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HEALTH FACILITIES & SERVICES REVIEW BOARD

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:	Delnor Comprehensive Cancer Center
Street Address:	300 Randall Road
City and Zip Code:	Geneva, IL 60134
County: Kane	Health Service Area VIII Health Planning Area: A-12

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

Exact Legal Name:	Delnor-Community Hospital
Address:	300 Randall Road Geneva, IL 60134
Name of Registered Agent:	
Name of Chief Executive Officer:	Thomas L. Wright, President & CEO
CEO Address:	300 Randall Road Geneva, IL 60134
Telephone Number:	630/208-3000

Type of Ownership of Applicant/Co-Applicant

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

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

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:	Thomas L. Wright
Title:	President & CEO
Company Name:	Delnor Hospital
Address:	300 Randall Road Geneva, IL 60134
Telephone Number:	630/208-3000
E-mail Address:	tom.wright@delnor.com
Fax Number:	

Additional Contact – additional contacts follow
[Person who is also authorized to discuss the application for permit]

Name:	
Title:	
Company Name:	
Address:	
Telephone Number:	
E-mail Address:	
Fax Number:	

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:	Delnor Comprehensive Cancer Center		
Street Address:	300 Randall Road		
City and Zip Code:	Geneva, IL 60134		
County: Kane	Health Service Area VIII	Health Planning Area:	A-12

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

Exact Legal Name:	CDH-Delnor Health System
Address:	25 North Winfield Road Winfield, IL 60190
Name of Registered Agent:	
Name of Chief Executive Officer:	J. Luke McGuinness, President & CEO
CEO Address:	25 North Winfield Road Winfield, IL 60190
Telephone Number:	630/933-1600

Type of Ownership of Applicant/Co-Applicant

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

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Title:	President & CEO
Company Name:	Delnor Hospital
Address:	300 Randall Road Geneva, IL 60134
Telephone Number:	630/208-3000
E-mail Address:	tom.wright@delnor.com
Fax Number:	

Additional Contact – additional contacts follow
[Person who is also authorized to discuss the application for permit]

Name:
Title:
Company Name:
Address:
Telephone Number:
E-mail Address:
Fax Number:

Additional Contact

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

Name:	Ms. Gretchen Parker
Title:	Vice President, Strategic Planning
Company Name:	Delnor Hospital
Address:	300 Randall Road Geneva, IL 60134
Telephone Number:	630/208-3000
E-mail Address:	gretchen.parker@delnor.com
Fax Number:	

Additional Contact

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

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

Additional Contact

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

Name:	Honey Jacobs Skinner
Title:	Partner
Company Name:	Sidley Austin
Address:	1 South Dearborn Street Chicago, IL 60603
Telephone Number:	312/853-7577
E-mail Address:	mskinner@sidley.com
Fax Number:	

Post Permit Contact

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

Name:	Ms. Gretchen Parker
Title:	Vice President, Strategic Planning
Company Name:	Delnor Hospital
Address:	300 Randall Road Geneva, IL 60134
Telephone Number:	630/208-3000
E-mail Address:	gretchen.parker@delnor.com
Fax Number:	

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Delnor-Community Hospital

Address of Site Owner: 300 Randall Road Geneva, IL 60134

Street Address or Legal Description of Site: 300 Randall Road Geneva, IL 60134

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: Delnor-Community Hospital

Address: 300 Randall Road Geneva, IL 60134

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

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

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

Organizational Relationships

Provide (for each 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

[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

[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:	Part 1120 Applicability or Classification: [Check one only.]
☐ Substantive	☐ Part 1120 Not Applicable
X Non-substantive	☐ Category A Project
	X 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.

The applicants propose to modernize, through both renovation and new construction, a freestanding outpatient radiation therapy center on the Delnor Hospital campus. A variety of oncology-related services, including radiation and infusion therapy, prevention, education, and support programs, and leased physicians' space will be provided in the center. The purpose of the project is to provide a centralized setting for the provision of outpatient oncology services, consistent with contemporary delivery standards for a comprehensive cancer center, and with sufficient capacity to address the need for the individual services provided.

Radiation oncology services have historically been provided in the building through a joint venture between an independent radiation oncology group and the hospital. That joint venture is anticipated to dissolve in January 2012, at which time radiation therapy will become a hospital-based service, operating as a department of the hospital.

This is a non-substantive project as a result of services being limited to the provision of outpatient care, and the project not meeting the IHFSRB's definition of a substantive project.

Project Costs and Sources of Funds

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	116,000	101,900	217,900
Site Survey and Soil Investigation	12,000	8,000	20,000
Site Preparation	270,000	240,000	510,000
Off Site Work	126,000	84,000	210,000
New Construction Contracts	5,581,969	4,624,887	10,206,856
Modernization Contracts	1,000,241	1,100,292	2,100,533
Contingencies	281,820	231,270	513,090
Architectural/Engineering Fees	569,300	441,700	1,011,000
Consulting and Other Fees	784,000	196,000	980,000
Movable or Other Equipment (not in construction contracts)	3,720,000	506,000	4,226,000
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment			
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	$12,461,330	$7,534,049	$19,995,379
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities	$12,461,330	$7,534,049	$19,995,379
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	$12,461,330	$7,534,049	$19,995,379

NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Related Project Costs

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

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

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

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

Estimated start-up costs and operating deficit cost is $ not applicable.

Project Status and Completion Schedules

Indicate the stage of the project's architectural drawings:

☐ None or not applicable ☐ Preliminary
X Schematics ☐ Final Working

Anticipated project completion date (refer to Part 1130.140): March 1, 2014 (2/13 mid point)

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

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

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

State Agency Submittals

Are the following submittals up to date as applicable:

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

Cost Space Requirements

Provide in the following format, the 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.**

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

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

Facility Bed Capacity and Utilization

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: Delnor Hospital		**CITY:** Geneva			
REPORTING PERIOD DATES:		**From: January 1, 2010 to: December 31, 2010**			
Category of Service	**Authorized Beds**	**Admissions**	**Patient Days**	**Bed Changes**	**Proposed Beds**
Medical/Surgical	121	5,649	21,914	None	121
Obstetrics	18	1,645	4,370	None	18
Pediatrics					
Intensive Care	20	1,483	4,829	None	20
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness					
Neonatal Intensive Care					
General Long Term Care					
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify)					
TOTALS:	159	8,777	31,113	None	159

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 _CDH-DeInor 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.

Thomas L. Wright
SIGNATURE

Thomas L. Wright
PRINTED NAME

Executive Vice-President
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 14 day of November, 2011

C Denise Weigand
Signature of Notary

Seal

"OFFICIAL SEAL"
C Denise Weigand
Notary Public, State of Illinois
My Commission Expires 8/15/2012

SIGNATURE

PRINTED NAME

PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this _____ day of _____

Signature of Notary

Seal

*Insert EXACT legal name of the applicant

CERTIFICATION

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- 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 Delnor-Community Hospital* **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.**

Thomas L. Wright
SIGNATURE

Thomas L. Wright
PRINTED NAME

President
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 14 day of November, 2011

C Denise Weigand
Signature of Notary

Seal

"OFFICIAL SEAL"
C Denise Weigand
Notary Public, State of Illinois
My Commission Expires 8/15/2012

*Insert EXACT legal name of the applicant

SIGNATURE

PRINTED NAME

PRINTED TITLE

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this _____ day of _____

Signature of Notary

Seal

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SIGNATURE

Michael R. Holewinski
PRINTED NAME

Asst Secretary
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 18 day of November, 2011

Cynthia J Lasek
Signature of Notary

OFFICIAL SEAL
CYNTHIA J LASEK
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:04/04/15

Seal

SIGNATURE

PRINTED NAME

PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this _____ day of _____

Signature of Notary

Seal

*Insert EXACT legal name of the applicant

CERTIFICATION

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SIGNATURE

Michael R. Holzhueter
PRINTED NAME

Assistant Secretary
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 18 day of November, 2011

Cynthia J. Lasek
Signature of Notary

Seal

SIGNATURE

PRINTED NAME

PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this _____ day of _____

Signature of Notary

Seal

*Insert EXACT legal name of the applicant

OFFICIAL SEAL
CYNTHIA J LASEK
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:04/04/15

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:

BACKGROUND OF APPLICANT

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.
2. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application.
3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. **Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**
4. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest 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.

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.

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 Agency Report.

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

ALTERNATIVES

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

Alternative options **must** include:

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

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

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

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

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

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

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

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

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

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

1. Document that the amount of physical space proposed for the proposed project is necessary and not excessive. **This must be a narrative.**

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?
Radiation Therapy	4,170 DGSF	4,200 DGSF	30 DGSF	YES

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

PROJECT SERVICES UTILIZATION:

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

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

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

UTILIZATION					
	DEPT./ SERVICE	HISTORICAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC.	PROJECTED UTILIZATION	STATE STANDARD	MET STANDARD?
YEAR 1	Rad Onc	n/a	7.360		
YEAR 2		n/a	7,717	7,500+	YES

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

UNFINISHED OR SHELL SPACE:

NOT APPLICABLE, NO SHELL SPACE

Provide the following information:

1. Total gross square footage of the proposed shell space;

2. The anticipated use of the shell space, specifying the proposed GSF tot 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 are 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.

ASSURANCES:

NOT APPLICABLE, NO SHELL SPACE

Submit the following:

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

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

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

APPEND DOCUMENTATION AS ATTACHMENT-17, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

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

1. Applicants proposing to establish, expand and/or modernize Clinical Service Areas Other than Categories of Service must submit the following information:
2. Indicate changes by Service: Indicate # of key room changes by action(s):

Service	# Existing Key Rooms	# Proposed Key Rooms
☐ INFUSION THERAPY	4	20
☐ RADIATION THERAPY	0/1*	1*
☐ BRACHYTHERAPY	0	1

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

PROJECT TYPE	REQUIRED REVIEW CRITERIA	
New Services or Facility or Equipment	(b) –	Need Determination – Establishment
Service Modernization	(c)(1) –	Deteriorated Facilities
		and/or
	(c)(2) –	Necessary Expansion
		PLUS
	(c)(3)(A) –	Utilization – Major Medical Equipment
		Or
	(c)(3)(B) –	Utilization – Service or Facility
APPEND DOCUMENTATION AS ATTACHMENT-37, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.		

* A joint venture between Delnor and a radiation oncology group will dissolve in early 2012, at which time radiation therapy will operate as a department of the hospital. The single radiation therapy room in the existing facility will be renovated and retained, and the foundation for a second room will be provided.

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

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

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:**

_$19,995,379_	a)	Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
_____	b)	Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
_____	c)	Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
_____	d)	Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including: 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment; 5) For any option to lease, a copy of the option, including all terms and conditions.
_____	e)	Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
_____	f)	Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
_$19,995,379_	g)	All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
		TOTAL FUNDS AVAILABLE

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

IX. 1120.130 - Financial Viability **not applicable, no debt to be incurred**

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. **All of the projects capital expenditures are completely funded through internal sources**
2. **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**
3. **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-40, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

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

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 41, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

X. 1120.140 - Economic Feasibility

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

A. Reasonableness of Financing Arrangements

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

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

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

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

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

B. Conditions of Debt Financing **not applicable, no debt to be incurred**

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

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

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

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

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

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

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

Department (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Cost/Square Foot Mod.	Gross Sq. Ft. New	Gross Sq. Ft. Circ.*	Gross Sq. Ft. Mod.	Gross Sq. Ft. 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 -42, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

XI. Safety Net Impact Statement — not applicable, project is non-substantive

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

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 Medicaidpatients. 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 43.

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

APPEND DOCUMENTATION AS ATTACHMENT-43, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

XII. Charity Care Information — Delnor Hospital

Charity Care information MUST be furnished for ALL projects.

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 44.

CHARITY CARE			
	2008	**2009**	**2010**
Net Patient Revenue	$208,959,443	$215,424,178	$207,812,882
Amount of Charity Care (charges)	7,423,090	9,158,815	11,858,450
Cost of Charity Care	$2,506,204	$2,901,300	$3,668,178

APPEND DOCUMENTATION AS ATTACHMENT-44, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

XII. Charity Care Information — Central DuPage Hospital

Charity Care information MUST be furnished for ALL projects.

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 44.

CHARITY CARE			
	2008	**2009**	**2010**
Net Patient Revenue	**$527,050,868**	**$572,122,109**	**$590,317,938**
Amount of Charity Care (charges)	$38,557,935	$48,612,138	$59,838,049
Cost of Charity Care	$10,682,630	$13,125,000	$15,378,080

APPEND DOCUMENTATION AS ATTACHMENT-44, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

File Number 5432-979-2

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

DELNOR-COMMUNITY HOSPITAL, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JULY 29, 1986, 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* 7TH *day of* NOVEMBER *A.D.* 2011 .

Jesse White

SECRETARY OF STATE

Authentication #: 1131102006

Authenticate at: http://www.cyberdriveillinois.com

ATTACHMENT 1

File Number 5217-963-7

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

CDH-DELNOR HEALTH SYSTEM, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON OCTOBER 03, 1980, 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* 7TH *day of* NOVEMBER *A.D.* 2011 .

Jesse White

SECRETARY OF STATE

Authentication #: 1131102030

Authenticate at: http://www.cyberdriveillinois.com

ATTACHMENT 1

REC'D OCT 17 2011

KANE COUNTY ASSESSMENT OFFICE
Mark D. Armstrong, CIAO
Supervisor of Assessments
719 South Batavia Avenue, Building C
Geneva, IL 60134-3000

Notice of Revised Assessment

This is not a tax bill

Date of Notice: 10/14/2011
Parcel Number (PIN): 12-05-476-019
Township: Geneva Township
Assessment Year: 2011 (taxes payable 2012)

Cancer Ctr.

Delnor Community Health Care Foundation
300 Randall Rd
Geneva, IL 60134-4200

T10 P1

Property Class: 0060-Commercial				
	2010 Board of Review Equalized Assessed Value	2011 Assessor or Supervisor of Assessments Revised Assessed Value	2011 Supervisor of Assessments Equalized Assessed Value	% Change from 2010
Farmland	0	0	0	
Farm Buildings	0	0	0	
Land/Lot (non-farm)	650,313	585,282	585,282	
Buildings and Structures (non-farm)	251,325	218,401	218,401	
Total	901,638	803,683	803,683	-10.86%
Estimated (non-farm) Fair Cash Value as of January 1, 2011, based on sales from 2008, 2009, and 2010				2,411,290
Alternate Land	0	0	0	
Alternate Building	0	0	0	
Total	0	0	0	

Reason for Assessment Change: Revalue

Current Three-Year Adjusted Median Level of Assessments: 0.3333

Publication: The 2011 assessment roll for your township is published in the KANE COUNTY CHRONICLE which is available for $0.75 per copy. Publication is scheduled to take place on 10/18/2011.

Questions about the Assessed Valuation: Township Assessor Denise LaCure
400 Wheeler Drive, Geneva, (630) 232-3600
Office hours are Monday - Friday, 8:30 a.m to 4:30 p.m.
www.genevatownship.com

Assessment Complaints: If you believe your property's fair cash value is incorrect or that the equalized assessed valuation is not uniform with other comparable properties in the same neighborhood, the following steps should be taken:

1. **Contact your township assessor's office** to review the assessment.
2. **If not satisfied with the assessor review**, taxpayers may file a complaint with the Kane County Board of Review. For complaint forms, instructions, and the Rules and Procedures of the Board of Review, call (630) 208-3818 or visit kanecountyassessments.org/bor.htm for more information.
3. The final filing deadline for your township is generally 30 days after the date of publication in the KANE COUNTY CHRONICLE; if publication takes place as scheduled, this deadline will be 11/17/2011. After this date, the Board of Review is prohibited by law from accepting assessment complaints for properties in Geneva Township. For more information on complaint deadlines, call (630) 208-3818 or visit kanecountyassessments.org/appeal.htm.

