E-011-15

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SEP 15 2015

HEALTH FACILITIES & SERVICES REVIEW BOARD

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR EXEMPTION FOR THE CHANGE OF OWNERSHIP FOR AN EXISTING HEALTH CARE FACILITY

1. **INFORMATION FOR EXISTING FACILITY**

Current Facility Name Presence Resurrection Medical Center
Address 7435 West Talcott Avenue
City Chicago Zip Code 60631 County Cook
Name of current licensed entity for the facility ______
Does the current licensee: own this facility X OR lease this facility ______ (if leased, check if sublease □)
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
X Not-for-Profit Corporation ______ For Profit Corporation ______ Partnership ______ Governmental
______ Limited Liability Company ______ Other, specify ______
Illinois State Senator for the district where the facility is located: Sen. John G. Mulroe
State Senate District Number 10th Mailing address of the State Senator
6107 B. North Northwest Highway, Chicago, IL 60631
Illinois State Representative for the district where the facility is located: Rep. Michael P. McAuliffe
State Representative District Number 20th Mailing address of the State Representative
5515 N. East River Road, Chicago, IL 60656

2. **OUTSTANDING PERMITS.** Does the facility have any projects for which the State Board issued a permit that will not be completed (refer to 1130.140 "Completion or Project Completion" for a definition of project completion) by the time of the proposed ownership change? Yes □ No ☒. If yes, refer to Section 1130.520(f), and indicate the projects by Project # ______

3. **NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant Presence RHC Corporation (to be known as Presence Chicago Hospitals Network)
Address 200 S. Wacker Drive, 11th Floor
City, State & Zip Code Chicago, IL 60606
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
x Not-for-Profit Corporation ______ For Profit Corporation ______ Partnership ______ Governmental
______ Limited Liability Company ______ Other, specify ______

4. **NAME OF LEGAL ENTITY THAT WILL BE THE LICENSEE/OPERATING ENTITY OF THE FACILITY NAMED IN THE APPLICATION AS A RESULT OF THIS TRANSACTION.**

Exact Legal Name of Entity to be Licensed Presence Chicago Hospitals Network d/b/a Presence Resurrection Medical Center
Address 7435 West Talcott Avenue
City, State & Zip Code Chicago, IL 60631
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
x Not-for-Profit Corporation ______ For Profit Corporation ______ Partnership ______ Governmental
______ Limited Liability Company ______ Other, specify ______

5. **BUILDING/SITE OWNERSHIP. NAME OF LEGAL ENTITY THAT WILL OWN THE "BRICKS AND** MORTAR" (BUILDING) OF THE FACILITY NAMED IN THIS APPLICATION IF DIFFERENT FROM THE OPERATING/LICENSED ENTITY

Exact Legal Name of Entity That Will Own the Site Presence Chicago Hospitals Network d/b/a Presence Resurrection Medical Center
Address 7435 West Talcott Avenue
City, State & Zip Code Chicago, IL 60631
Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship
x Not-for-Profit Corporation ______ For Profit Corporation ______ Partnership ______ Governmental
______ Limited Liability Company ______ Other, specify ______

3. **NAME OF APPLICANT** (complete this information for each co-applicant and insert after this page).

Exact Legal Name of Applicant Presence Resurrection Medical Center

Address 7435 West Talcott Avenue

City, State & Zip Code Chicago, Illinois 60631

Type of ownership of the current licensed entity (check one of the following:) ______ Sole Proprietorship

