 | 4,575 | 577 | 367 |
| Prepaid expenses | 965 | 206 | 1,905 | 166 | 268 | 197 |
| Total current assets | 35,857 | 15,342 | 39,868 | 54,662 | 16,804 | 14,490 |
| Assets whose use is limited or restricted, net of current portion | 8,491 | 112,035 | 7,462 | 307,348 | 3,107 | 36,042 |
| Property, plant, and equipment, net | 130,086 | 20,598 | 89,800 | 59,190 | 43,461 | 23,515 |
| Other assets | 5,010 | 96 | 181 | 156 | 174 | 28 |
| | \$ 179,444 | 148,073 | 137,311 | 421,356 | 63,546 | 74,075 |
| Liabilities and Net Assets | | | | | | |
| Current liabilities: | | | | | | |
| Current installments of long-term debt | \$ 1,302 | 307 | 1,106 | 1,021 | 1,807 | 171 |
| Long-term debt subject to short-term remarketing agreements | 8,272 | 1,954 | 8,109 | 5,832 | 11,458 | 2,519 |
| Accounts payable | 2,019 | 1,279 | 3,018 | 3,053 | 580 | 999 |
| Accrued liabilities | 11,597 | 2,224 | 5,065 | 4,731 | 1,048 | 1,149 |
| Estimated payables under third-party reimbursement programs | 3,869 | 3,459 | 8,478 | 9,312 | 4,910 | 3,466 |
| Total current liabilities | 27,059 | 9,223 | 25,774 | 23,949 | 19,803 | 8,304 |
| Long-term debt, excluding current installments | 209,996 | 5,652 | 30,050 | 19,381 | 39,307 | 6,998 |
| Derivative instruments | 71 | 4,557 | 23 | 12,577 | 274 | 1,416 |
| Accrued benefit liability | 43,696 | 10,267 | 31,556 | 21,127 | 7,693 | 12,499 |
| Other noncurrent liabilities | 9,243 | 2,734 | 1,843 | 466 | — | 5,187 |
| Total liabilities | 290,065 | 32,433 | 89,246 | 77,500 | 67,077 | 34,404 |
| Net assets: | | | | | | |
| Unrestricted | (119,041) | 114,443 | 40,626 | 342,309 | (6,364) | 35,752 |
| Temporarily restricted | 7,996 | 1,195 | 6,238 | 1,369 | 2,833 | 2,671 |
| Permanently restricted | 424 | 2 | 1,201 | 176 | — | 1,248 |
| Total net assets | (110,621) | 115,640 | 48,065 | 343,856 | (3,531) | 39,671 |
| | \$ 179,444 | 148,073 | 137,311 | 421,356 | 63,546 | 74,075 |

See accompanying independent auditors' report.