ATTACHMENT 2

File Number 5432-979-2

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

DELNOR-COMMUNITY HOSPITAL, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JULY 29, 1986, 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* 7TH *day of* NOVEMBER *A.D.* 2011 .

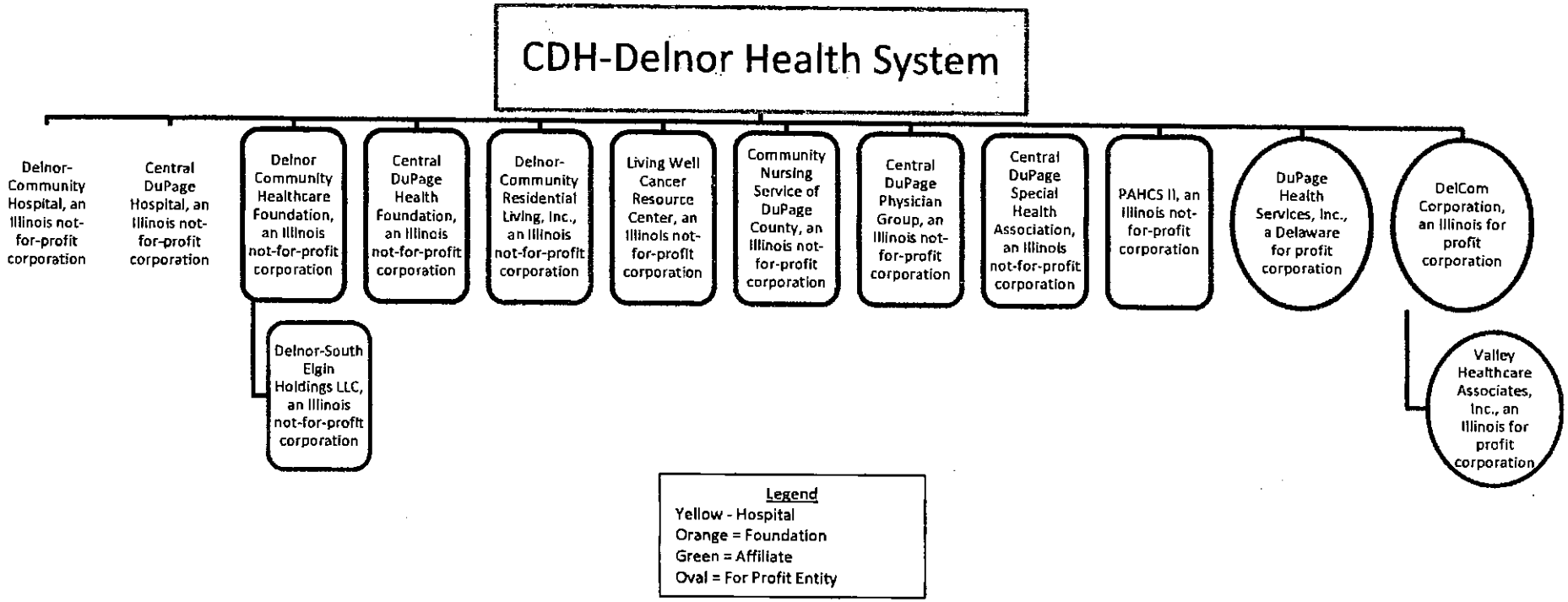
Jesse White

SECRETARY OF STATE

Authentication #: 1131102006

Authenticate at: http://www.cyberdriveillinois.com

ATTACHMENT 3



ATTACHMENT 4

A MAGNET
NURSING HOSPITAL

Delnor™

DELNOR
HOSPITAL

300 Randall Road
Geneva, Illinois 60134
Tel 630/208.3000

November 1, 2011

Illinois Health Facilities
and Services Review Board
Springfield, IL

To Whom It May Concern:

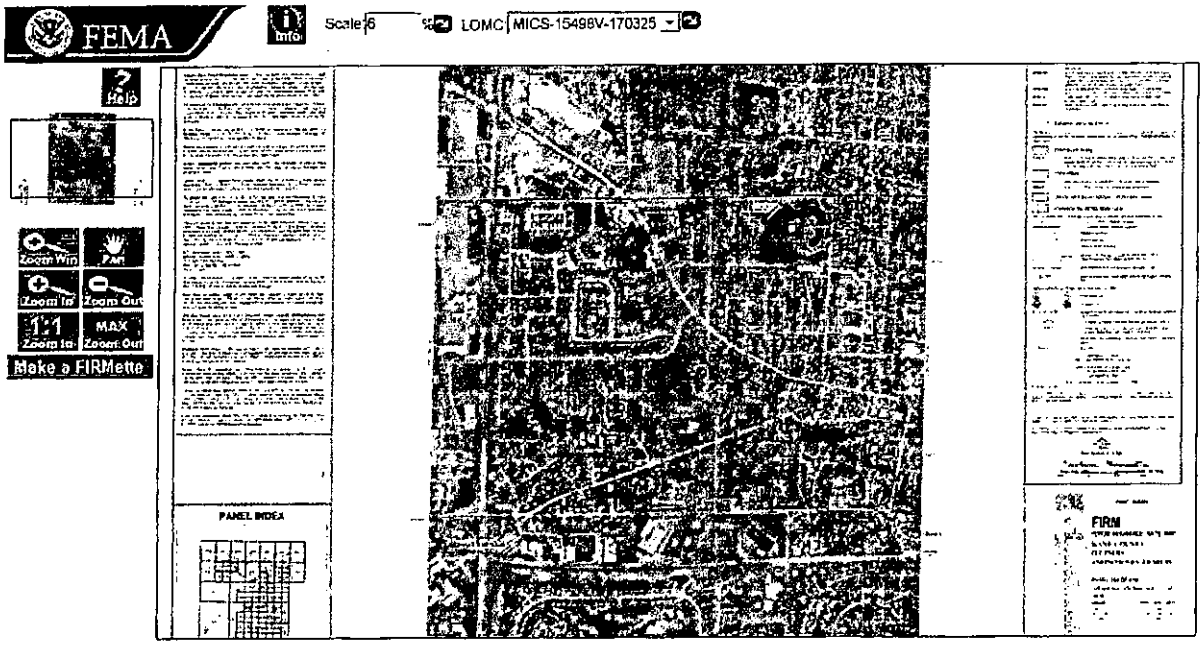
I hereby certify that the Delnor Hospital campus is not located in a special flood hazard area.

Sincerely,

Thomas L. Wright

Thomas L. Wright
President & CEO

ATTACHMENT 5



ATTACHMENT 5

Illinois Historic
Preservation Agency

FAX (217) 782-8161

1 Old State Capitol Plaza • Springfield, Illinois 62701-1512 • www.illinois-history.gov

Kane County
Geneva
CON - Rehabilitation and Expansion of Outpatient Cancer Center at Delnor Hospital
300 Randall Road
IHPA Log #009102111

November 3, 2011

Jacob Axel
Axel & Associates, Inc.
675 North Court, Suite 210
Palatine, IL 60067

Dear Mr. Axel:

This letter is to inform you that we have reviewed the information provided concerning the referenced project.

Our review of the records indicates that no historic, architectural or archaeological sites exist within the project area.

Please retain this letter in your files as evidence of compliance with Section 4 of the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420/1 et. seq.). This clearance remains in effect for two years from date of issuance. It does not pertain to any discovery during construction, nor is it a clearance for purposes of the Illinois Human Skeletal Remains Protection Act (20 ILCS 3440).

If you have any further questions, please contact me at 217/785-5027.

Sincerely,

Anne E. Haaker

Anne E. Haaker
Deputy State Historic
Preservation Officer

PROJECT COSTS

Preplanning Costs ($217,900)
Costs associated with the evaluation of alternatives.

Site Preparation Costs ($510,000)
Costs associated with landscaping and surface parking capacity expansion, and retention pond.

New Construction and Contingency Costs ($10,610,296)
The construction-related costs were developed by Construction Cost Services, one of the largest construction cost estimators in the Midwest, and a company with considerable healthcare project experience, including the Central DuPage outpatient cancer center, which was completed in 2010. The approved construction cost for the clinical portion of that project was $369.80 per sf. The project was bid in 2008 and the realized cost was $362.86 per sf. The construction and contingency costs associated with the clinical portion of this project is $373.72 per sf.

Modernization and Contingency Costs ($2,210,182)
The modernization-related costs were developed by Construction Cost Services one of the largest construction cost estimators in the Midwest, and a company with considerable healthcare project experience, including the Central DuPage outpatient cancer center, which was completed in 2010. The modernization (renovation) and contingency costs associated with the clinical portion of this project is $324.96 per sf.

Equipment Costs ($4,226,000)
The equipment costs associated with the project were estimated, based on the costs incurred through the development of Central DuPage's outpatient cancer center, by the applicant and consultants, in conjunction with selected equipment vendors. Components of the total cost include, but are not limited to the following:

Furniture	$1,052,000
CT simulator	$600,000
IT	$750,000
Laboratory equipment	$320,000
Exam rooms & Infusion Therapy	$177,000
Computers	$120,000
AV systems	$100,000

Architectural & Engineering Fees ($1,011,000)

Estimate, based on the construction, renovation and contingency costs identified above and the IHFSRB guidelines.

Consulting and Other Fees ($980,000)

Estimate, based on similar projects. The costs include, but are not limited to:

Cost estimating	$50,000
Transition Planning	$25,000
Local Permits and Impact Fees	$175,000
CON-related fees and costs	$115,000
Moving and relocation costs	$75,000
Consultants	$136,000

Cost Space Requirements

				Amount of proposed Total Square Feet			
		Gross Square Feet			That is:		
Dept./Area	Cost	Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
Reviewable							
Radiation Therapy	$ 2,399,445	2,580	4,170	1,590	2,580		
RT 2 Foundation	$ 199,954		1,400	1,400			
Infusion Therapy	$ 4,798,891		8,066	8,066			
Brachytherapy	$ 1,799,584		2,652	2,005	647		
Lab	$ 1,199,723		1,733	1,733			
Pharmacy	$ 399,908		767	767			
Total	$ 10,797,505	2,580	18,788	15,561	3,227		
Non-Reviewable							
Physicians' Offices	$ 4,798,891		8,210	8,210			
Time Share Suite	$ 799,815		1,412	1,412			
Public & Family	$ 799,815	1,799	1,799		1,799		
Administrative	$ 59,986		134	134			
Medical Staff	$ 139,968		268	268			
Staff Areas	$ 799,815		2,207	1,011	1,196		
Building Services	$ 399,908		1,388	300	1,088		
DGSF>>>BGSF	$ 1,399,677		3,421	2,690	731		
Total	$ 9,197,874	1,799	18,839	14,025	4,814		
PROJECT TOTAL	$ 19,995,379	4,379	37,627	29,586	8,041	0	0

37

ATTACHMENT 9

BACKGROUND

CDH-Delnor Health System includes two IDPH-licensed health care facilities: Delnor Hospital and Central DuPage Hospital.

Attached is confirmation that no "adverse actions" have been taken against either hospital during the past three years, and providing authorization for the State Agency and IDPH to review applicable documents.

ATTACHMENT 11

cdh CENTRAL DUPAGE HOSPITAL

Always thinking. Always caring.

November 11, 2011

Mr. Dale Galassie
Executive Secretary
Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, IL 62761-0001

RE: Delnor Community Hospital
CDH-Delnor Health System
Application for Delnor Comprehensive Cancer Center CON Permit
Adverse Actions

Dear Mr. Galassie:

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

1. CDH-Delnor Health System does not have any adverse actions against any facility owned and operated by the applicant during the three (3) year period prior to the filing of this application, and

2. CDH-Delnor Health System authorizes the State Board and Agency access to information to verify documentation or information submitted in response to the requirements of Review Criterion 1110.230.b or to obtain any documentation or information which the State Board or Agency finds pertinent to this application.

If we can provide assistance to your staff regarding these assurances or any other issue relative to this application, please do not hesitate to call me at (630) 933-5500, or Thomas Wright, President of Delnor Community Hospital, at (630) 208-3074.

Sincerely,

J. Luke McGuinness
President and CEO
CDH-Delnor Health System

Notarization:

OFFICIAL SEAL
SUSAN M BOVE
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:10/01/12

ATTACHMENT 11

PURPOSE OF PROJECT

The purpose of the project is to centralize the outpatient oncology services provided by Delnor Hospital in a contemporary setting to allow the efficient and seamless delivery of those services to the patient population looking to Delnor Hospital for other health care services. The providing of a broad array of non-surgical oncology-related outpatient services, ranging from educational, prevention, and support programs to infusion and radiation therapy has become the standard for the community hospital setting, and the proposed project will allow Delnor to meet that standard in a cost-effective manner.

In the most general of terms, an existing oncology center on the Delnor campus will be modernized and expanded to provide a single setting for a variety of outpatient oncology services to be operated by Delnor Hospital, as well as office space to be used by a medical oncology practice that is in the process of affiliating with the Health System in January 2012. As a result, the health care well being of area residents will be improved through increased accessibility to the continuum of oncology services to be provided, reduced suffering, and enhanced clinical quality and preventive care that can lead to higher survival rates for area residents diagnosed with cancer.

The primary area to be served will consist primarily of central Kane County. Historically, the two ZIP Code areas (60174 and 60175) covering St. Charles and the single ZIP Code areas covering Geneva (60134) and Batavia (60510) have accounted for 60% of the radiation therapy patients treated on the Delnor campus. That high concentration of patients from a small geographic area is anticipated to continue, both for radiation therapy as well as the other oncology-related services. Growth in utilization is anticipated to result primarily from an increase in cancer diagnoses, due to demographic changes within the service area and an increased market share within the existing service area,.

The table below identifies, based on 2010 utilization, the anticipated origin of oncology patients.

Historical and Projected Oncology
Patient Origin

ZIP Code Area	Community	%	Cumulative %
60174	St. Charles	18.5%	18.5%
60134	Geneva	15.8%	34.3%
60510	Batavia	15.8%	50.1%
60175	St. Charles	10.0%	60.1%
60119	Elburn	5.4%	65.5%
60542	N. Aurora	3.1%	68.6%
60115	DeKalb	2.7%	71.3%
60177	S. Elgin	2.7%	74.0%
60506	Aurora	2.7%	76.7%
60151	Maple Park	2.3%	79.0%
	<2.0%	21.0%	100.0%

The proposed project will address a number of problems and/or issues, including the need to expand treatment capacity, primarily in the areas of radiation therapy and

infusion therapy; the need to create a greater synergy between the oncology-related programs and services, through locating all of the outpatient oncology services in a single facility; the need to improve patient processing, from registration through treatment and discharge, by means of an efficiently-designed facility; and the desirability of having oncologists' offices in close proximity to the diagnosis and outpatient treatment programs.

Among the information used to design the project, both programmatically and from a facility perspective, were hospital records, IDPH utilization data, IDPH and IHFSRB guidelines, the experience of the project architects, the experience of Delnor Hospital, the experience of Delnor's sister hospital, Central DuPage Hospital, in the design and operating of a similar project; and data from external sources such the American College of Surgeons and the American Cancer Society.

The success of the project will be measurable, based on achieving the following goals, beginning with the completion of the project:

- Improved efficiency in the outpatient treatment of oncology patients
- Reduced reliance on out-of-area oncology programs by service area residents
- Provision of facilities that promote safe and efficient patient care in a dignified setting
- Availability of sufficient capacity to address demand.

ALTERNATIVES

The provision of oncology services—including both infusion therapy and radiation therapy—is a reasonably expected service of a community hospital, such as Delnor Hospital. As a result, the concept of not continuing to provide the proposed services was immediately dismissed from any consideration.