__x__ Not-for-Profit Corporation ______ For Profit Corporation ______ Partnership ______ Governmental

______ Limited Liability Company ______ Other, specify ______

6. **TRANSACTION TYPE. CHECK THE FOLLOWING THAT APPLY TO THE TRANSACTION:**
   - o Purchase resulting in the issuance of a license to an entity different from current licensee;
   - o Lease resulting in the issuance of a license to an entity different from current licensee;
   - o Stock transfer resulting in the issuance of a license to a different entity from current licensee;
   - o Stock transfer resulting in no change from current licensee;
   - ☒ Assignment or transfer of assets resulting in the issuance of a license to an entity different from the current licensee;
   - o Assignment or transfer of assets not resulting in the issuance of a license to an entity different from the current licensee;
   - o Change in membership or sponsorship of a not-for-profit corporation that is the licensed entity;
   - o Change of 50% or more of the voting members of a not-for-profit corporation's board of directors that controls a health care facility's operations, license, certification or physical plant and assets;
   - o Change in the sponsorship or control of the person who is licensed, certified or owns the physical plant and assets of a governmental health care facility;
   - o Sale or transfer of the physical plant and related assets of a health care facility not resulting in a change of current licensee;
   - o Any other transaction that results in a person obtaining control of a health care facility's operation or physical plant and assets, and explain in "Attachment 3 Narrative Description"

7. **APPLICATION FEE.** Submit the application fee in the form of a check or money order for $2,500 payable to the Illinois Department of Public Health and append as **ATTACHMENT #1.**

8. **FUNDING.** Indicate the type and source of funds which will be used to acquire the facility (e.g., mortgage through Health Facilities Authority; cash gift from parent company, etc.) and append as **ATTACHMENT #2.**

9. **ANTICIPATED ACQUISITION PRICE: $** N/A (There is no cost to this project.)

10. **FAIR MARKET VALUE OF THE FACILITY: $**[redacted]
    (to determine fair market value, refer to 77 IAC 1130.140)

11. **DATE OF PROPOSED TRANSACTION:** December 31, 2015

12. **NARRATIVE DESCRIPTION.** Provide a narrative description explaining the transaction, and append it to the application as **ATTACHMENT #3.**

13. **BACKGROUND OF APPLICANT** (co-applicants must also provide this information). Corporations and Limited Liability Companies must provide a current Certificate of Good Standing from the Illinois Secretary of State. Limited Liability Companies and Partnerships must provide the name and address of each partner/ member and specify the percentage of ownership of each. Append this information to the application as **ATTACHMENT #4.**

14. **TRANSACTION DOCUMENTS.** Provide a copy of the complete transaction document(s) including schedules and exhibits which detail the terms and conditions of the proposed transaction (purchase, lease, stock transfer, etc). Applicants should note that the document(s) submitted should reflect the applicant's (and co-applicant's, if applicable) involvement in the transaction. The document must be signed by both parties and contain language stating that the transaction is contingent upon approval of the Illinois Health Facilities and Services Review Board. Append this document(s) to the application as **ATTACHMENT #5.**

15. FINANCIAL STATEMENTS. (Co-applicants must also provide this information) Provide a copy of the applicants latest audited financial statements, and append it to this application as ATTACHMENT #6. If the applicant is a newly formed entity and financial statements are not available, please indicate by checking YES ____, and indicate the date the entity was formed ______

16. **PRIMARY CONTACT PERSON.** Individual representing the applicant to whom all correspondence and inquiries pertaining to this application are to be directed. (Note: other persons representing the applicant not named below will need written authorization from the applicant stating that such persons are also authorized to represent the applicant in relationship to this application).

Name: Clare C. Ranalli
Address: McDermott Will & Emery LLP
City, State & Zip Code: Chicago, IL 60606-5296
Telephone ( ) Ext. 312-984-3365

17. **ADDITIONAL CONTACT PERSON. Consultant, attorney, other individual who is also authorized to discuss this** application and act on behalf of the applicant.

Name: Shawn Albritton
Address: Presence Health, 200 S. Wacker Drive, 11th Floor
City, State & Zip Code: Chicago, IL 60606
Telephone ( ) Ext. 312-308-3937

18. **CERTIFICATION** Applicant: Presence RHC Corporation

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the number of beds within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

Signature of Authorized Officer Jeannie C. Frey

Typed or Printed Name of Authorized Officer Jeannie C. Frey

Title of Authorized Officer: Secretary

Address: 200 S. Wacker Drive

City, State & Zip Code: Chicago, IL 60606

Telephone (312) 308-3291 Date:

NOTE: complete a separate signature page for each co-applicant and insert following this page.

16. **PRIMARY CONTACT PERSON.** Individual representing the applicant to whom all correspondence and inquiries pertaining to this application are to be directed. (Note: other persons representing the applicant not named below will need written authorization from the applicant stating that such persons are also authorized to represent the applicant in relationship to this application).