| St. John's Springfield, Illinois | St. Mary's Streator, Illinois | St. Joseph's Chippewa Falls, Wisconsin | Sacred Heart Eau Claire, Wisconsin | St. Mary's Green Bay, Wisconsin | St. Vincent Green Bay, Wisconsin | St. Nicholas Sheboygan, Wisconsin | Hospital Sisters Services, Inc. | Eliminations | Total |
|--|-------------------------------------|---|---|---------------------------------------|--|---|--|--------------|-----------|
| 3,050 | 413 | 2,323 | 5,272 | (689) | 13,406 | 5,497 | 4,214 | — | 48,899 |
| 123,017 | 650 | 8,876 | 26,313 | 13,295 | 65,807 | 14,066 | — | — | 366,256 |
| — | 156 | — | — | 358 | 14 | 209 | — | — | 2,274 |
| 4,459 | — | 379 | 473 | 627 | 19,754 | 459 | 225 | (1,350) | 33,436 |
| 127,476 | 806 | 9,255 | 26,786 | 14,280 | 85,575 | 14,734 | 225 | (1,350) | 401,966 |
| 89,617 | 3,706 | 4,624 | 17,478 | 9,688 | 22,723 | 4,796 | 4,260 | — | 178,112 |
| 11,740 | — | 363 | 5,102 | 2,452 | 6,955 | 1,916 | — | — | 41,034 |
| 3,024 | — | — | 274 | 307 | 2,106 | 528 | — | — | 9,944 |
| 234,907 | 4,925 | 16,565 | 54,912 | 26,038 | 130,765 | 27,471 | 8,699 | (1,350) | 679,955 |
| 122,113 | 15,886 | 97,362 | 470,731 | 82,808 | 365,463 | 53,934 | — | — | 1,682,782 |
| 363,570 | — | 29,892 | 103,417 | 79,566 | 150,991 | 48,814 | — | — | 1,142,900 |
| 7,754 | 75 | 88 | 4,454 | 9,666 | 39,436 | 814 | 8,119 | — | 76,053 |
| 728,344 | 20,886 | 143,907 | 633,514 | 198,078 | 686,655 | 131,033 | 16,818 | (1,350) | 3,581,690 |
| 8,230 | 448 | 638 | 2,112 | 1,171 | 3,065 | 877 | — | — | 22,255 |
| 68,814 | 2,846 | 3,550 | 13,421 | 7,439 | 17,448 | 3,683 | — | — | 155,345 |
| 18,830 | 2,816 | 2,038 | 13,382 | 5,038 | 18,325 | 7,810 | — | (1,350) | 77,835 |
| 21,183 | 384 | 3,539 | 8,932 | 4,356 | 40,002 | 3,466 | 4,209 | — | 111,885 |
| 13,432 | 1,517 | 900 | 4,360 | 59 | 11 | 75 | — | — | 53,848 |
| 130,489 | 8,011 | 10,655 | 42,207 | 18,063 | 78,851 | 15,911 | 4,209 | (1,350) | 421,168 |
| 198,045 | 8,234 | 13,821 | 38,832 | 21,523 | 55,001 | 14,450 | — | — | 661,290 |
| 8,128 | 853 | 3,896 | 19,160 | 3,418 | 14,918 | 1,976 | — | — | 71,267 |
| 102,149 | 13,220 | 24,418 | 46,128 | 28,627 | 92,111 | 14,269 | — | — | 447,760 |
| 8,182 | 1,938 | — | 1,000 | 232 | 695 | 326 | 4,402 | — | 36,248 |
| 446,993 | 32,256 | 52,800 | 147,327 | 71,863 | 241,576 | 46,932 | 8,611 | (1,350) | 1,637,733 |
| 254,527 | (11,370) | 86,049 | 477,850 | 119,299 | 429,802 | 74,885 | 8,207 | — | 1,846,774 |
| 24,010 | — | 2,147 | 2,135 | 4,617 | 8,994 | 7,520 | — | — | 71,725 |
| 2,814 | — | 2,911 | 6,202 | 2,289 | 6,483 | 1,696 | — | — | 25,458 |
| 281,351 | (11,370) | 91,107 | 486,187 | 126,215 | 445,079 | 84,101 | 8,207 | — | 1,943,957 |
| 728,344 | 20,886 | 143,907 | 633,514 | 198,078 | 686,655 | 131,033 | 16,818 | (1,350) | 3,581,690 |

**HOSPITAL SISTERS SERVICES, INC. –
OBLIGATED GROUP**
Springfield, Illinois

Consolidating Statement of Operations Information and Change in Unrestricted Net Assets

Year ended June 30, 2016

(Dollars in thousands)