During the planning of the proposed project, a number of alternatives were, to one degree or another, considered, but dismissed as being inferior to the proposed project, which involves the renovation and expansion of an existing facility. The quality of care would not vary, regardless of the alternative selected; and with the exception of accessibility associated with some alternatives, the issues addressed in ATTACHMENT 12 would be met through each of the alternatives considered. Among the alternatives considered were the following:

Alternative 1: Abandon the existing facility and build a new facility, either on the hospital campus, or at a satellite location. This alternative was dismissed for two primary reasons: First, with renovation and expansion, the existing facility can be re-developed at a cost that is lower than the cost of building a new facility. Second, the current location is easily accessible by the residents of the service area, and the use of a satellite site would not improve accessibility, but would add the cost of land acquisition. It is

estimated that cost associated with the development of a replacement facility (excluding land) would be approximately $28 million.

Alternative 2: In April 2011 the parent of Delnor Hospital, Delnor Community Health System, merged with Central DuPage Health, which opened an outpatient oncology center in Warrenville in late 2010. The alternative of relying on that (now affiliated) facility was considered, and dismissed for a variety of reasons. First, the capacity of the Warrenville facility is not sufficient to serve both its intended service population and the population currently and anticipated to use the proposed Delnor facility. Second, in order to provide the needed capacity, the Warrenville facility would need to be expanded, at a cost similar to that of the proposed project. Third, with Warrenville being located approximately 12 miles to the southeast of Delnor Hospital, and the anticipated service population residing primarily to the northeast and west of Delnor Hospital, patient accessibility would be compromised.

SIZE

Upon completion, the cancer center will consist of 37,627 BGSF (34,206 DGSF), with all space being necessary, and no "shell" space being included in the project.

The IDPH maintains a space standard only for the radiation therapy component of the project, that being 2,400 DGSF per linear accelerator and 1,800 DGSF per simulator. The project contains one linear accelerator and one simulator, and the radiation therapy area contains 4,170 DGSF, consistent with the IDPH standards.

The table below provides a summary space program for the center.

Function	DGSF	
Radiation Therapy	4,170	
Rad Ther 2 Foundation	1,400	
Infusion Therapy	8,066	
Brachytherapy	2,652	
Medical Oncology Clinic	8,210	
Lab/Phlebotomy	1,733	
Pharmacy	767	
Public & Family	1,799	
Administration	134	
Medical Staff	268	
Staff Areas	2,207	
Physician Time Share	1,412	
Building Services	1,388	
TOTAL	34,206	
BGSF @ 1.1		37,627

PROJECT SERVICES UTILIZATION

The proposed project involves only one clinical service for which the IHFSRB has established utilization targets, that being radiation therapy, which has a target of 7,500 treatments per linear accelerator. One linear accelerator is included in the project, and utilization, as discussed below, is projected to exceed 7,700 treatments during the second full year of operation. As a result, the target utilization level will be exceeded.

The utilization projections for the radiation therapy program were based on county and age group-specific 2007 site-specific cancer incidence rates identified, using incidence data prepared by the Illinois Department of Public Health's cancer registry and population projection data prepared by Thompson Analytics, LLC. The age groups used, consistent with the cancer registry were 0-14, 15-44, 45-64, and 65+; and the aging of the service area's population had a greater impact on utilization than did the modest growth in population that has been projected for the area.

2007 incidence data was combined with population projections to project the number of new cases in the service area. These calculations identified an annualized growth rate of 2.9% for newly diagnosed cases. A minimal market share increase, as discussed below, was incorporated into the utilization projection, and experienced

treatments per case were applied to the number of cases to project the number of radiation therapy treatments anticipated to be provided.

Open beam radiation therapy has historically been provided on the Delnor campus through a joint venture, which included the hospital. It is anticipated that in the first quarter of 2012 the joint venture will dissolve, at which time the service will operate as a hospital-based service.

During the second year following the completion of this project (2016), 10,719 new cancer diagnoses will occur in the service area. Based on past practice, 60% (6,430) of these patients will receive radiation therapy services, and also based on past practice, an average of twenty treatments will be provided per patient, or 128,628 treatments to service area residents. Market share data indicates that the provision of radiation therapy services to area residents is very fragmented among community hospitals, regional providers and outpatient centers; and that the program on the Delnor campus attracted a 4.8% market share in 2010. For planning purposes, and as a result of a number of factors, including Delnor's impending affiliation with a medical oncology practice, the impact of a "new" facility, the experience of Central DuPage Hospital's outpatient cancer center, and the concept of providing a continuum of oncology services in a single setting, Delnor's market share is conservatively projected to increase by 1.2 points to 6.0% by the second year following the project's completion. As a result, and holding all other variables constant, it is projected that in the second full year following the project's completion, 7,717 (128,628 x .06) radiation therapy treatments will be provided.

CLINICAL SERVICE AREAS OTHER THAN CATEGORIES OF SERVICE

The proposed project does not address any IDPH-designated "categories of service". Rather, the project involves the modernization and expansion of an outpatient cancer center on the Delnor Hospital campus, and that center includes three clinical services: radiation therapy, infusion therapy and brachytherapy.

The existing facility was constructed in 1996, and requires modernization and expansion, consistent with contemporary standards, to allow the locating of a continuum of outpatient oncology services in a single location, and to address projected demand.

The center is currently primarily a radiation therapy center, and the original vault will continue to be used, with renovation, as the future radiation therapy site. A separate treatment room with support space will be provided for brachytherapy, and oncology-related infusion therapy will be moved from the general infusion therapy area in the hospital to the outpatient cancer center. In addition, a variety of support programs and services, such as genetic and nutritional counseling, financial counseling, social services, and clinical trials administration will be located in the center, resulting in a comprehensive continuum of outpatient oncology services.

Aside from the obvious expansion of the center needed to accommodate the re-located programs, the center will be physically re-organized to both improve patient flow as well as patient privacy, consistent with contemporary design standards.

As noted in the narrative description, outpatient oncology services have become an expected service to be offered by community hospitals, and Delnor has seen its neighboring hospitals expand and modernize their service delivery capabilities in recent years. For example, Edward Hospital opened a new outpatient facility in 2009, as did Kishwaukee Community Hospital in 2010; Sherman Hospital and Elmhurst Memorial Hospital included oncology services in their new hospitals, which were both opened in 2011; Silver Cross Hospital is including a cancer center in their new hospital, scheduled to open in early 2012, Rush Copley Medical Center is currently expanding its programs; and Delnor's sister hospital, Central DuPage Hospital opened an outpatient oncology center (in addition to a proton therapy center) in 2010.

Programmatically, there will be a high level of integration between the clinical and non-clinical aspects of the Delnor and Central DuPage centers, ranging from treatment protocols, to clinical trials, to administrative policies. The Central DuPage facility was not built with sufficient capacity to address the anticipated demand to be realized by the Delnor center.

The modernization of the center is necessary, aside from the general need to bring the facility to contemporary standards, as a result of a number of factors: First, the

number of diagnosed cancer cases is increasing. Nationally, a 44% increase in the number of diagnosed cancer cases is projected to occur between 2010 and 2030. In CDH/Delnor's extended service area, newly diagnosed cancer cases are projected to increase by 15% between 2010 and 2015, due in major part to the aging of the service area's population. Second, Delnor is in the process of developing an affiliation with a medical oncology practice that will relocate its offices to the cancer center when space becomes available. The group's presence at the cancer center will significantly increase the full scope of the hospital's oncology-related services. Third, with the increased de-centralization of high quality oncology services, patients are desiring to seek care closer to home. Last, the significant changes to the accreditation standards of the American College of Surgeons-Commission on Cancer for community cancer centers, anticipated to take effect in early 2012, include, among others, expanded requirements for genetic counseling; screening and accrual for clinical trials; on-site psycho-social distress screening; patient navigation services; survivor care planning; and enhanced cancer registry programs. These changes will all require additional space.

Projected utilization of the three therapy services—infusion therapy, radiation therapy, and brachytherapy—is based on demographics as well as recent changes in the medical staff.

Projected Utilization

The utilization projections for the three mentioned therapy programs were based on county and age group-specific 2007 site-specific cancer incidence rates identified,

using incidence data prepared by the Illinois Department of Public Health's cancer registry and population projection data prepared by Thompson Analytics, LLC. The age groups used, consistent with the cancer registry were 0-14, 15-44, 45-64, and 65+; and the aging of the service area's population had a greater impact on utilization than did the modest growth in population that has been projected for the area.

2007 incidence data was combined with population projections to project the number of new cases in the service area, through 2015. These calculations identified a 2010-2015 annualized growth rate of 2.9% for newly diagnosed cases. Minimal market share shifts, as discussed below, were incorporated into the service-specific utilization projections to account for the effect of program "newness", and experienced treatments per case were applied to the number of cases to project the number of treatments anticipated to be provided.

Infusion Therapy

Delnor Hospital operates an infusion therapy program consisting of 14 stations, 4 of which are designated for oncology services. 1,763 oncology-related outpatient treatments were provided through this program in 2010. Upon the completion of the proposed project, those 4 stations and the oncology-related outpatient infusion therapy historically provided at the hospital will be "re-located" to the outpatient cancer center.

As is the case in many community hospital settings, the majority of outpatient infusion therapy for oncology patients is provided in the medical oncologists' offices, and

that has historically been the case at Delnor. During 2010, the physician group noted above, provided 5,870 infusion therapy treatments in their office, and their entire volume will move to the cancer center. For planning purposes, and to ensure conservative estimates, the 7,633 treatments (1,763 + 5,870) were used as a baseline, and market share and "chair time" per treatment (3.0 hours) were held constant. As a result of the 2.9% annual increase in service area cancer diagnoses discussed above, plus a modest increase in market share of 0.9% (from 7.4% to 8.3% in 2016) 28,587 hours of infusion therapy will be provided during the first full year following the project's completion, and 29,730 hours will be provided during the second year.

The infusion therapy service will open with sixteen chairs, with space available for an additional four chairs as utilization increases. Assuming 255 days of operation per year and 9 hours per day, the chairs will be used at 78% of capacity during the first full year following the project's completion and 81% during the second year.

Radiation Therapy

Open beam radiation therapy has historically been provided on the Delnor campus through a joint venture, which included the hospital; and it is anticipated that in early 2012 that joint venture will be dissolved, after which services will be provided as a hospital-based service. As discussed elsewhere in this application, the radiation therapy facility is being expanded to incorporate the other oncology-related services into a comprehensive outpatient cancer center.

During the second year following the completion of this project (2016), 10,719 new cancer diagnoses will occur in the service area. Based on past practice, 60% (6,430) of these patients will receive radiation therapy services, and also based on past practice, an average of twenty treatments will be provided per patient, or 128,628 treatments to service area residents. Market share data indicates that the provision of radiation therapy services to area residents is very fragmented among community hospitals, regional providers and outpatient centers; and that the program on the Delnor campus attracted a 4.8% market share in 2010. For planning purposes, and as a result of a number of factors, including Delnor's impending affiliation with of a medical oncology practice, the impact of a "new" facility, the experience of Central DuPage Hospital's outpatient cancer center, and the concept of providing a continuum of oncology services in a single setting, Delnor's market share is conservatively projected to increase by 1.2 points to 6.0% by the second full year following the project's completion. As a result, and holding all other variables constant, it is projected that in the second full year following the project's completion, 7,717 (128,628 x .06) radiation therapy treatments will be provided at the Delnor center.

Brachytherapy

Brachytherapy, which is used primarily in the treatment of breast, prostate and cervical cancers, involves the placement of a radiation source (often referred to as a "seed") adjacent to or in the tumor, rather than the use of an open or external beam. One procedure room will be designed and equipped for the providing of brachytherapy services.

The current relationship between radiation therapy treatments and brachytherapy treatments at Central DuPage's outpatient cancer center was used in projecting the utilization of brachytherapy services at the proposed center. At the Central DuPage center, 0.15 brachytherapy patients are treated for each radiation therapy patient. As a result, in the second full year of the center's operation, 58 patients are projected to receive brachytherapy, and using the Central DuPage experience of an average of eight treatments per patient, 463 brachytherapy treatments will be provided.

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Consolidated Financial Statements and
Supplementary Information

June 30, 2011

(With Independent Auditors' Report Thereon)

ATTACHMENT 39

KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report

The Board of Directors
CDH/Delnor Health System:

We have audited the accompanying consolidated balance sheet of CDH/Delnor Health System and Affiliates (the Corporations) as of June 30, 2011, and the related consolidated statements of operations, changes in net assets, and cash flows for the period of April 1, 2011 (date of merger) through June 30, 2011. These consolidated financial statements are the responsibility of the Corporations' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporations' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CDH/Delnor Health System and Affiliates as of June 30, 2011, and the results of their operations, changes in net assets, and cash flows for the period of April 1, 2011 (date of merger) through June 30, 2011, in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information included in schedules 1 through 3 is presented for purposes of additional analysis of the 2011 consolidated financial statements rather than to present the financial position, results of operations, and changes in net assets of the individual corporations. The 2011 consolidating information has been subjected to the auditing procedures applied in the audit of the 2011 consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2011 consolidated financial statements taken as a whole.

KPMG LLP

September 21, 2011

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Consolidated Balance Sheet

June 30, 2011

(In thousands)

Assets

Current assets:		
Cash and cash equivalents	$	40,899
Current portion of assets limited or restricted as to use		100
Receivables:		
Patient and resident accounts, less allowance for doubtful accounts of $27,046		111,341
Estimated receivables under third-party reimbursement programs and other		32,058
Inventories		5,480
Prepaid expenses		20,524
Total current assets		210,402
Assets whose use is limited or restricted, net of current portion:		
By board for investment		1,111,783
Self-insurance trust		27,629
Held by trustee under debt agreements		49,135
Donor restricted		13,520
Total assets whose use is limited or restricted, net of current portion		1,202,067
Land, buildings, and equipment, net of accumulated depreciation and amortization		818,279
Other assets:		
Notes and advances receivable		57,985
Retirement plan assets		4,372
Investments in joint ventures and other assets		49,332
Total other assets		111,689
Total assets	$	2,342,437

Liabilities and Net Assets

Current liabilities:		
Current installments of long-term debt	$	4,658
Accounts payable		36,319
Accrued liabilities:		
Salaries and wages		60,525
Pension		3,367
Interest		3,997
Other		25,542
Estimated payables under third-party reimbursement programs		87,075
Total current liabilities		221,483
Long-term debt, net of unamortized bond premiums and current installments		595,402
Construction payables		10,091
Retirement plan liabilities		4,372
Deferred revenue and other liabilities		87,141
Total liabilities		918,489
Net assets:		
Unrestricted		1,410,428
Temporarily restricted		8,255
Permanently restricted		5,265
Total net assets		1,423,948
Total liabilities and net assets	$	2,342,437

See accompanying notes to consolidated financial statements

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Consolidated Statement of Operations

Period of April 1, 2011 (date of merger) through June 30, 2011

(In thousands)

Net patient and resident service revenue	$	229,151
Other revenue		13,374
Total revenue		242,525
Expenses:		
Salaries and wages		84,585
Employee benefits		22,713
Professional fees and purchased services		32,154
Supplies		36,859
Interest		3,203
Depreciation and amortization		18,177
Provision for uncollectible accounts		15,128
Other		20,946
Total expenses		233,765
Revenue in excess of expenses		8,760
Nonoperating gains and losses:		
Investment return, unrestricted contributions, and other, net		3,016
Revenue and gains in excess of expenses and losses		11,776
Other changes in unrestricted net assets:		
Change in net unrealized gains and losses on other-than-trading securities		1,371
Joint venture equity transactions		36
Net assets released from restriction for the purchase of land, buildings, and equipment		209
Increase in unrestricted net assets	$	13,392

See accompanying notes to consolidated financial statements.