Name: Clare C. Ranalli
Address: McDermott Will & Emery LLP
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Name: Shawn Albritton
Address: Presence Health, 200 S. Wacker Drive, 11th Floor
City, State & Zip Code: Chicago, IL 60606
Telephone ( ) Ext. 312-308-3937

18. CERTIFICATION Co-Applicant Presence Resurrection Medical Center

I certify that the above information and all attached information are true and correct to the best of my knowledge and belief. I certify that the number of beds within the facility will not change as part of this transaction. I certify that no adverse action has been taken against the applicant(s) by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois. I certify that I am fully aware that a change in ownership will void any permits for projects that have not been completed unless such projects will be completed or altered pursuant to the requirements in 77 IAC 1130.520(f) prior to the effective date of the proposed ownership change. I also certify that the applicant has not already acquired the facility named in this application or entered into an agreement to acquire the facility named in the application unless the contract contains a clause that the transaction is contingent upon approval by the State Board.

Signature of Authorized Officer Jeannie C. Frey

Typed or Printed Name of Authorized Officer Jeannie C. Frey

Title of Authorized Officer: Secretary

Address: 200 S. Wacker Drive

City, State & Zip Code: Chicago, IL 60606

Telephone (312) 308-3291 Date:

NOTE: complete a separate signature page for each co-applicant and insert following this page.

ATTACHMENT #1

APPLICATION FEE

Attached is a check for $15,000, to cover the $2500 application fee for this COE for Presence Resurrection Medical Center and the related COEs for five other Presence Health hospital corporations, all of which are merging as part of the same transaction into Presence RHC Corporation (which will become known as Presence Chicago Hospitals Corporation).

ATTACHMENT #2

FUNDING

The proposed change of ownership is an internal transfer of assets occurring as a result of the merger of corporate entities: i.e. of Presence Resurrection Medical Center with and into Presence RHC Corporation (to be known as Presence Chicago Hospitals Network) as the surviving corporation. There is no cost associated with this project.

ATTACHMENT #3

NARRATIVE DESCRIPTION

The hospital is currently operated and certified as Presence Resurrection Medical Center. After the change of ownership, the licensed and certified entity will be Presence Chicago Hospitals Network d/b/a Presence Resurrection Medical Center. This is an internal restructuring only and there is no cost associated with it.

Presence RHC Corporation (to be known as Presence Chicago Hospitals Network) is an existing Illinois not-for-profit corporation wholly owned by Presence Health Network.

ATTACHMENT #4

BACKGROUND OF APPLICANT

See attached:

1. Certificates of Good Standing of Presence RHC Corporation and Presence Resurrection Medical Center
2. Presence Resurrection Medical Center IDPH License
3. Overview of the corporate restructure of Presence hospital entities

File Number 3128-198-9

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

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

PRESENCE RHC CORPORATION, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON APRIL 27, 1949, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 14TH *day of* SEPTEMBER *A.D.* 2015 .

Authentication #: 1525701082 verifiable until 09/14/2016
Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

File Number 5366-580-2

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 I am the keeper of the records of the Department of Business Services. I certify that

PRESENCE RESURRECTION MEDICAL CENTER, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON NOVEMBER 30, 1984, 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* 14TH *day of* SEPTEMBER *A.D.* 2015 .

Authentication #: 1525701122 verifiable until 09/14/2016
Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

HF107107

Illinois Department of PUBLIC HEALTH

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

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

LaMar Hasbrouck, MD, MPH
Acting Director

Issued under the authority of the Illinois Department of Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
12/31/2015		0001974