| | St. Elizabeth's Belleville, Illinois | St. Joseph's Breese, Illinois | St. Mary's Decatur, Illinois | St. Anthony's Effingham, Illinois | St. Joseph's Highland, Illinois | St. Francis Litchfield, Illinois |
|---|--|-------------------------------------|------------------------------------|---|---------------------------------------|--|
| Net patient service revenues | \$ 155,483 | 58,314 | 145,340 | 129,683 | 41,190 | 43,750 |
| Provision for uncollectible accounts | (3,073) | (2,415) | (26) | 583 | (593) | (1,911) |
| Net patient service revenues less provision for uncollectible accounts | 152,410 | 55,899 | 145,314 | 130,266 | 40,597 | 41,839 |
| Other revenues: | | | | | | |
| Net assets released from restrictions used for operations | 27 | — | — | — | — | 5 |
| Other | 4,469 | 1,191 | 3,100 | 3,053 | 365 | 2,085 |
| Total revenues | <u>156,906</u> | <u>57,090</u> | <u>148,414</u> | <u>133,319</u> | <u>40,962</u> | <u>43,929</u> |
| Expenses: | | | | | | |
| Sisters' services | — | — | — | — | — | — |
| Salaries and wages | 55,014 | 18,218 | 43,043 | 43,139 | 11,912 | 11,275 |
| Employee benefits | 14,071 | 5,973 | 11,609 | 12,851 | 3,684 | 3,394 |
| Pension expense, excluding mark-to-market adjustment | 2,109 | 889 | 1,411 | 997 | 353 | 273 |
| Pension expense, mark-to-market adjustment | 24,011 | 4,816 | 15,386 | 11,148 | 3,321 | 5,447 |
| Professional fees | 5,959 | 1,850 | 7,227 | 6,358 | 2,230 | 2,925 |
| Supplies | 22,736 | 4,503 | 20,606 | 18,206 | 3,451 | 3,582 |
| Depreciation and amortization, excluding Belleville campus | 8,282 | 2,968 | 8,973 | 6,119 | 3,566 | 2,437 |
| Accelerated depreciation on Belleville campus | 7,479 | — | — | — | — | — |
| Interest | 2,400 | 124 | 724 | 501 | 2,226 | 377 |
| Other | 66,775 | 15,981 | 47,245 | 30,179 | 11,284 | 10,972 |
| Total expenses | <u>208,836</u> | <u>55,322</u> | <u>156,224</u> | <u>129,598</u> | <u>42,029</u> | <u>40,682</u> |
| (Loss) income from operations | (51,930) | 1,768 | (7,810) | 3,721 | (1,067) | 3,247 |
| Nonoperating gains (losses): | | | | | | |
| Investment income (loss) | 26 | (2,186) | 40 | (5,953) | (76) | (640) |
| Change in fair value of interest rate swap | (70) | (1,566) | (20) | (4,216) | (238) | (616) |
| Revenues and gains deficit of expenses and losses before discontinued operations | (51,974) | (1,984) | (7,790) | (6,448) | (1,381) | 1,991 |
| Net losses from discontinued operations | — | — | — | — | — | — |
| Revenues and gains deficit of expenses and losses | (51,974) | (1,984) | (7,790) | (6,448) | (1,381) | 1,991 |
| Other changes in unrestricted net assets: | | | | | | |
| Net assets released from restrictions used for the purchase of property, plant, and equipment | 119 | 567 | 419 | — | 486 | 235 |
| Transfer (to) from affiliate | (9,870) | (1,564) | (7,062) | (3,708) | (1,049) | (1,042) |
| Recognition of changes in pension funded status | 2 | — | 43 | 8 | — | — |
| Change in unrestricted net assets | <u>\$ (61,723)</u> | <u>(2,981)</u> | <u>(14,390)</u> | <u>(10,148)</u> | <u>(1,944)</u> | <u>1,184</u> |

See accompanying independent auditors' report.