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Consolidated Statement of Changes in Net Assets

Period of April 1, 2011 (date of merger) through June 30, 2011

(In thousands)

Increase in unrestricted net assets	$	13,392
Temporarily restricted net assets:		
Contributions for specific purposes		1,223
Investment return		12
Net assets released from restriction and used for operations		(388)
Net assets released from restriction for the purchase of land, buildings, and equipment		(209)
Increase in temporarily restricted net assets		638
Permanently restricted net assets:		
Contributions to be held in perpetuity		3
Investment return		7
Increase in permanently restricted net assets		10
Change in net assets		14,040
Net assets at the beginning of period		1,409,908
Net assets at end of period	$	1,423,948

See accompanying notes to consolidated financial statements.

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Consolidated Statement of Cash Flows

Period of April 1, 2011 (date of merger) through June 30, 2011

(In thousands)

Cash flows from operating activities and gains and losses:		
Change in net assets	$	14,040
Adjustments to reconcile change in net assets to net cash provided by operating activities and gains and losses:		
Depreciation and amortization		18,177
Amortization of net bond premiums		(12)
Provision for uncollectible accounts		15,128
Loss on write-off of deferred finance charges		254
Realized and change in unrealized gains on investments, net		(561)
Change in fair value of derivative instruments		4,063
Amortization of entrance fees		(131)
Joint venture equity transactions		(36)
Permanently restricted contributions and investment return		(10)
Equity earnings in joint ventures, net of cash distributions received		(251)
Joint venture impairment		668
Changes in assets and liabilities:		
Receivables, net		8,375
Inventories and prepaid expenses		713
Accounts payable, accrued liabilities, and other liabilities		11,017
Estimated payables under third-party reimbursement programs		(398)
Net cash provided by operating activities and gains and losses		71,036
Cash flows from investing activities:		
Purchases of assets whose use is limited or restricted		(300,655)
Proceeds from sales or maturities of assets whose use is limited or restricted		279,264
Acquisition of land, buildings, and equipment		(38,703)
Change in construction payables		(961)
Net change in other assets		(2,120)
Net cash used in investing activities		(63,175)
Cash flows from financing activities:		
Principal payments and defeasance of long-term debt		(8,713)
Permanently restricted contributions and investment return		10
Net cash used in financing activities		(8,703)
Net change in cash and cash equivalents		(842)
Cash and cash equivalents at beginning of period		41,741
Cash and cash equivalents at end of period	$	40,899
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	$	10,723

See accompanying notes to consolidated financial statements.

ATTACHMENT 39

(1) CDH/Delnor Health System and Affiliates

Effective April 1, 2011, Delnor-Community Health System (Delnor) and Central DuPage Health (CDHealth) merged to form CDH/Delnor Health System. The merger was effectuated by CDHealth becoming the sole corporate member of Delnor and its affiliated entities. Concurrent with the merger, the Board of Directors of CDHealth was reconstituted to include equal representation from Delnor and CDHealth. The reconstituted CDHealth Board of Directors exercises control over CDHealth, Delnor, and all of their respective affiliates through ownership, sole voting membership, the authority to approve board membership, or the holding of certain reserve powers. The merger of Delnor and CDHealth was approved by the boards of directors of both organizations to make available the resources and specialties of both health systems to the communities they serve. The combination of CDHealth and Delnor has been accounted for as a merger given the ceding of control by both organizations to the reconstituted CDHealth Board of Directors. The accompanying consolidated financial statements of CDH/Delnor Health System present the financial position and results of operations of the merged entity as of and subsequent to the merger date.

The accompanying consolidated financial statements include the accounts of CDHealth and Delnor, which were incorporated to promote and encourage health and human services in the communities they serve, and the following affiliates (collectively referred to as the Corporations):

CDH Historical Affiliates

- Central DuPage Hospital Association (CDH), a not-for-profit acute care hospital. CDH provides inpatient, outpatient, and emergency care for residents in the Wheaton, Winfield, West Chicago, Glen Ellyn, and surrounding areas.
- Central DuPage Physician Group (CDPG), a not-for-profit corporation that contracts with licensed physicians to provide medical services to patients, hospitals, affiliated group practices, or other medical care facilities.
- Community Nursing Service of DuPage County, Inc. d/b/a CNS Home Health (CNS), a not-for-profit corporation that provides home healthcare and hospice services.
- DuPage Health Services, Inc. (DHSI), a wholly owned for-profit subsidiary of CDHealth. DHSI provides various physician support as well as other business activities in furtherance of the interests of DHSI and the CDHealth healthcare delivery system.
- PAHCS II, d/b/a Central DuPage Business Health, a not-for-profit corporation that operates a business dedicated to the advancement and promotion of health for employees of companies within the communities served by CDHealth and its affiliates.
- Central DuPage Special Health Association (Special Health), a corporation that operates a pharmaceutical distribution center serving the Corporations and their patients.
- Central DuPage Health Foundation (Foundation), a not-for-profit corporation that promotes and supports patient-centered services and programs of CDHealth and its affiliates.

Delnor Historical Affiliates

- Delnor-Community Hospital (Delnor Hospital), a charitable not-for-profit organization providing acute healthcare services primarily to the St. Charles, Geneva, Batavia, and Elburn, Illinois communities.
- Delnor-Community Health Care Foundation (Delnor Foundation), a not-for-profit organization that exists principally to solicit, receive, and grant gifts and contributions for and on behalf of charitable service organizations.
- Delnor-Community Residential Living, Inc. (Residential Living), d/b/a Delnor Glen, a not-for-profit organization that owns and operates a residential supportive living facility that includes 78 residential supportive living units and related facilities.
- Living Well Cancer Resource Center (Living Well), a not-for-profit organization established in 2006 for the purpose of providing cancer support and wellness.
- DelCom Corporation (DelCom), an Illinois taxable for-profit organization that engages in for-profit healthcare and related ventures.

At the April 1, 2011 merger date, neither Delnor nor CDHealth had significant assets or liabilities that do not require recognition under U.S. generally accepted accounting principles. The application of merger accounting to the combination as of April 1, 2011 required Delnor to conform certain accounting policies for consistency with CDHealth, including capitalization of supplies inventory and the estimation of self-insured workers' compensation liabilities.

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011

(In thousands)

The amounts recognized as of the April 1, 2011 merger date for each major class of assets, liabilities, and net assets for CDHealth and Delnor, inclusive of opening balance adjustments, are provided in the following table:

	CDH and affiliates	Delnor and affiliates	Adjustments Debit	Adjustments Credit	Total
Current assets:					
Cash and cash equivalents	$ 30,600	11,139	—	—	41,739
Receivables, net of allowances	136,331	30,433	—	—	166,764
Other current assets	21,344	5,970	—	601	26,713
Total current assets	188,275	47,542	—	601	235,216
Assets whose use is limited or restricted	952,908	232,185	—	—	1,185,093
Land, buildings, and equipment, net	624,880	172,876	—	—	797,756
Other assets	95,037	10,931	—	—	105,968
Total assets	$ 1,861,100	463,534	—	601	2,324,033
Current liabilities:					
Current installments of long-term debt	$ 2,575	2,495	—	—	5,070
Accounts payable and accrued liabilities	162,607	47,874	—	643	211,124
Total current liabilities	165,182	50,369	—	643	216,194
Long-term debt, excluding current installments	466,847	136,857	—	—	603,704
Other liabilities	71,141	23,086	—	—	94,227
Total liabilities	703,170	210,312	—	643	914,125
Net assets:					
Unrestricted	1,149,286	249,071	1,244	—	1,397,113
Temporarily restrieted	3,389	4,151	—	—	7,540
Permanently restricted	5,255	—	—	—	5,255
Total net assets	1,157,930	253,222	1,244	—	1,409,908
Total liabilities and net assets	$ 1,861,100	463,534	1,244	643	2,324,033

ATTACHMENT 69 (Continued)

(2) Summary of Significant Accounting Policies

The following accounting policies, all of which conform to general practice within the healthcare industry, are utilized in presenting the consolidated financial statements:

- The preparation of 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. Actual results could differ from those estimates.
- The consolidated statement of operations includes revenue and gains in excess of expenses and losses. Transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenue and expenses. Transactions incidental to the provision of patient and residential care services are reported as gains and losses. Changes in unrestricted net assets, which are excluded from revenue and gains in excess of expenses and losses, consistent with industry practice, include unrealized gains and losses on other-than-trading investment securities, equity transactions of unconsolidated joint ventures, and contributions of long-lived assets (including assets acquired using contributions that by donor restriction were to be used for the purposes of acquiring such assets).
- Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers and policy discounts. 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.
- Cash and cash equivalents include demand deposits, interest-bearing accounts at banks, overnight sweep investments, certain money market fund investments, and certain fixed income securities with maturities at date of purchase of three months or less.
- Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheet. Investments in a private equity real estate fund and a hedge fund of funds are reported at cost. Investment return (including realized gains and losses on investments, interest, and dividends) is included in revenue and gains in excess of expenses and losses unless the income or loss is temporarily or permanently restricted by donors, in which case the investment return is recorded directly to temporarily or permanently restricted net assets. Changes in net unrealized gains and losses on investments are excluded from revenue and gains in excess of expenses and losses unless the investments are classified as trading securities. A decline in the market value of any other-than-trading security below cost that is deemed to be other-than-temporary results in a reduction in carrying amount to fair value. The impairment is included in nonoperating losses and a new cost basis for the security is established. To determine whether an impairment is other-than-temporary, the Corporations consider whether they have the ability and intent to hold the investment until a market price recovery and consider whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of

the impairment, changes in value subsequent to year-end, and forecasted performance of the investee.

- The Corporations apply the provisions of Accounting Standards Codification (ASC) Subtopic 820-10, *Fair Value Measurements*, 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 financial statements on a recurring basis. ASC Subtopic 820-10 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 Subtopic 820-10 also establishes a framework for measuring fair value and expands disclosures about fair value measurements (note 7).

  In conjunction with the adoption of ASC Subtopic 820-10, the Corporations adopted the measurement provisions of Accounting Standards Update (ASU) 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, to certain investments in money market funds that do not have readily determinable fair values. This guidance amends ASC Subtopic 820-10 and allows for the estimation of the fair value of investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent.

  In January 2010, the Financial Accounting Standards Board issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements (ASU 2010-06)*. ASU 2010-06 amends ASC Subtopic 820-10 to provide additional disclosure requirements for transfers into and out of Levels 1 and 2 and for activity in Level 3 and to clarify other existing disclosure requirements. The Corporations implemented ASU 2010-06 for the period ended June 30, 2011.

  The Corporations have adopted the provisions of ASC Topic 820, *Fair Value Measurements and Disclosures*, related to fair value measurements of nonfinancial assets and nonfinancial liabilities that are recognized or disclosed in the consolidated financial statements on a nonrecurring basis.

- The Corporations have adopted the provisions of ASC Topic 825-10, *The Fair Value Option for Financial Assets and Financial Liabilities*. ASC Topic 825-10 gives the Corporations the irrevocable option to report most financial assets and financial liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. Since adoption and through June 30, 2011, the Corporations' management has not elected to measure any additional eligible financial assets or financial liabilities at fair value.

- Assets whose use is limited or restricted include: assets set aside by the Boards of Directors (the Boards) for investment purposes and future capital improvements, over which the Boards retain control and may at their discretion subsequently use for any other purpose; assets held by a trustee under the self-insured professional and general liability program; assets held by trustees under the terms of bond indentures; and all donor-restricted investments. Assets limited or restricted as current liabilities in the accompanying consolidated balance sheet are classified as current assets to the extent they are expected to satisfy obligations classified as current liabilities in the accompanying consolidated balance sheet.

- The Corporations account for derivatives and hedging activities in accordance with ASC Topic 815, *Accounting for Derivative Instruments and Certain Hedging Activities*, as amended, which requires that all derivative instruments be recorded on the consolidated balance sheet at their respective fair values.
- Land, buildings, and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of depreciable assets using the straight-line method. Amortization of leasehold improvements is over the shorter of the useful lives of the assets or the respective lease terms. Interest cost is capitalized as a component of the cost of acquiring or constructing significant capital assets, including net interest cost incurred on borrowed funds during the period of construction.
- Inventories consist primarily of supplies and are stated at the lower of cost (first-in, first-out) or market.
- Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. Temporarily restricted net assets at June 30, 2011 principally represent amounts restricted for the purpose of acquiring long-lived assets or for operations.
- Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Unrestricted contributions are reported as nonoperating gains. Contributions 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 statement of operations as net assets released from restriction. Net assets released from restriction for operating purposes are included with other revenue. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.
- The Corporations' permanently restricted net assets represent endowment funds for which the investments are to be held in perpetuity and the related investment income is expendable to support healthcare or other donor-designated services. The Corporations have adopted the provisions of ASC Subtopic 958, *Endowments for Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), and Enhanced Disclosures for All Endowment Funds*. ASC Subtopic 958 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA. ASC Subtopic 958 also enhances disclosures related to both donor-restricted and board-designated endowment funds, whether or not the organization is subject to UPMIFA (note 15).
- The Corporations incur expenses for the provision of healthcare services and related general and administrative activities.

- CDHealth, CDH, CDPG, CNS, PAHCS II, Special Health, Foundation, Delnor Hospital, Delnor Foundation, Residential Living, and Living Well are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

- DelCom is an Illinois for-profit corporation that recognizes deferred 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 financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using 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.

  DelCom's tax effects of temporary differences that give rise to significant portions of the deferred tax assets at June 30, 2011 are primarily the result of net operating loss carryforwards. At June 30, 2011, DelCom had net operating loss carryforwards for federal and state income tax purposes of approximately $5,646, which expire at various future dates through 2020. These net operating loss carryforwards give rise to a deferred tax asset before valuation allowance of approximately $2,158.

  In assessing the realizability of deferred tax assets, management considered whether it is more likely than not that some portion or all of the deferred tax assets will 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 losses and future projections over the period in which the deferred tax assets are deductible, management believes it more likely than not that DelCom will not realize the majority of the benefits of these deductible differences. Accordingly, the deferred tax assets attributable to these net operating loss carryforwards not realized at June 30, 2011 have been fully reserved in the accompanying consolidated financial statements due to the uncertainty of realization.

  The Corporations apply ASC Subtopic 740-10, *Income Taxes – Overall*, which addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under ASC Subtopic 740-10, the Corporations must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. ASC Subtopic 740-10 also provides guidance on derecognition, classification, interest, and penalties on income taxes and accounting in interim periods and requires increased disclosures. As of June 30, 2011, the Corporations do not have any liabilities for unrecognized tax benefits.

- A provision for unrelated business income federal and state taxes of $806 for the three-month period ended June 30, 2011 is included within nonoperating losses in the consolidated statement of operations. There are no significant deferred income taxes, deferred tax assets, or deferred tax liabilities attributable to unrelated business activities.

(3) Net Patient and Resident Service Revenue

The Corporations have agreements with third-party payors that provide for payments 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, outpatient, and home health services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. The prospectively determined rates are not subject to retroactive adjustment. The Corporations' classification of patients under the prospective payment systems and the appropriateness of the patients' admissions are subject to validation reviews.

The Corporations are reimbursed for certain other services and costs based upon fee schedules and other reimbursement methodologies. The Corporations are reimbursed for certain services at a tentative rate with final settlement determined after submission of annual reimbursement reports by the Corporations and audits thereof by the Medicare fiscal intermediary. The Corporations' Medicare reimbursement reports through June 30, 2007 have been audited by the Medicare fiscal intermediary.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under prospectively determined rates and fee schedules, respectively. Medicaid payment methodologies and rates for services are based on the amount of funding available to the State of Illinois Medicaid program.