General Hospital

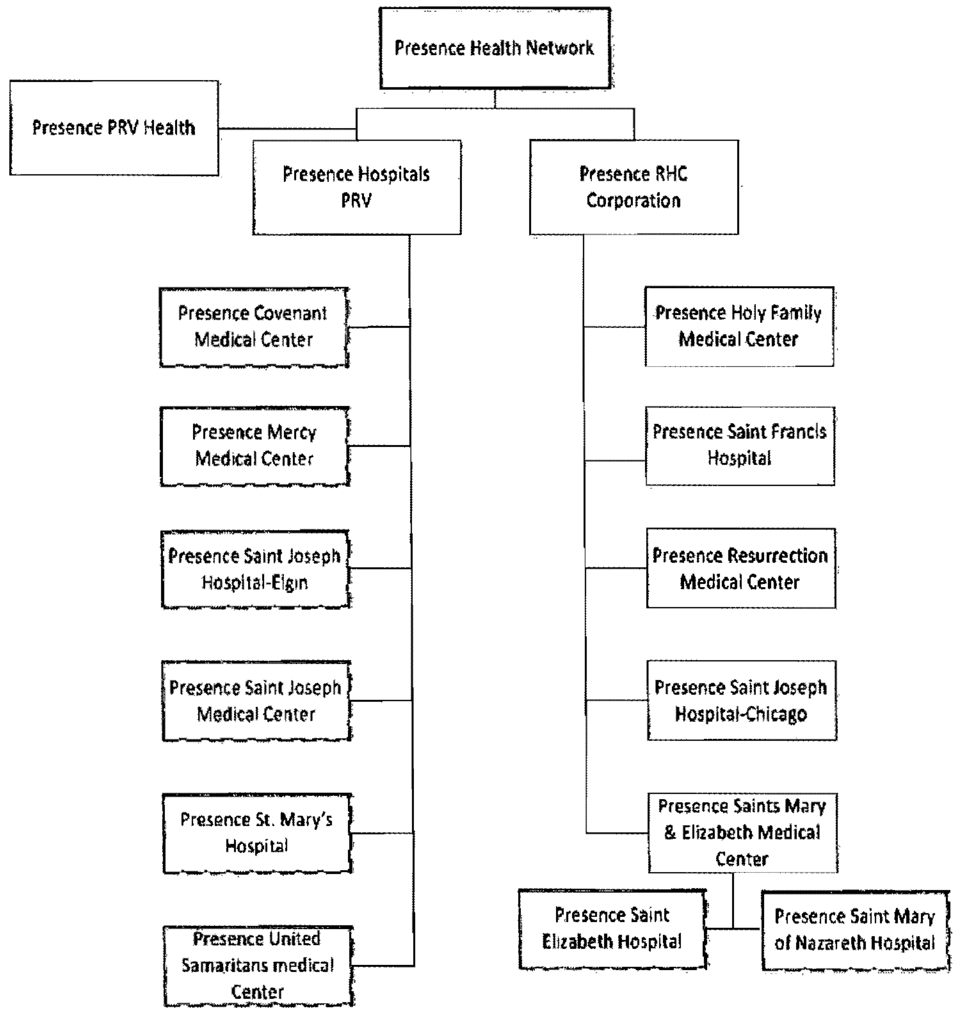
Effective: 01/01/2015

Presence Resurrection Medical Center
7435 West Talcott Avenue
Chicago, IL 60631

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

Overview: Corporate Restructure of Hospital Entities

Current State

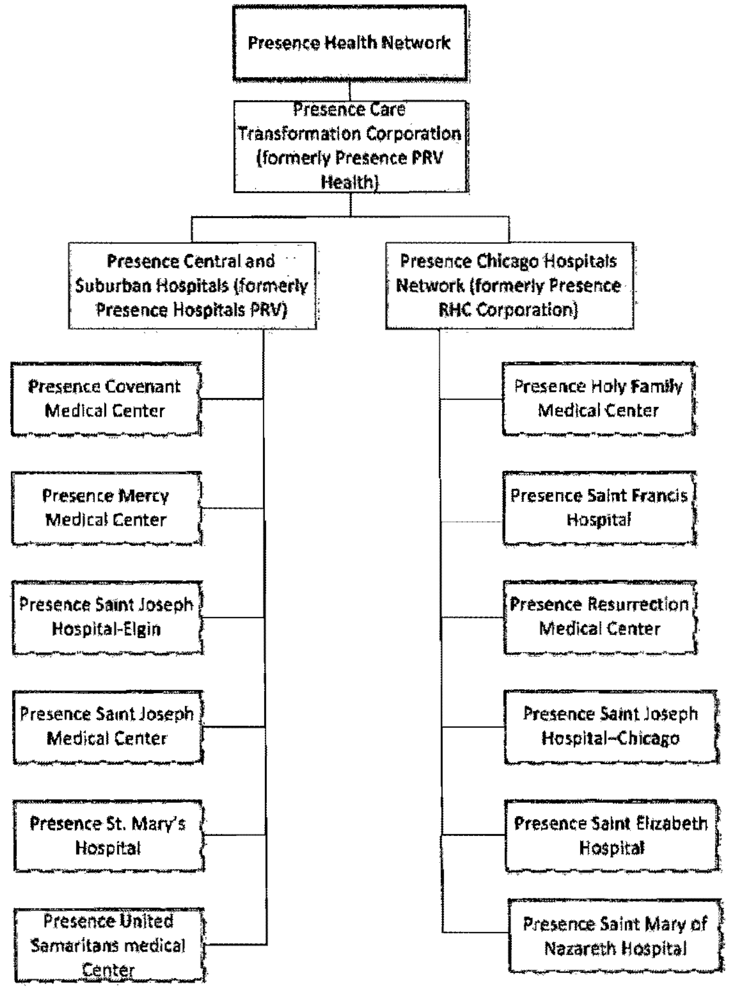


Key
- Blue rectangles = corporations
- Coral dotted rectangles = divisions of corporation

Presence Health℠

Overview: Corporate Restructure of Hospital Entities

Future State



Key

- Blue rectangles = corporations
- Coral dotted rectangles = divisions of corporation

Presence Health℠

ATTACHMENT #5

TRANSACTION DOCUMENT

Not applicable per recent change to authorizing statutes. However, attached is a Plan of Merger for Presence RHC Corporation and Presence Resurrection Medical Center. Presence RHC Corporation (to be known as Presence Chicago Hospitals Network) is the sole corporate member of Presence Resurrection Medical Center. Presence Resurrection Medical Center will be merged with and into Presence RHC Corporation (to be known as Presence Chicago Hospitals Network) as the surviving corporation.

**AGREEMENT AND PLAN OF MERGER OF
PRESENCE RHC CORPORATION,
PRESENCE HOLY FAMILY MEDICAL CENTER,
PRESENCE RESURRECTION MEDICAL CENTER,
PRESENCE SAINT FRANCIS HOSPITAL,
PRESENCE SAINT JOSEPH HOSPITAL – CHICAGO, AND
PRESENCE SAINTS MARY AND ELIZABETH MEDICAL CENTER**

Pursuant to the provisions of the Illinois General Not For Profit Corporation Act of 1986 (the "**Act**"), the undersigned corporations adopt this Agreement and Plan of Merger (this "**Plan of Merger**"), as follows:

FIRST: Merging Corporations. The names of the merging corporations are Presence Holy Family Medical Center, Presence Resurrection Medical Center, Presence Saint Francis Hospital, Presence Saint Joseph Hospital – Chicago, and Presence Saints Mary and Elizabeth Medical Center, each an Illinois not-for-profit corporation ("**Merging Corporations**").

SECOND: Surviving Corporation in the Merger. The name of the surviving corporation is Presence RHC Corporation, an Illinois not-for-profit corporation ("**Presence RHC Corporation**").

THIRD: Effective Date of the Merger. Effective as of December 31, 2015 (the "**Effective Date**"), the Merging Corporations shall merge with and into Presence RHC Corporation, with Presence RHC Corporation being the surviving corporation (the "**Merger**"). Articles of Merger shall not be filed with the Illinois Secretary of State to consummate the Merger until all regulatory approvals have been received, including approval of the Illinois Health Facilities and Services Review Board.

FOURTH: Articles of Incorporation of Surviving Corporation. As of the Effective Date, the Articles of Incorporation of Presence RHC Corporation shall continue in effect and be the Articles of Incorporation of the surviving corporation, provided that such Articles of Incorporation shall be amended, to be effective January 1, 2016, to change the name of Presence RHC Corporation to Presence Chicago Hospitals Network and to be consistent in all respects with the Articles of Incorporation of other affiliate Presence Health Network ("**Presence Health**") hospital corporations.