| St. John's Springfield, Illinois | St. Mary's Streator, Illinois | St. Joseph's Chippewa Falls, Wisconsin | Sacred Heart Eau Claire, Wisconsin | St. Mary's Green Bay, Wisconsin | St. Vincent Green Bay, Wisconsin | St. Nicholas Sheboygan, Wisconsin | Hospital Sisters Services, Inc. | Eliminations | Total |
|--|-------------------------------------|---|---|---------------------------------------|--|---|--|--------------|-----------|
| 468,582 | — | 67,209 | 234,430 | 125,545 | 513,056 | 83,102 | — | — | 2,065,684 |
| (7,116) | — | (190) | (1,015) | (2,369) | (7,710) | (1,543) | — | — | (27,378) |
| 461,466 | — | 67,019 | 233,415 | 123,176 | 505,346 | 81,559 | — | — | 2,038,306 |
| 1,446 | — | — | — | — | — | — | — | — | 1,478 |
| 18,962 | — | 1,128 | 1,529 | 5,260 | 4,480 | 1,697 | 358 | (13,562) | 34,115 |
| 481,874 | — | 68,147 | 234,944 | 128,436 | 509,826 | 83,256 | 358 | (13,562) | 2,073,899 |
| 58 | — | — | — | — | 30 | — | — | — | 88 |
| 141,648 | — | 26,175 | 73,514 | 36,501 | 89,125 | 23,037 | — | — | 572,601 |
| 37,792 | — | 6,538 | 19,448 | 10,875 | 21,349 | 5,977 | — | — | 153,661 |
| 3,662 | — | 1,402 | 3,195 | 1,033 | 3,766 | 676 | — | — | 19,766 |
| 55,674 | — | 9,819 | 22,589 | 13,094 | 48,295 | 7,212 | — | — | 220,812 |
| 30,353 | — | 4,705 | 5,512 | 3,650 | 14,921 | 1,222 | — | (3,400) | 83,512 |
| 89,641 | — | 4,534 | 34,500 | 21,557 | 79,628 | 12,433 | — | — | 315,377 |
| 31,288 | — | 3,409 | 11,921 | 6,683 | 19,248 | 4,388 | — | — | 109,282 |
| — | — | — | — | — | — | — | — | — | 7,479 |
| 5,422 | — | 224 | 851 | 143 | 985 | 212 | — | — | 14,191 |
| 143,973 | 1,471 | 14,564 | 47,978 | 42,895 | 255,597 | 29,636 | 10 | (10,162) | 708,398 |
| 539,511 | 1,471 | 71,370 | 219,508 | 136,431 | 532,944 | 84,793 | 10 | (13,562) | 2,205,167 |
| (57,637) | (1,471) | (3,223) | 15,436 | (7,995) | (23,118) | (1,537) | 348 | — | (131,268) |
| (5,912) | (860) | (1,902) | (8,947) | (1,721) | (7,679) | (1,081) | 106 | — | (36,785) |
| (781) | (33) | (1,262) | (7,061) | (1,285) | (4,630) | (755) | — | — | (22,533) |
| (64,330) | (2,364) | (6,387) | (572) | (11,001) | (35,427) | (3,373) | 454 | — | (190,586) |
| — | (48,435) | — | — | — | — | — | — | — | (48,435) |
| (64,330) | (50,799) | (6,387) | (572) | (11,001) | (35,427) | (3,373) | 454 | — | (239,021) |
| 742 | 13 | 191 | 1,698 | 184 | 1,144 | 201 | — | — | 5,999 |
| (32,709) | (1,170) | (2,326) | (1,107) | (758) | (2,212) | (450) | — | — | (65,027) |
| 49 | 7 | 1 | 42 | 33 | 110 | — | — | — | 295 |
| (96,248) | (51,949) | (8,521) | 61 | (11,542) | (36,385) | (3,622) | 454 | — | (297,754) |

**HOSPITAL SISTERS SERVICES, INC. –
OBLIGATED GROUP
Springfield, Illinois**

Consolidating Statement of Changes in Net Assets Information

Year ended June 30, 2016

(Dollars in thousands)

| | St. Elizabeth's Belleville, Illinois | St. Joseph's Breese, Illinois | St. Mary's Decatur, Illinois | St. Anthony's Effingham, Illinois | St. Joseph's Highland, Illinois | St. Francis Litchfield, Illinois |
|--|--|-------------------------------------|------------------------------------|---|---------------------------------------|--|
| Unrestricted net assets: | | | | | | |
| Revenues and gains deficit of expenses and losses | \$ (51,974) | (1,984) | (7,790) | (6,448) | (1,381) | 1,991 |
| Other changes in unrestricted net assets: | | | | | | |
| Net assets released from restrictions used for the purchase of property, plant, and equipment | 119 | 567 | 419 | — | 486 | 235 |
| Transfer (to) from affiliate | (9,870) | (1,564) | (7,062) | (3,708) | (1,049) | (1,042) |
| Recognition of changes in pension funded status | 2 | — | 43 | 8 | — | — |
| Change in unrestricted net assets | (61,723) | (2,981) | (14,390) | (10,148) | (1,944) | 1,184 |
| Temporarily restricted net assets: | | | | | | |
| Investment (loss) income | (869) | (140) | (499) | (82) | (153) | (213) |
| Contributions | 2,064 | 32 | 1,025 | 193 | 483 | 967 |
| Transfer (to) from affiliate | 203 | 69 | 198 | 180 | — | 83 |
| Net assets released from restrictions | (146) | (567) | (419) | — | (486) | (240) |
| Change in temporarily restricted net assets | 1,252 | (606) | 305 | 291 | (156) | 597 |
| Investment income | — | — | — | — | — | — |
| Contributions | 290 | 2 | — | — | — | — |
| Transfer from(to) affiliate | — | — | — | — | — | — |
| Change in permanently restricted net assets | 290 | 2 | — | — | — | — |
| Change in net assets | (60,181) | (3,585) | (14,085) | (9,857) | (2,100) | 1,781 |
| Net assets at beginning of year | (50,440) | 119,225 | 62,150 | 353,713 | (1,431) | 37,890 |
| Net assets at end of year | \$ (110,621) | 115,640 | 48,065 | 343,856 | (3,531) | 39,671 |