The State of Illinois (the State) has enacted an assessment program to assist in the financing of its Medicaid program, which expires on June 30, 2013. Pursuant to this program, hospitals within the State are required to remit payment to the State of Illinois Medicaid program under an assessment formula approved by the Centers for Medicare & Medicaid Services (CMS). The Corporations have included their assessment of $3,851 for the three-month period ended June 30, 2011 within professional fees and purchased services expense in the accompanying consolidated statement of operations. The assessment program also provides hospitals within the State with additional Medicaid reimbursement based on funding formulas also approved by CMS. The Corporations have included their additional reimbursement of $3,834 within net patient and resident service revenue in the accompanying consolidated statement of operations.

The Corporations have 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, prospectively determined per diem rates, and cost-based formulas.

(In thousands)

Accruals for settlements with third-party payors are made based on estimates of amounts to be received or paid under the terms of the respective contracts and related settlement principles and regulations of the federal Medicare program, the Illinois Medicaid program, and the Blue Cross Plan of Illinois. For the three-month period ended June 30, 2011, there were no significant adjustments to the consolidated statement of operations related to retroactive settlements and changes in prior year third-party reimbursement estimates.

(4) Charity Care

The Corporations maintain records to identify and monitor the level of charity care they provide. These records include the amount of charges forgone for services and supplies furnished under their charity care policies, the estimated cost of these services and supplies, and equivalent service statistics. CDH, Delnor Hospital, and CNS also consider the difference between the cost of providing services to Medicaid and Medicare patients and residents and the amounts reimbursed by Medicaid and Medicare as charity care. Since these entities do not expect payment for charity care services, charges related to charity care services are not recorded as revenue.

In addition, these entities also report the cost associated with services provided to the community as charity care. The following information presents the level of charity care provided during the three-month period ended June 30, 2011:

Costs of free care provided to non-Medicaid and non-Medicare patients	$	4,830
Excess of cost over reimbursement for services provided to Medicaid patients		5,388
Excess of cost over reimbursement for services provided to Medicare patients		15,790
Community services provided, at cost		1,389
	$	27,397

(5) Concentrations of Credit Risk

The Corporations grant credit without collateral to their patients and residents, most of whom reside locally and are generally insured under third-party payor agreements. The mix of receivables from patients, residents, and third-party payors at June 30, 2011 follows:

Medicare	20%
Medicaid	10
Managed care/commercial	45
Other	25
	100%

(In thousands)

A summary of the Corporations' Medicare, Medicaid, and managed care/contracted payor utilization percentages based upon gross patient service revenue for the three-month period ended June 30, 2011 follows:

Medicare	36%
Medicaid	10
Managed care/commercial	49
Other	5
	100%

(6) Investments

Investments are reported in the accompanying consolidated balance sheet as assets whose use is limited or restricted and retirement plan assets. A summary of the composition of the Corporations' investment portfolio at June 30, 2011 follows:

Corporate bonds and notes	$	685,277
Government and agency securities		60,307
Mutual funds and common stocks		345,165
Alternative limited partnership investments, at cost		16,480
Short-term securities and money market funds		99,310
Total assets whose use is limited or restricted and retirement plan assets	$	1,206,539

The composition of investment return on the Corporations' investment portfolios for the three-month period ended June 30, 2011 is as follows:

Interest and dividend income	$	7,937
Net realized gains on sale of investments		751
Net change in unrealized gains and losses during the holding period		(190)
Investment return	$	8,498

(In thousands)

Changes in unrealized gains and losses during the holding period are included with nonoperating gains (losses) for that portion of the investment portfolios that management has designated as trading securities. All other changes in unrealized gains and losses during the holding period are attributable to other-than-trading securities and, accordingly, are excluded from the determination of revenue and gains in excess of expenses and losses. Investment returns are included in the accompanying consolidated statements of operations and changes in net assets for the three-month period ended June 30, 2011 as follows:

Interest and dividend income	$	7,937
Net realized gains on sale of investments		751
Net change in unrealized gains and losses during the holding period		(190)
Investment return	$	8,498

Gross unrealized losses on other-than-trading investment securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at June 30, 2011 were as follows:

	Less than 12 months		12 months or longer		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Corporate bonds and notes	$ 102,078	(225)	—	—	102,078	(225)
Government and agency securities	3,041	(1)	—	—	3,041	(1)
Total	$ 105,119	(226)	—	—	105,119	(226)

The decline in fair value of corporate bonds and notes is primarily attributable to changes in interest rates and the market's perception of credit quality. The Corporations have the intent and ability to hold these investments until a market price recovery or maturity, and therefore, these investments are not considered other-than-temporarily impaired.

(7) Fair Value Measurements

(a) Fair Value of Financial Instruments

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

- The carrying amount reported in the consolidated balance sheet for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, accounts receivable, inventories, prepaid expenses, accounts payable and accrued liabilities, construction payables, and estimated third-party payor settlements.
- Assets whose use is limited or restricted: Fair values are estimated based on prices provided by its investment managers, custodian banks, and valuations provided by an independent

investment reporting service. Common stocks, quoted mutual funds, and direct U.S. government obligations are measured using quoted market prices at the reporting date multiplied by the quantity held. Corporate bonds, notes, certain American Depository Receipts, and U.S. Agency securities are measured using other observable inputs. The carrying value equals fair value.

- Interest rate swap agreements: The fair value of interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The value was determined after considering the potential impact of netting agreements, adjusted to reflect nonperformance risk of both the counterparty and the Corporations. The carrying value equals fair value.
- Fair value of fixed rate long-term debt is estimated based on market indications for the same or similar debt issues.

(b) Fair Value Hierarchy

The Corporations apply ASC Subtopic 820-10 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 financial statements on a recurring basis. ASC Subtopic 820-10 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 the Corporations have the ability to access at the measurement date. Level 1 assets include cash and cash equivalents, common stock, quoted mutual funds, and direct U.S. government obligations.
- 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 2 assets include corporate bonds, notes, American Depository Receipts and U.S. agency securities, and nonquoted mutual funds.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

(In thousands)

The following table presents assets and liabilities that are measured at fair value on a recurring basis at June 30, 2011:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Cash and cash equivalents	$ 40,899	40,899	—	—
Assets whose use is limited or restricted:				
Corporate bonds and notes	685,277	88,978	596,299	—
Government and agency securities	59,090	27,094	31,996	—
Mutual funds and common stocks	342,088	342,088	—	—
Short-term securities and money market funds	99,232	99,232	—	—
Retirement plan assets:				
Government and agency securities	1,217	1,217	—	—
Mutual funds and common stocks	3,077	3,072	—	5
Short-term securities and money market funds	78	78	—	—
Total	$ 1,230,958	602,658	628,295	5
Liabilities:				
Interest rate derivatives	$ 30,063	—	30,063	—

(c) Alternative Investments

The Corporations evaluate investments carried under the cost method of accounting for impairment on an annual basis. These investments are considered to be impaired whenever events or changes in circumstances indicate the carrying amount of an investment may not be recoverable from future cash flows. Recoverability of these investments is measured by a comparison of the carrying amount of an investment to future cash flows expected to be generated by the investment. When such investments are considered to be impaired, the impairment loss recognized is measured by the amount by which the carrying value of the investment exceeds the fair value of the investment. The Corporations did not recognize any impairment charges during the three-month period ended June 30, 2011 related to cost basis investments. The carrying and estimated fair value of cost basis

investments at June 30, 2011 was $16,480 and $16,987, respectively. Fair value of alternative investments is based on the Corporations' proportionate interest in the net asset value of the respective investment.

(8) Derivative Instruments

The Corporations have interest rate related derivative instruments to manage exposure on debt instruments. By using derivative financial instruments to hedge exposures to changes in interest rates, the Corporations are exposed to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparty owes the Corporations, which creates credit risk for the Corporations. When the fair value of a derivative contract is negative, the Corporations owe the counterparty, and therefore, it does not possess credit risk. The Corporations minimize the credit risk in derivative instruments by entering into transactions with high-quality counterparties. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. The Corporations' management also mitigates risk through periodic reviews of its derivative positions in the context of their total blended cost of capital.

In an effort to lower its overall cost of capital on long-term debt, the Corporations maintain four interest rate swap agreements, which have the effect of changing the variable rate on a portion of the long-term debt to a fixed rate. The notional amounts under the interest rate swap agreements are reduced over the term of the agreements. Under the first agreement, the Corporations receive 67% of three-month USD-LIBOR-BBA on a notional amount of $64,663 every month, and make payments at an annual fixed rate of 3.518% through November 1, 2038. This agreement gives the swap counterparty a one-time option to cancel the swap at fair value on November 1, 2017, after which, if unexercised, the swap will remain outstanding through its stated expiration. Under the second agreement, the Corporations receive 67% of three-month USD-LIBOR-BBA on a notional amount of $64,663 every month, and make payments at an annual fixed rate of 3.818% through November 1, 2038. Under the third agreement, the Corporations receive 67% of LIBOR on a notional amount of $35,000 every month, and make payments at an annual fixed rate of 4.18% through May 1, 2032. Under the fourth agreement the Corporations receive 67% of LIBOR on a notional amount of $33,275 every month, and make payments at an annual fixed rate of 2.89% through May 1, 2033. Under all four swap agreements, the Corporations retain the right to cancel either or both in whole or in part at any time for cash at settlement value.

The interest rate swap agreements were not designated as cash flow hedge instruments by the Corporations, and therefore, changes in the fair value of the interest rate swap agreements of $(4,063) for the three-month period ended June 30, 2011 were recognized as losses within nonoperating gains and losses: investment return, unrestricted contributions, and other, net in the accompanying consolidated statement of operations. The fair value of the interest rate swap liability of $30,063 at June 30, 2011 is included with deferred revenue and other long-term liabilities in the accompanying consolidated balance sheet. Total net payments made by the Corporations under the swap agreements totaled $1,799 for the three-month period ended June 30, 2011 and are reported within interest expense in the accompanying consolidated statement of operations.

(In thousands)

(9) Investment in Joint Ventures

The Corporations have joint venture and operating partnership investment interests in ambulatory surgical facilities, fitness centers, and other health-related businesses that are accounted for using the equity method. The following is a summary of financial information as of and for the three-month period ended June 30, 2011 relating to equity method joint ventures:

Current assets	$	17,466
Current liabilities		8,556
Working capital		8,910
Property and equipment, net		40,557
Other long-term assets		293
Long-term liabilities		12,174
Net assets	$	37,586
Revenues	$	11,539
Expenses		9,591
Excess of revenues over expenses	$	1,948

The carrying value of equity method joint venture investments of $13,961 at June 30, 2011 is included with investments in joint ventures and other assets in the accompanying consolidated balance sheet. Net equity earnings from these investments amounted to $1,534 during the three-month period ended June 30, 2011 and is included with net nonoperating gains in the accompanying consolidated statement of operations. The Corporations received cash distributions from such joint ventures of $1,283 for the three-month period ended June 30, 2011. During the three-month period ended June 30, 2011, the Corporations recognized a $668 impairment of a joint venture for that portion of the joint venture's carrying value considered permanently impaired.

In 2009, CDHealth entered into a joint venture with ProCure Treatment Centers, Inc. and certain radiation oncologists that sought to build, equip, and operate a proton beam therapy center (the Proton Beam Venture). CDHealth provided initial capital contributions of $10,000 to the Proton Beam Venture during 2009. CDHealth has an approximate 12.2% effective equity interest in the Proton Beam Venture, which is accounted for under the cost method. The $10,000 carrying value of the Proton Beam Venture is included with investments in joint ventures and other assets. The proton beam venture became operational during 2011.

Simultaneously with its investment, CDHealth also provided a $40,000 loan to ProCure Treatment Centers, Inc. to support the development and construction of the proton beam therapy center. The loan is evidenced by an unsecured note receivable and accrues interest at a rate per annum of 14% over the term, which is approximately 12 years. Interest on the note is accrued and added to the outstanding note receivable balance for the first four years. Interest is due and payable semiannually after the fourth year. Principal and accrued interest payments are due at the maturity of the note receivable. CDHealth recognized

(In thousands)

approximately $1,869 in accrued interest income on the note receivable for the three-month period ended June 30, 2011, which is included in nonoperating gains in the accompanying consolidated statement of operations. Included in notes and advances receivable at June 30, 2011 is $57,127 of total outstanding principal and accrued interest amounts related to the note receivable.

In support of its efforts to develop a broader oncology presence, CDHealth purchased a parcel of land for $8,215 on which the proton beam therapy center and a cancer treatment center were constructed. CDHealth entered into a ground lease agreement with ProCure Management, LLC to lease the land on which the proton beam therapy center operates. The initial term of the ground lease is 50 years with the option to renew for two 20-year periods. For the three-month period ended June 30, 2011, CDHealth recognized $108 of rental income under the land lease, which is included in other revenue in the accompanying consolidated statement of operations.

(10) Other Revenue – Entrance Fees and Revenue Recognition

Residential Living recognizes revenue from residents through service fees, monthly assessments, and amortization of entrance fees. Service fees and monthly assessments are recognized as revenue in the period in which they relate. Residents also pay entrance fees, which can be all or partially refundable as determined by the resident's length of occupancy. Resident refunds limited to the extent of reoccupancy proceeds are included in deferred revenue. Refundable entrance fees are amortized to revenue using the straight-line method over the estimated useful life of the residents' townhomes. Nonrefundable portions of entrance fees are included in deferred revenue from entrance fees and are amortized to revenue using the straight-line method over the actuarially determined remaining life expectancies of the residents. Amortization of entrance fees amounted to $131 for the three-month period ended June 30, 2011, which is included in other revenue in the accompanying consolidated statement of operations. Gross refundable entrance fees at June 30, 2011 amounted to $6,696.

(11) Land, Buildings, and Equipment

A summary of land, buildings, and equipment as of June 30, 2011 follows:

	Cost	Accumulated depreciation and amortization
Land	$ 34,919	—
Land improvements	43,120	21,888
Leasehold improvements	12,193	6,492
Buildings and building service equipment	715,081	241,517
Major movable equipment	329,029	236,776
Construction in progress	190,610	—
	$ 1,324,952	506,673

Construction in progress at June 30, 2011 consists primarily of costs incurred for a new patient bed tower and other various construction and renovation projects. Significant contractual commitments outstanding at June 30, 2011 on construction projects approximate $13,130.

Interest cost is capitalized as a component cost of significant capital projects, net of any interest income earned on unexpended project-specific borrowed funds. During the three-month period ended June 30, 2011, the Corporations capitalized $2,486 of interest cost. Gross interest cost capitalized was $2,500, which was offset by $14 of investment income on borrowed funds held by the bond trustee.

The Corporations evaluate long-lived assets for impairment on an annual basis. Long-lived assets are considered to be impaired whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable from future cash flows. No impairments of long-lived assets were recognized during the three-month period ended June 30, 2011.

The Corporations lease medical office buildings to physicians and other healthcare providers under various operating lease arrangements. Rental income recognized under the terms of operating leases amounted to $2,603 for the three-month period ended June 30, 2011, and is included with other revenue. Future minimum rental payments receivable under noncancelable operating leases are as follows: 2012 – $8,219; 2013 – $7,073; 2014 – $6,441; 2015 – $5,426; 2016 – $3,613; and 2017 and thereafter – $4,868.

The Corporations lease office space and equipment under various operating lease agreements. Rental expense recognized under the terms of operating leases amounted to $1,733 for the three-month period ended June 30, 2011, and is included with other expense. Future minimum rental commitments under noncancelable office space operating leases are as follows: 2012 – $4,494; 2013 – $3,999; 2014 – $3,363; 2015 – $3,227; 2016 – $1,732; and 2017 and thereafter – $1,018.

(In thousands)

(12) Long-term Debt

A summary of long-term debt at June 30, 2011 follows:

CDH Master Trust Indenture obligations:		
Revenue bonds, Series 2009 B with interest at various fixed rates averaging 5.36% and maturing on various dates beginning November 1, 2013 through November 1, 2039	$	240,000
Revenue bonds, Series 2009 with interest at various fixed rates averaging 5.25% and maturing on various dates beginning November 1, 2014 through November 1, 2039		90,000
Variable rate demand revenue bonds, Series 2004 A, interest at a variable rate determined daily, due by annual mandatory redemption through November 1, 2038, effective interest rate of 0.20%		127,150
Periodic auction rate revenue bonds, Series 2000 A-1, interest at a variable rate determined daily, due by annual mandatory redemption through November 1, 2024, effective interest rate of 0.32%		150
Periodic auction rate revenue bonds, Series 2000 A-2, interest at a variable rate determined weekly, due by annual mandatory redemption through November 1, 2024, effective interest rate of 0.31%		12,575
Delnor Master Trust Indenture obligations:		
Fixed rate revenue bonds, Series 2002A, maturing on various dates between 2020 and 2022, in principal amounts ranging from $1,850 to $2,200; interest rate of 5.25%		6,000
Fixed rate revenue bonds, Series 2002B, maturing on various dates between 2022 and 2025, in principal amounts ranging from $400 to $2,450; interest rate of 5.25%		6,000
Fixed rate revenue bonds, Series 2002C, maturing on various dates between 2025 and 2027, in principal amounts ranging from $1,600 to $2,700; interest rate of 5.25%		6,000
Fixed rate revenue bonds, Series 2002D, maturing on various dates between 2027 and 2032, in principal amounts ranging from $1,050 to $3,450; interest rate of 5.25%		17,000
Fixed rate revenue bonds, Series 2003A, maturing on various dates between 2009 and 2023, in principal amounts ranging from $625 to $2,525; interest rate of 5.00%		21,925
Fixed rate revenue bonds, Series 2003B, maturing on various dates between 2024 and 2032, in principal amounts ranging from $25 to $900; interest rate of 5.25%		6,150
Fixed rate revenue bonds, Series 2003C, maturing on various dates between 2032 and 2033, in principal amounts ranging from $625 to $4,575; interest rate of 5.25%		5,200

(In thousands)

Variable rate demand revenue refunding bonds, Series 2008A, maturing on various dates between 2009 and 2038, in principal amounts ranging from $170 to $8,025; interest rate of 0.25%	$	58,415
Delnor Foundation – South Elgin Holding Mortgage, interest at 5.75% maturing through October 1, 2014		1,900
Total long-term debt		598,465
Less current installments of long-term debt		4,658
Plus unamortized net bond premiums		1,595
Long-term debt, net of unamortized bond premiums and current installments	$	595,402

CDHealth and CDH, collectively referred to as the CDH Obligated Group, entered into a Master Trust Indenture (CDH Master Trust Indenture) dated as of May 1, 2000. The purpose of the CDH Master Trust Indenture is to provide a mechanism to be able to issue promissory notes and other evidences of indebtedness in order to secure the financing or refinancing of facilities and for other lawful proper corporate purposes. The CDH Master Trust Indenture provides for other legal entities in the future to participate with CDHealth and CDH in a Credit Group for the payment of obligations and the performance of all covenants contained therein. The Credit Group consists of the CDH Obligated Group and any affiliate CDHealth designates as a Credit Group member. All notes issued under the CDH Master Trust Indenture are the joint and several obligations of each member of the CDH Obligated Group. The CDH Master Trust Indenture requires CDH Obligated Group members to cause Credit Group members to make payments on notes issued by other members of the CDH Obligated Group if such other members are unable to satisfy their obligations under the CDH Master Trust Indenture. No other CDHealth affiliates are currently designated as Credit Group members. As long as any Series 2000 revenue bonds are outstanding, all bonds outstanding under the Master Trust Indenture are secured by a security interest in the CDH Obligated Group's unrestricted receivables. The security interest in unrestricted receivables can be eliminated upon the extinguishment of all Series 2000 obligations.

On November 18, 2009, the Illinois Finance Authority issued $240,000 of Series 2009 B Bonds on behalf of CDHealth. The loan of the Series 2009 B bond proceeds is secured by a direct note obligation issued under the CDH Master Trust Indenture. The Series 2009 B bond proceeds are being used, together with certain other available funds of the Corporations, to pay and reimburse CDHealth and CDH for a portion of the costs of acquiring, constructing, renovating, remodeling, and equipping certain healthcare facilities, including, but not limited to, the construction and equipping of a five-story bed pavilion, medical imaging center, construction of an additional parking garage, funded interest, and working capital. The Series 2009 B bond proceeds were also used to current refund $14,365 of the outstanding principal of the Series 2000 B Bonds, $14,365 of the outstanding principal of the Series 2000 C Bonds, $3,160 of the outstanding principal of the Series 2004 A Bonds, $34,750 of the outstanding principal amount of the Series 2004 B Bonds, and $34,965 of the outstanding principal amount of the Series 2004 C Bonds. The Series 2009 B Bonds comprised a $61,405 issue of serial bonds maturing as of November 1, 2013 to 2021, a term bond of $27,425 due as of November 1, 2024, a term bond of $27,370 due as of November 1, 2029, and term bonds of $20,000, $63,000, and $40,800 due as of November 1, 2039. The term bonds are subject to mandatory

bond sinking fund redemptions beginning as of November 1, 2022, 2025, and 2030, respectively. The Series 2009 B Bonds bear interest at effective rates ranging from 2.94% to 5.63% depending on the date of maturity. These fixed rate bonds were issued at an overall premium from face value totaling $1,070, which is being amortized ratably using the effective-interest method over the life of the bonds.

On May 6, 2009, the Illinois Finance Authority issued $90,000 of Series 2009 Bonds on behalf of CDHealth. The loan of the Series 2009 bond proceeds is secured by a promissory note issued under the CDH Master Trust Indenture. The Series 2009 bond proceeds were used to pay and reimburse CDHealth and CDH for a portion of the costs of acquiring, constructing, renovating, remodeling, and equipping certain healthcare facilities and for funded interest. The Series 2009 Bonds comprised an $8,700 issue of serial bonds maturing as of November 1, 2014 to 2019, a term bond of $56,225 due as of November 1, 2027, and a $25,075 term bond due as of November 1, 2039. The term bonds are subject to mandatory bond sinking fund redemptions beginning as of November 1, 2015 and 2031. The Series 2009 Bonds bear interest at effective rates ranging from 3.18% to 5.50% depending on the date of maturity. These fixed rate bonds were issued at an overall discount from face value totaling $1,605, which is being amortized ratably using the effective-interest method over the life of the bonds.

On May 19, 2004, the Illinois Finance Authority issued its $140,000 Series 2004 A Bonds on behalf of CDHealth. The loan of the Series 2004 A Bond proceeds is secured by a direct note obligation issued under the CDH Master Trust Indenture. The Series 2004 A Bond proceeds were used to provide working capital, pay the cost of issuing the bonds, retire certain then-existing indebtedness, and pay or reimburse CDHealth and CDH a portion of the costs of acquiring, constructing, renovating, remodeling, and equipping certain healthcare facilities. The Series 2004 A Bonds bear interest at a variable rate daily mode. The Series 2004 A Bonds may be converted at the option of CDHealth, subject to certain restrictions, to bonds that bear interest at different rates using different rate modalities, including different variable rates, Periodic Auction Rate (PARS) rates, flexible rates, or fixed rates. The loan of the proceeds of the Series 2004 A Bonds is secured by direct note obligations of the CDH Obligated Group. The Series 2004 A Bonds have put options, which allow the bonds to be put prior to maturity or mandatory redemption. The CDH Obligated Group has an agreement with an underwriter to remarket any bonds redeemed based on the exercise of put options.

On May 12, 2000, the Illinois Finance Authority issued $100,000 of PARS bonds, Series 2000 A, on behalf of CDHealth. The Series 2000 A Bonds were issued through $50,000 of Sub-Series 2000 A-1 Bonds and $50,000 of Sub-Series 2000 A-2 Bonds. The loan of the proceeds of the Series 2000 A Bonds is secured by direct note obligations of the CDH Obligated Group.

The Sub-Series 2000 A-1 Bonds bear interest at the applicable PARS rate, which is subject to change based on a daily auction. Interest is payable on the first business day of the following month for any daily auction period. The Sub-Series 2000 A-2 Bonds bear interest at the applicable PARS rate based on a weekly auction. Interest is payable on the first business day following the weekly auction period. During any PARS rate period, Series 2000 A Bonds can be converted to a daily, 7-day, 28-day, 35-day, three-month, six-month, or a special auction period.

The Series 2000 A Bonds are subject to a periodic auction process for which there must be sufficient new bids for an existing bondholder to sell their bonds prior to maturity. Since February 2008, these bonds have

paid interest using a maximum rate formula under the bond indenture as specified for "failed auctions" resulting from market conditions.

At the time the Series 2000 A Bonds were issued, the CDH Obligated Group obtained a financial guaranty insurance policy through Municipal Bond Investors Assurance Corporation (MBIA) that guarantees the payment of principal and interest on the Series 2000 A Bonds when due. The CDH Obligated Group also maintains a liquidity facility agreement with JP Morgan for the Series 2004 A Bonds, which was set to expire as of November 16, 2012. On August 5, 2011, the CDH Obligated Group refunded the Illinois Finance Authority Series 2004 A Bonds outstanding in the par amount of $127,150. The refunding of the Series 2004 A Bonds was funded with the issuance of the Illinois Finance Authority Series 2011 A and Series 2011 B Bonds by the CDH Obligated Group in the aggregate par amount of $127,150. The Series 2011 A and Series 2011 B Bonds were issued in the Index Mode and have mandatory tenders on August 1, 2016 and August 2, 2021, respectively. The Series 2011 A and Series 2011 B Bonds are secured by the CDH Obligated Group.

Delnor Hospital entered into a Master Trust Indenture (Delnor Master Trust Indenture) dated as of May 15, 1989. The purpose of the Delnor Master Trust Indenture is to provide a mechanism to be able to issue promissory notes and other evidences of indebtedness in order to secure the financing or refinancing of facilities and for other lawful proper corporate purposes. In May 2002, Delnor Hospital issued Auction Rate Certificates, Series 2002 A, Series 2002 B, Series 2002 C, and Series 2002 D, in the aggregate amount of $35,000 through the Illinois Finance Authority (the Series 2002 Bonds). Proceeds of the Series 2002 Bonds were used to provide funding for various capital expenditures made by Delnor Hospital. The Series 2002 Bonds bore interest at auction rates, which were determined every 35 days. Holders of the Series 2002 Bonds had a put option that allowed them to tender the bonds prior to maturity. The Hospital had an agreement with an underwriter to remarket any bonds tendered based on the exercise of put options.

On May 23, 2008, the Illinois Health Facilities Authority remarketed the Series 2002 Bonds as Fixed Rate Revenue Bonds (Series 2002 Remarketed Bonds) in the aggregate amount of $35,000 on behalf of Delnor Hospital. The proceeds from the Series 2002 bond remarketing were used to convert the Series 2002 Auction Rate Certificates utilized to provide funding for various capital expenditures made by Delnor Hospital to fixed rate revenue bonds.

Principal and interest payments on the Series 2002 Remarketed Bonds are guaranteed by a bond insurance policy. In addition, the bonds are secured by Delnor Hospital's unrestricted receivables. Provisions of the bond indentures require Delnor Hospital to maintain certain minimum financial ratios and limit new borrowings and transfers of property subject to compliance with certain financial ratios.

In July 2003, Delnor Hospital issued Auction Rate Certificates, Series 2003 A, Series 2003 B, and Series 2003 C, in the aggregate amount of $47,775 through the Illinois Finance Authority (the Series 2003 Bonds). Proceeds of the Series 2003 Bonds were used to advance refund then-existing indebtedness and to provide funding for various capital expansion projects. On May 23, 2008, the Illinois Health Facilities Authority remarketed the Series 2003 Bonds as Fixed Rate Revenue Bonds (Series 2003 Remarketed Bonds) in the aggregate amount of $39,050 on behalf of the Hospital. The proceeds from the Series 2003 bond remarketing were used to convert the Series 2003 Auction Rate Certificates to fixed rate revenue bonds.

(In thousands)

Principal and interest payments on the Series 2003 Remarketed Bonds are guaranteed by a bond insurance policy. In addition, the bonds are secured by Delnor Hospital's unrestricted receivables. Provisions of the bond indentures require Delnor Hospital to maintain certain minimum financial ratios and limit new borrowings and transfers of property subject to compliance with certain financial ratios.

In June 2008, the Hospital issued Variable Rate Demand Revenue Refunding Bonds, Series 2008A, in the amount of $59,090 through the Illinois Finance Authority (the Series 2008A Bonds). The Series 2008A Bonds were issued pursuant to the Delnor Master Trust Indenture. Proceeds of the Series 2008A Bonds were used to retire then-existing indebtedness. The bonds were secured by Delnor Hospital's unrestricted receivables and an irrevocable letter of credit, which was set to expire October 15, 2013. On August 24, 2011, Delnor Hospital refunded the Series 2008 A Bonds outstanding in the par amount of $58,415. The refunding of the Series 2008 A Bonds was funded with the issuance of the Illinois Finance Authority Series 2011C Bonds in the par amount of $58,415. The Series 2011 C Bonds were issued in the Index Mode and have a mandatory tender date of August 24, 2018. The Series 2011 C Bonds are secured by Delnor Hospital.

Deferred finance charges consist of underwriter fees and other issuance costs. Deferred finance charges are amortized using the bonds outstanding method over the periods in which the related obligations are expected to be outstanding.

At June 30, 2011, the fair value of the Series 2009 and Series 2009 B fixed rate bonds was $89,748 and $246,802, respectively. The recorded carrying amount of the Series 2009 and Series 2009B fixed rate bonds was $88,578, net of unamortized discount, and $240,977, net of unamortized premium, respectively.

At June 30, 2011, the fair values of the Series 2002 A-D and Series 2003 A-C fixed rate bonds was $34,066 and $33,889, respectively. The recorded carrying amount of the Series 2002A-D and Series 2003A-C fixed rate bonds was $35,753, including unamortized premium, and $34,562, including unamortized premium, respectively.

At June 30, 2011, the fair value of the Corporations' variable rate long-term debt approximated recorded amounts.

Scheduled principal repayments of long-term debt, after giving effect to the refinancing of the Series 2004 A Bonds and Series 2008 A Bonds on August 5, 2011 and August 24, 2011, respectively, are as follows:

Year ending June 30:	
2012	$ 4,658
2013	4,969
2014	14,642
2015	12,755
2016	13,350
Thereafter	548,091
	$ 598,465

CDHealth is a limited partner in HealthTrack Sports & Wellness, LP, an Illinois limited partnership that owns and operates a sports and fitness facility located in Glen Ellyn, Illinois (HealthTrack). CDHealth's affiliate DuPage Health Services, Inc. (DHSI) is a member of the limited liability company that serves as general partner of the limited partnership. CDHealth guarantees one-half of the debt and interest rate swaps of HealthTrack. As of June 30, 2011, there was $4,000 of debt outstanding at HealthTrack, of which CDHealth has guaranteed $2,000. HealthTrack has a fixed payer interest rate swap to hedge its exposure to fluctuations in interest rates. The swap had a liability of $575 at June 30, 2011, $288 of which was subject to the CDHealth guaranty. There is no collateral posting requirement on the swap. CDHealth has not been required to make any payment pursuant to this bank guaranty.

CDHealth is a member with a one-third ownership interest in Bloomingdale Life Time Fitness, LLC, an Illinois limited liability company that owns a sports and fitness facility located in Bloomingdale, Illinois (Lifetime). CDHealth guarantees one-third of the debt and interest rate swaps of Lifetime. As of June 30, 2011, there was $7,300 of debt outstanding at Lifetime, of which CDHealth has guaranteed $2,433. CDHealth has not been required to make any payment pursuant to its guaranty.