See accompanying independent auditors' report.

| St. John's Springfield, Illinois | St. Mary's Streator, Illinois | St. Joseph's Chippewa Falls, Wisconsin | Sacred Heart Eau Claire, Wisconsin | St. Mary's Green Bay, Wisconsin | St. Vincent Green Bay, Wisconsin | St. Nicholas Sheboygan, Wisconsin | Hospital Sisters Services, Inc. | Eliminations | Total |
|--|-------------------------------------|---|---|---------------------------------------|--|---|--|--------------|------------------|
| (64,330) | (50,799) | (6,367) | (572) | (11,001) | (35,427) | (3,373) | 454 | — | (239,021) |
| 742 | 13 | 191 | 1,698 | 184 | 1,144 | 201 | — | — | 5,999 |
| (32,709) | (1,170) | (2,326) | (1,107) | (758) | (2,212) | (450) | — | — | (65,027) |
| 49 | 7 | 1 | 42 | 33 | 110 | — | — | — | 295 |
| <u>(96,248)</u> | <u>(51,949)</u> | <u>(8,521)</u> | <u>61</u> | <u>(11,542)</u> | <u>(36,385)</u> | <u>(3,622)</u> | <u>454</u> | <u>—</u> | <u>(297,754)</u> |
| (2,512) | (189) | (303) | (94) | (65) | (177) | (691) | — | — | (5,987) |
| 1,750 | 81 | 183 | 121 | 164 | 3,575 | 1,917 | — | — | 12,555 |
| 1,067 | (2,750) | (1,273) | 1,141 | 191 | 1,720 | 117 | — | — | 946 |
| (2,188) | (13) | (191) | (1,698) | (184) | (1,144) | (201) | — | — | (7,477) |
| <u>(1,883)</u> | <u>(2,871)</u> | <u>(1,584)</u> | <u>(530)</u> | <u>106</u> | <u>3,974</u> | <u>1,142</u> | <u>—</u> | <u>—</u> | <u>37</u> |
| — | — | — | 7 | — | — | — | — | — | 7 |
| 155 | (83) | 47 | 169 | — | 66 | — | — | — | 646 |
| — | — | (3,565) | — | — | 3,565 | — | — | — | — |
| <u>155</u> | <u>(83)</u> | <u>(3,518)</u> | <u>176</u> | <u>—</u> | <u>3,631</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>653</u> |
| (97,976) | (54,903) | (13,623) | (293) | (11,436) | (28,780) | (2,480) | 454 | — | (297,064) |
| <u>379,327</u> | <u>43,533</u> | <u>104,730</u> | <u>486,480</u> | <u>137,651</u> | <u>473,859</u> | <u>86,581</u> | <u>7,753</u> | <u>—</u> | <u>2,241,021</u> |
| <u>281,351</u> | <u>(11,370)</u> | <u>91,107</u> | <u>486,187</u> | <u>126,215</u> | <u>445,079</u> | <u>84,101</u> | <u>8,207</u> | <u>—</u> | <u>1,943,957</u> |

4/18/2017
 HSHS St. Anthony's Memorial Hospital
 Illinois Attorney General Community Benefit
 For period from 7/1/2015 through 6/30/2016

| | Net Benefit |
|---|------------------------|
| Charity Care | \$1,926,212 |
| Community Benefit Type: | |
| Government Sponsored Indigent Health Care: | |
| Medicare (at cost) | \$10,540,206 |
| Medicaid Shortfall | \$7,809,189 |
| SubTotal | \$18,349,395 |
| Donations | \$166,916 |
| Volunteer Services: | |
| Employee Volunteer Services | \$664 |
| Non-Employee Volunteer Services | \$1,629 |
| SubTotal | \$2,293 |
| Education | \$352,958 |
| Subsidized health services | |
| Community Health Improvement Services | \$501,444 |
| SubTotal | \$501,444 |
| Bad Debts | \$2,286,373 |
| Other Community Benefits | |
| Community Building Activities | \$39,342 |
| Community Benefit Operations | \$139,977 |
| SubTotal | \$179,319 |
| Grand Totals | \$23,784,910 |