During 2010, CDHealth sold its senior care and living facilities. Pursuant to the terms of the sale agreement, CDHealth agreed to provide certain liquidity and guarantees of buyer acquisition debt and obligations subsequent to the date of sale. CDHealth also guaranteed certain long-term debt of the senior care facilities assumed by the buyer. Pursuant to these terms, CDHealth deposited $6,400 in escrow accounts for the benefit of the senior lender in the event the buyer does not make scheduled debt service payments or comply with specified debt covenants. Such escrow amounts are included with assets whose use is limited – funds held by trustees. In addition, CDHealth has provided the senior lender a put option for a five-year period subsequent to the transaction date that allows the senior lender to put the buyer debt to CDHealth in the event the buyer fails to satisfy occupancy, debt service coverage, or days cash on hand ratios for any quarter. The put option extends to the earlier of the maturity date on the debt or the achievement of the aforementioned ratios for four consecutive quarters. In the event the senior lender puts the debt to CDHealth, CDHealth will assume the debt under the same terms and conditions as the buyer. Total debt outstanding at June 30, 2011 subject to the guarantees approximated $36,915. As of June 30, 2011, no escrowed funds have been drawn upon nor have the Corporations been required to assume the buyer acquisition debt or make any payments pursuant to the guarantee arrangements. Any payments made under the guarantees will be secured by the assets of the senior care and living facilities.

(13) Employee Retirement Plans

CDHealth sponsors a defined contribution retirement plan (the Plan) that covers substantially all employees of CDH, CDPG, CNS, PAHCS II, Special Health, and Foundation. The Plan is a money purchase defined contribution plan qualified under Section 401 of the Code. Other significant provisions of the Plan are as follows:

- **Contributions** – The Corporations contribute 5% of qualified employees' gross annual earnings into each participant's plan account. Employee contributions to the Plan are not permitted. The Corporations fund the Plan annually for the plan year ended December 31.

- **Qualification** – To qualify for the Plan, employees must complete one year of employment, be at least 21 years of age, and provide a minimum of 1,000 hours of annual service.
- **Vesting** – Prior to January 1, 2002, employees vested in the Plan over a seven-year period. As of January 1, 2002, the vesting period was reduced to a six-year period. Forfeited employer contributions revert back to the Corporations.

Effective July 1, 1999, CDHealth and participating affiliates adopted a matched savings plan under Section 403(b) of the Code (the 403(b) Plan). The 403(b) Plan is a defined contribution plan and significant provisions of the 403(b) Plan are as follows:

- **Contributions** – Employees contribute to the 403(b) Plan through salary reductions specified in the participant's salary reduction agreement. CDHealth and affiliates, at their sole discretion, may make matching contributions to the 403(b) Plan equal to a defined percentage of the participant's contributions for participants who have earned one year of service.
- **Qualification** – Employees employed on July 1, 1999 were immediately eligible to participate in the 403(b) Plan. An employee hired after July 1, 1999 and before the 15th day of the month in which they were hired become eligible to participate in the 403(b) Plan on the first day of the month after the employee has earned one hour of service.
- **Vesting** – Employees are fully vested in their participant contributions to the 403(b) Plan. Prior to January 1, 2002, employer contributions vested over a seven-year period. As of January 1, 2002, the vesting period was reduced to a six-year period. Forfeited employer contributions revert back to CDHealth and its affiliates.

The Corporations make contributions to the Plan and the 403(b) Plan equal to amounts accrued for pension expense. Pension expense of $2,456 for the three-month period ended June 30, 2011 has been recognized under the terms of the Plan and the 403(b) Plan and is included with employee benefits expense.

CDHealth and CDH also sponsor deferred compensation programs to supplement the income of participating individuals during retirement or following separation from the organization. Eligibility for the plans is restricted to specified executives or as defined by the Internal Revenue Service for certain "highly paid" employees. The deferred compensation plans are not qualified retirement plans under Section 401 of the Code. Contributions to the plans are stipulated in the plan documents and involve various methodologies depending on the plan. These range from use of an actuarial analysis based on compensation, an annual sum approved at the Board's discretion or salary deferrals as elected by the participants. CDHealth and CDH have recorded $75 of pension expense during the three-month period ended June 30, 2011 under provisions of the deferred compensation plans. Amounts accrued for the benefit of the specified participants under the plans are reflected as retirement plan liabilities in the noncurrent liabilities section of the accompanying consolidated balance sheet.

Delnor Hospital and Residential Living maintain defined contribution plans covering substantially all full-time employees of Delnor Hospital and Residential Living. Contributions are 2% of each covered employee's salary and a matching portion of 50% of the employee's contribution up to a maximum of 4% of individual earnings. DelCom maintains a 401(k) plan for the employees of DelCom. DelCom will match

contributions up to 4% of the employee's contribution. The total cost of these plans was approximately $570 for the three-month period ended June 30, 2011, and is included in employee benefits expense in the accompanying consolidated statement of operations. These plans are funded on a current basis.

(14) Self-insurance

(a) Professional and General Liability

Effective April 16, 1979, CDH entered into a contractual agreement with the Illinois Provider Trust (IPT), a self-insurance administrator that, through its risk-sharing provisions, provided CDH with insurance coverage for medical, professional, and comprehensive general liability exposure. CDH ceased participation in IPT effective July 1, 1999. CDH obtained various levels of primary and excess insurance coverage from IPT on an occurrence basis while a participant in the program prior to July 1, 1999. IPT is a multi-hospital trust formed pursuant to the provisions of the Illinois Religious and Charitable Risk Pooling Act. Hospitals participating in IPT are obligated to make additional contributions necessary for maintaining trust assets at a level adequate to support anticipated disbursements as defined in the trust agreement. This obligation continues beyond the period of participation in the trust.

For the period July 1, 1999 through August 12, 2002, CDH obtained coverage from commercial insurance carriers for all professional and general liability claims. For the period July 1, 1999 through August 12, 2001, coverage was occurrence-based; and for the period August 13, 2001 through August 12, 2002, such coverage was on a claims-made basis. The commercial carrier, which provided coverage for the period July 1, 1999 through June 30, 2000 is insolvent and CDH does not expect the carrier to be able to pay claims for contracted coverage limits. Effective August 13, 2002, CDH elected to again participate in the IPT. Professional liability coverage, as well as excess coverage obtained from the IPT, was on a claims-made basis whereas general liability continued on an occurrence basis.

As of January 1, 2006, CDH terminated its participation in the IPT and became self-insured for all its professional and general liability claims made on or subsequent to that date. CDH has procured excess liability coverage from commercial carriers on a claims-made basis to insure those claims that may exceed a stated self-insured retention amount. A self-insurance trust fund is maintained for anticipated claims that may be payable from the retained amount based on an actuarial review of historical and industry claims patterns. CDH utilizes the services of a professional consultant for actuarial evaluations of self-insured funding requirements. CDH has designated attorneys to handle legal matters relating to medical, professional, and comprehensive general liability matters. The CDH professional and general liability insurance program also provides coverage to other CDHealth affiliates, excluding affiliates that merged with CDHealth on April 1, 2011. The Corporations recognize a provision for the ultimate cost of claims reported that fall within the self-insured retention, cost of claims not insured, and estimates of claims incurred but not reported as of the respective consolidated balance sheet dates for uninsured exposures.

Delnor Hospital is under a contractual agreement with IPT for its medical, professional, and comprehensive general liability exposures. Coverage obtained from IPT was provided on an

occurrence basis through December 31, 2004. Effective January 1, 2005, IPT began providing primary insurance coverage on a claims-made basis. Excess coverage currently provided through IPT is on the claims-made basis. General liability coverage is on an occurrence basis. As of July 1, 2011, Delnor Hospital terminated its participation in IPT and became self-insured for all its medical, professional, and comprehensive general liability claims made on or subsequent to that date.

The provision for claims incurred but not reported at June 30, 2011 is actuarially determined using factors including historical Corporations' and specific industry experience. The estimated outstanding professional and general claims liability of $38,393 at June 30, 2011 is included with deferred revenue and other long-term liabilities. Included in other expense are provisions of $3,145 for professional and general liability program expenses. No portion of the professional and general claims liability is reported within current liabilities, as the amount expected to be paid within one year of the consolidated balance sheet is not determinable.

(b) Workers' Compensation

The Corporations maintain self-insurance programs for workers' compensation coverage. Accrued workers' compensation claims of $6,401 at June 30, 2011 are included with deferred revenue and other long-term liabilities in the accompanying consolidated balance sheet. The provision for claims incurred but not reported at June 30, 2011 is actuarially determined using factors including the Corporations' historical and industry-specific experience. Provisions for the self-insured workers' compensation claims of $1,836 for the three-month period ended June 30, 2011 are included in employee benefits expense as the best estimate of workers' compensation insurance costs. Coverage from commercial insurance carriers is maintained for claims in excess of self-insured retention levels. No portion of the workers' compensation claims liability is reported within current liabilities, as the amount expected to be paid within one year of the consolidated balance sheet is not determinable.

(c) Healthcare

The Corporations also participate in a program of self-insurance for employee healthcare coverage. Accrued health claims of $3,387 at June 30, 2011 are included with other accrued liabilities in the accompanying consolidated balance sheet. Provisions for self-insured employee healthcare claims amounted to $9,314 for the three-month period ended June 30, 2011 and are included in employee benefits expense. Stop-loss reinsurance coverage is maintained for claims in excess of stop-loss limits.

CDHealth is self-insured for employee dental coverage. Accrued dental claims of approximately $143 at June 30, 2011 are included with other accrued liabilities in the accompanying consolidated balance sheet. Provisions for self-insured employee dental claims amounted to $275 for the three-month period ended June 30, 2011 and are included in employee benefits expense.

(15) Endowments

The Corporations comply with the provisions of ASC Subtopic 958. ASC Subtopic 958 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is

(In thousands)

subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also required disclosures about endowments funds, both donor-restricted endowment funds and board-designated endowment funds.

The Foundation established two donor-restricted endowment funds (collectively referred to as the Funds), the principal of which may not be expended. The interest and dividend income and realized gains from the fund established in 1973 and the fund established in 2001 are utilized for CDH operations and a physician services program, respectively. The Funds are classified in permanently restricted net assets in the consolidated balance sheet at June 30, 2011.

The Funds' activity for the three-months ended June 30, 2011 is as follows:

Beginning fair value	$	5,255
Current year contributions		3
Income:		
Interest and dividends		15
Disbursements:		
Assets released from restriction		(12)
Unrealized gains, net		4
Ending fair value	$	5,265

The principal of the Funds is approximately $5,265 at June 30, 2011. The fair value of assets associated with individual donor-restricted endowment funds may fall below the amount of the original donation as a result of unfavorable market conditions. There were no such deficiencies as of June 30, 2011.

(16) Physician Loans

Delnor Hospital has line-of-credit agreements with physicians under guidelines approved by the board of directors. The agreements are extended to physicians where a community need is identified. The agreements have a maximum term of two years. Under the terms of the loan agreements, Delnor Hospital will provide partial forgiveness of the principal and interest owed for every year the physician serves the community up to four years after the initial term of the agreement. At June 30, 2011, approximately $1,819 of physician loans due within one year were recorded as other current assets in the accompanying consolidated balance sheet. At June 30, 2011, approximately $1,227 of physician loans due after one year were recorded as other assets in the accompanying consolidated balance sheet.

(17) Commitments and Contingencies

(a) Litigation

The Corporations are involved in litigation arising in the normal course of business. In consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Corporations' financial position or results from operations.

(b) Regulatory Investigations

The U.S. Department of Justice and other federal agencies routinely conduct regulatory investigations and compliance audits of healthcare providers. The Corporations are subject to these regulatory efforts. Management is currently unaware of any regulatory matters that will result in a material adverse effect on the Corporations' financial position or results from operations.

(c) Investment Risks and Uncertainties

The Corporations invest 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 changes could materially affect the amounts reported in the accompanying consolidated balance sheet.

(18) Subsequent Events

In connection with the preparation of the consolidated financial statements and in accordance with ASC Topic 855, *Subsequent Events*, the Corporations evaluated subsequent events after the balance sheet date of June 30, 2011 through September 21, 2011, which was the date the consolidated financial statements were available to be issued.

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Required Supplementary Information (Unaudited)

June 30, 2011

(In thousands)

Unaudited Supplementary Information

The following information is not audited, but is required supplemental pro forma information. The Corporations' revenue, excess of revenues and gains over expenses and losses, and changes in each component of net assets for the year ended June 30, 2011, as if the merger had occurred as of July 1, 2010, are as follows:

Revenue	$	951,516
Excess of revenues and gains over expenses and losses	$	173,420
Changes in net assets:		
Unrestricted	$	176,791
Temporarily restricted		(2,047)
Permanently restricted		642
Total changes in net assets	$	175,386

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Consolidating Balance Sheet Information

June 30, 2011

(In thousands)

Assets	Central DuPage Health	Central DuPage Hospital Association	CDH Obligated Group eliminations	CDH Obligated Group subtotal	Delnor-Community Hospital	Central DuPage Physician Group	Community Nursing Service of DuPage County, Inc.
Current assets:							
Cash and cash equivalents	$ 1,122	25,331	—	26,453	9,315	62	320
Current portion of assets limited or restricted as to use	—	—	—	—	100	—	—
Receivables:							
Patient and resident accounts, less allowance for doubtful accounts of $27,046	248	77,712	—	77,960	23,936	3,912	3,781
Estimated receivables under third-party reimbursement programs and other	2,688	32,865	(1,142)	34,411	1,204	645	174
Inventories	—	2,446	—	2,446	2,931	—	—
Prepaid expenses	8,815	10,199	—	19,014	1,415	—	10
Total current assets	12,873	148,553	(1,142)	160,284	38,901	4,619	4,285
Assets whose use is limited or restricted:							
By board for investment	607,671	274,790	—	882,461	193,290	9	5,832
Self-insurance trust	27,629	—	—	27,629	—	—	—
Held by trustee under debt agreements	49,135	—	—	49,135	—	—	—
Donor restricted	—	—	—	—	209	—	—
Total assets whose use is limited or restricted, net of current portion	684,435	274,790	—	959,225	193,499	9	5,832
Land, buildings, and equipment, net of accumulated depreciation and amortization	109,897	532,050	—	641,947	123,518	3,743	413
Other assets:							
Notes and advances receivable	57,985	—	—	57,985	—	—	—
Retirement plan assets	4,372	—	—	4,372	—	—	—
Investments in joint ventures and other assets	36,882	—	—	36,882	5,793	1,994	506
Total other assets	99,239	—	—	99,239	5,793	1,994	506
Total assets	$ 906,444	955,393	(1,142)	1,860,695	361,711	10,365	11,036

See accompanying independent auditors' report.

ATTACHMENT 39

Schedule 1

DuPage Health Services, Inc.	PAHCS II	Central DuPage Special Health Association	Central DuPage Health Foundation	Delnor-Community Health Care Foundation	DelCom Corporation	Delnor-Community Residential Living, Inc.	Living Well Cancer Resource Center	Delnor-Community Health System	Eliminations	Consolidated
70	768	141	295	1,393	1,206	528	—	348	—	40,899
—	—	—	—	—	—	—	—	—	—	100
—	1,013	739	—	—	—	—	—	—	—	111,341
1,354	36	179	154	133	912	62	—	243	(7,449)	32,058
—	—	59	—	44	—	—	—	—	—	5,480
60	(3)	—	—	—	3	13	—	12	—	20,524
1,484	1,814	1,118	449	1,570	2,121	603	—	603	(7,449)	210,402
—	—	1,694	5,602	15,905	—	809	5,067	1,114	—	1,111,783
—	—	—	—	—	—	—	—	—	—	27,629
—	—	—	—	—	—	—	—	—	—	49,135
—	—	—	9,007	2,895	—	—	1,409	—	—	13,520
—	—	1,694	14,609	18,800	—	809	6,476	1,114	—	1,202,067
370	146	3	61	24,987	511	15,205	1,257	6,118	—	818,279
—	—	—	—	—	—	—	—	—	—	57,985
—	—	—	—	—	—	—	—	—	—	4,372
204	—	—	263	2,802	4,207	1,109	206	6,351	(10,985)	49,332
204	—	—	263	2,802	4,207	1,109	206	6,351	(10,985)	111,689
2,058	1,960	2,815	15,382	48,159	6,839	17,726	7,939	14,186	(18,434)	2,342,437

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ATTACHMENT 39

(Continued)

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Consolidating Balance Sheet Information

June 30, 2011

(In thousands)

Liabilities and Net Assets	Central DuPage Health	Central DuPage Hospital Association	CDH Obligated Group eliminations	CDH Obligated Group subtotal	Delnor-Community Hospital	Central DuPage Physician Group	Community Nursing Service of DuPage County, Inc.
Current liabilities:							
Current installments of long-term debt	$ 2,575	—	—	2,575	2,050	—	—
Accounts payable	15,429	15,301	(1,142)	29,588	5,262	3,723	1,305
Accrued liabilities:							
Salaries and wages	9,840	36,128	—	45,968	10,794	2,112	—
Pension	—	3,367	—	3,367	—	—	—
Interest	3,282	—	—	3,282	715	—	—
Other	8,610	14,338	—	22,948	1,979	73	523
Estimated payables under third-party reimbursement programs	—	67,266	—	67,266	19,809	—	—
Total current liabilities	39,736	136,400	(1,142)	174,994	40,609	5,908	1,828
Long-term debt, net of unamortized bond premiums and current installments	466,854	—	—	466,854	126,681	—	—
Construction payables	—	10,091	—	10,091	—	—	—
Retirement plan liabilities	4,372	—	—	4,372	—	—	—
Deferred revenue and other liabilities	61,501	4,842	—	66,343	12,969	—	—
Total liabilities	572,463	151,333	(1,142)	722,654	180,259	5,908	1,828
Net assets:							
Unrestricted	333,981	804,060	—	1,138,041	179,959	4,457	9,208
Temporarily restricted	—	—	—	—	1,493	—	—
Permanently restricted	—	—	—	—	—	—	—
Total net assets	333,981	804,060	—	1,138,041	181,452	4,457	9,208
Total liabilities and net assets	$ 906,444	955,393	(1,142)	1,860,695	361,711	10,365	11,036

See accompanying independent auditors' report.

ATTACHMENT 39

Schedule 1

DuPage Health Services, Inc.	PAHCS II	Central DuPage Special Health Association	Central DuPage Health Foundation	Delnor-Community Health Care Foundation	DelCom Corporation	Delnor-Community Residential Living, Inc.	Living Well Cancer Resource Center	Delnor-Community Health System	Eliminations	Consolidated
—	—	—	—	33	—	—	—	—	—	4,658
—	418	649	188	1,057	17	583	31	947	(7,449)	36,319
—	25	—	30	—	471	124	—	1,001	—	60,525
—	—	—	—	—	—	—	—	—	—	3,367
—	—	—	—	—	—	—	—	—	—	3,997
25	—	—	—	—	—	—	—	—	(6)	25,542
—	—	—	—	—	—	—	—	—	—	87,075
25	443	649	218	1,090	488	707	31	1,948	(7,455)	221,483
—	—	—	—	1,867	—	—	—	—	—	595,402
—	—	—	—	—	—	—	—	—	—	10,091
—	—	—	—	—	—	—	—	—	—	4,372
—	—	—	—	654	—	6,714	—	461	—	87,141
25	443	649	218	3,611	488	7,421	31	2,409	(7,455)	918,489
2,033	1,517	2,166	6,157	41,653	6,351	9,197	6,293	11,777	(8,381)	1,410,428
—	—	—	3,742	2,895	—	1,108	1,615	—	(2,598)	8,255
—	—	—	5,265	—	—	—	—	—	—	5,265
2,033	1,517	2,166	15,164	44,548	6,351	10,305	7,908	11,777	(10,979)	1,423,948
2,058	1,960	2,815	15,382	48,159	6,839	17,726	7,939	14,186	(18,434)	2,342,437

ATTACHMENT 39

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Consolidating Statement of Operations Information

Period of April 1, 2011 (date of merger) through June 30, 2011

(In thousands)

	Central DuPage Health	Central DuPage Hospital Association	CDH Obligated Group eliminations	CDH Obligated Group subtotal	Delnor-Community Hospital	Central DuPage Physician Group	Community Nursing Service of DuPage County, Inc.
Net patient and resident service revenue	$ 423	166,186	(858)	165,751	48,646	9,487	3,511
Other revenue	15,472	4,817	(11,293)	8,996	1,005	835	88
Total revenue	15,895	171,003	(12,151)	174,747	49,651	10,322	3,599
Expenses:							
Salaries and wages	7,721	44,569	—	52,290	16,360	10,006	2,367
Employee benefits	4,711	9,688	—	14,399	5,925	1,390	527
Professional fees and purchased services	11,625	28,000	(11,293)	28,332	4,446	13	409
Supplies	1,321	26,831	—	28,152	7,106	775	309
Interest	3,203	—	—	3,203	—	—	
Depreciation and amortization	3,076	10,686	—	13,762	3,288	513	52
Provision for uncollectible accounts	14	11,132	—	11,146	3,615	304	(140)
Other	4,183	8,365	(858)	11,690	5,555	3,056	284
Total expenses	35,854	139,271	(12,151)	162,974	46,295	16,057	3,808
Revenue in excess (deficient) of expenses	(19,959)	31,732	—	11,773	3,356	(5,735)	(209)
Nonoperating gains and losses:							
Investment return, unrestricted contributions and other, net	3,103	1,938	—	5,041	(1,737)	20	(166)
Revenue and gains in excess (deficient) of expenses and losses	(16,856)	33,670	—	16,814	1,619	(5,715)	(375)
Other changes in unrestricted net assets:							
Change in net unrealized gains and losses on other-than-trading securities	(622)	1,768	—	1,146	—	118	41
Joint venture equity transactions	36	—	—	36	—	—	—
Net assets released from restriction for the purchase of land, buildings, and equipment	—	119	—	119	90	—	—
Equity transfers among affiliates	(4,260)	(3,398)	—	(7,658)	(5,086)	8,114	—
Increase (decrease) in unrestricted net assets	$ (21,702)	32,159	—	10,457	(3,377)	2,517	(334)

See accompanying independent auditors' report.

ATTACHMENT 39

DuPage Health Services, Inc.	PAHCS II	Central DuPage Special Health Association	Central DuPage Health Foundation	Delnor-Community Health Care Foundation	DelCom Corporation	Delnor-Community Residential Living, Inc.	Living Well Cancer Resource Center	Delnor-Community Health System	Eliminations	Consolidated
—	1,672	862	—	—	—	—	—		(778)	229,151
—	8	—	—	1,274	2,133	1,109	233	422	(2,729)	13,374
—	1,680	862	—	1,274	2,133	1,109	233	422	(3,507)	242,525
—	582	208	—	596	1,452	347	111	643	(377)	84,585
—	120	32	—	21	349	131	27	—	(208)	22,713
2	319	80	—	62	139	90	16	24	(1,778)	32,154
—	44	409	—	7	5	45	13	—	(6)	36,859
—	—	—	—	—	—	—	—	—	—	3,203
—	8	—	—	124	64	202	—	164	—	18,177
—	146	57	—	—	—	—	—	—	—	15,128
5	196	48	—	496	217	194	66	276	(1,137)	20,946
7	1,415	834	—	1,306	2,226	1,009	233	1,107	(3,506)	233,765
(7)	265	28	—	(32)	(93)	100	—	(685)	(1)	8,760
57	—	9	(186)	(68)	445	(382)	41	367	(425)	3,016
50	265	37	(186)	(100)	352	(282)	41	(318)	(426)	11,776
—	—	15	51	—	—	—	—	—	—	1,371
—	—	—	—							36
—	—	—	—	—	—	—	—	—	—	209
—	(500)	—	(29)	24	—	5,036	26	—	73	—
50	(235)	52	(164)	(76)	352	4,754	67	(318)	(353)	13,392

ATTACHMENT 39

CDH/DELNOR HEALTH SYSTEM AND AFFILIATES

Consolidating Statement of Changes in Net Assets Information

Period of April 1, 2011 (date of merger) through June 30, 2011

(In thousands)

	Central DuPage Health	Central DuPage Hospital Association	CDH Obligated Group eliminations	CDH Obligated Group subtotal	Delnor-Community Hospital	Central DuPage Physician Group	Community Nursing Service of DuPage County, Inc.
Increase (decrease) in unrestricted net assets	$ (21,702)	32,159	—	10,457	(3,377)	2,517	(334)
Temporarily restricted net assets:							
Contributions for specific purposes	—	—	—	—	—	—	—
Investment return	—	—	—	—	—	—	—
Net assets released from restriction and used for operations	—	—	—	—	—	—	—
Change in net interest of DCHCF	—	—	—	—	210	—	—
Net assets released from restriction used for the purchase of land, buildings, and equipment	—	—	—	—	—	—	—
Increase (decrease) in temporarily restricted net assets	—	—	—	—	210	—	—
Permanently restricted net assets:							
Contributions to be held in perpetuity	—	—	—	—	—	—	—
Investment return	—	—	—	—	—	—	—
Increase in permanently restricted net assets	—	—	—	—	—	—	—
Change in net assets	(21,702)	32,159	—	10,457	(3,167)	2,517	(334)
Net assets at the beginning of the period	355,683	771,901	—	1,127,584	184,619	1,940	9,542
Net assets at end of period	$ 333,981	804,060	—	1,138,041	181,452	4,457	9,208

See accompanying independent auditors' report.

ATTACHMENT 39

Schedule 3

DuPage Health Services, Inc.	PAHCS II	Central DuPage Special Health Association	Central DuPage Health Foundation	Delnor-Community Health Care Foundation	DelCom Corporation	Delnor-Community Residential Living, Inc.	Living Well Cancer Resource Center	Delnor-Community Health System	Eliminations	Consolidated
50	(235)	52	(164)	(76)	352	4,754	67	(318)	(353)	13,392
—	—	—	393	436	—	—	394	—	—	1,223
—	—	—	—	12	—	—	—	—	—	12
—	—	—	—	(176)	—	—	(212)	—	—	(388)
—	—	—	—	—	—	(23)	(4)	—	(183)	—
—	—	—	(119)	(90)	—	—	—	—	—	(209)
—	—	—	274	182	—	(23)	178	—	(183)	638
—	—	—	3	—	—	—	—	—	—	3
—	—	—	7	—	—	—	—	—	—	7
—	—	—	10	—	—	—	—	—	—	10
50	(235)	52	120	106	352	4,731	245	(318)	(536)	14,040
1,983	1,752	2,114	15,044	44,442	5,999	5,574	7,663	12,095	(10,443)	1,409,908
2,033	1,517	2,166	15,164	44,548	6,351	10,305	7,908	11,777	(10,979)	1,423,948

ATTACHMENT 39

A MAGNET
NURSING HOSPITAL

Delnor™

DELNOR
HOSPITAL

300 Randall Road
Geneva, Illinois 60134
Tel 630/208.3000

Illinois Health Facilities
and Services Review Board
Springfield, IL

To Whom It May Concern:

Please be advised that the proposed project to modernize the outpatient cancer center at Delnor Hospital will be funded entirely with cash and equivalents.

Sincerely,

Thomas L. Wright

Thomas L. Wright
President & CEO

Notarized:

ATTACHMENT 42A

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

Department (list below)	A Cost/Sq. Foot New	B Cost/Sq. Foot Mod.	C Gross Sq. Ft. New	D Gross Sq. Ft. Circ.	E Gross Sq. Ft. Mod.	F Gross Sq. Ft. Circ.	G Const. $ (A x C)	H Mod. $ (B x E)	Total Costs (G + H)
Reviewable									
Radiation Therapy	$ 442.80	$ 309.96	1,590		2,580		$ 704,052	$ 799,697	$ 1,503,749
RT 2 Foundation	$ 90.00		1,400				$ 126,000		$ 126,000
Infusion Therapy	$ 360.00		8,066				$ 2,903,760		$ 2,903,760
Brachytherapy	$ 442.80	$ 100.02	2,005		647		$ 887,814	$ 200,544	$ 1,088,358
Lab	$ 399.60		1,733				$ 692,507		$ 692,507
Pharmacy	$ 349.20		767				$ 267,836		$ 267,836
Total	$ 358.72	$ 309.96	15,561		3,227		$ 5,581,969	$ 1,000,241	$ 6,582,210
contingency	$ 15.00	$ 15.00					$ 233,415	$ 48,405	$ 281,820
TOTAL	$ 373.72	$ 324.96					$ 5,815,384	$ 1,048,646	$ 6,864,030
Non-Reviewable									
Physicians' Offices	$ 360.00		8,210				$ 2,955,600		$ 2,955,600
Time Share Suite	$ 360.00		1,412				$ 508,320		$ 508,320
Public & Family		$ 273.60			1,799			$ 492,206	$ 492,206
Administrative	$ 284.40		134				$ 38,110		$ 38,110
Medical Staff	$ 284.40		268				$ 76,219		$ 76,219
Staff Areas	$ 259.20	$ 207.36	1,011		1,196		$ 262,051	$ 248,003	$ 510,054
Building Services	$ 259.20	$ 207.36	300		1,088		$ 77,760	$ 225,608	$ 303,368
Total			11,335		4,083		$ 3,918,060	$ 965,817	$ 4,883,877
contingency	$ 15.00	$ 15.00					$ 170,025	$ 61,245	$ 231,270
Total	$ 274.20	$ 222.36	26,896		7,310		$ 4,088,085	$ 1,027,062	$ 5,115,147
Rev + Non-Rev			26,896		7,310		$ 9,903,469	$ 2,075,708	$ 11,979,177
DGSF>>BGSF	$ 262.80	$ 183.96	2,690		731		$ 706,827	$ 134,475	$ 841,302
Building Total	$ 358.63	$ 274.86	29,586		8,041		$ 10,610,296	$ 2,210,182	$ 12,820,478

ATTACHMENT 42C

PROJECTED OPERATING COST
and
TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS

Delnor Cancer Center

YEAR 2 OF OPERATION

Operating Costs:
(salaries, benefits and medical supplies)

	$6,900,700	
total* visits:		18,555
operating cost per treatment:		$371.91

Capital Costs:
(depreciation, amortization, interest)

	$1,073,000	
total* visits:		18,555
capital cost per visit:		$57.83

*infusion therapy, radiation therapy and brachytherapy

SAFETY NET IMPACT STATEMENT

During the first quarter of 2012, the outpatient radiation therapy services that have operated through a joint venture between the hospital and a radiation oncology group for approximately 15 years, will be converted to a hospital-based service, with the current physician group providing services through a professional services agreement. The center—to be expanded in scope to provide a continuum of outpatient oncology services—will, at that time, operate under the hospital's charity care policy.

During 2010 in excess of 2,700 outpatient procedures, ranging from diagnostic studies to infusion therapy and surgery were provided without charge at Delnor, representing nearly a 40% increase over 2008. In addition, nearly 12,000 outpatient procedures were provided to Medicaid recipients in 2010.

Patients qualifying for either full write-offs or partial write-offs consistent with the hospital's charity care policies will have full access to all of the outpatient diagnostic and treatment programs offered through the outpatient cancer center.

ATTACHMENT 43

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:

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