FIFTH: Corporate Bylaws of Surviving Corporation. As of the Effective Date, the corporate Bylaws of Presence RHC Corporation shall continue in effect and be the Bylaws of the surviving corporation, provided that such Bylaws shall be amended, to be effective as of January 1, 2016, to be consistent in all respects with the Bylaws of other affiliate Presence Health hospital corporations.

SIXTH: Resignation of the Merging Corporations' Directors. Immediately prior to the Effective Date, all members of the Board of Directors of the Merging Corporations and Presence RHC Corporation shall be deemed to have resigned, and new Board members shall be appointed, pursuant to the procedures set forth in the Presence RHC Corporation Bylaws, to serve as the Directors of Presence RHC Corporation effective as of January 1, 2016.

SEVENTH: Member. Presence Health is the sole corporate member of Presence RHC Corporation. Effective as of January 1, 2016, the sole corporate member of Presence RHC Corporation, as the surviving corporation in the Merger shall be Presence Care Transformation Corporation, an Illinois not-for-profit corporation.

EIGHTH: Legal Effects of the Merger. The Merger shall have the following legal effects and consequences:

a) As of the Effective Date, the separate corporate existence of the Merging Corporations shall cease, as they each shall have merged into Presence RHC Corporation.

b) Presence RHC Corporation, as the surviving corporation, shall as of the Effective Date be deemed to have succeeded to and shall possess all the Merging Corporations' rights, privileges, powers and immunities, of a public or private nature, existing or accrued prior to the Effective Date.

c) As of the Effective Date, all property, real, personal and mixed, and all debts due on whatever account, and all other choses in action, and all and every other interest, of or belonging to the Merging Corporations shall be deemed to have been transferred by operation of law to, and vested in Presence RHC Corporation, without the requirement of any further act or deed. Title to any real estate, or any interest therein, vested in the Merging Corporations shall be vested in Presence RHC Corporation as of the Effective Date, and shall not revert or in any way be impaired by reason of the Merger.

d) As of the Effective Date, Presence RHC Corporation shall be responsible and liable for all debts, liabilities and obligations of the Merging Corporations, whether known or unknown, fixed or contingent. Neither the rights of creditors nor any liens upon the property of the Merging Corporations shall be impaired by the Merger.

e) Any bequest, devise, gift, grant or promise contained in a will or other instrument of donation, subscription or conveyance, which is made to one or more of the Merging Corporations, and which takes place after the Merger, shall be deemed to inure to Presence RHC Corporation, as the surviving corporation in the Merger (with usage thereof remaining subject to donor intent), unless the will or other instrument or applicable law specifically provides otherwise.

f) Any claim, action or proceeding pending by or against any or all of the Merging Corporations prior to the Effective Date may be prosecuted or continued on and after the Effective Date as if the Merger did not occur, or Presence RHC

Corporation, as the surviving corporation in the Merger, may be substituted in any such proceeding in the place of such Merging Corporation(s).

NINTH: Amendment. This Plan of Merger may be amended at any time prior to the filing of Articles of Merger with the Illinois Secretary of State, by resolution duly adopted by the Board of Directors of each of the Merging Corporations and Presence RHC Corporation, consistent with the provisions of the Act.

TENTH: Abandonment. After this Plan of Merger is adopted, the planned Merger may be abandoned at any time prior to the filing of the Articles of Merger, by a resolution duly adopted by the Board of Directors of either of the Merging Corporations or Presence RHC Corporation.

[**Signatures on following page.**]

This Agreement and Plan of Merger is hereby executed by a duly-authorized officer of each of the parties to the Merger, effective as of the date first written above.

PRESENCE RHC CORPORATION

Signature: Jeannie C. Frey
Jeannie C. Frey, Secretary

PRESENCE HOLY FAMILY MEDICAL CENTER

Signature: Jeannie C. Frey
Jeannie C. Frey, Secretary

PRESENCE RESURRECTION MEDICAL CENTER

Signature: Jeannie C. Frey
Jeannie C. Frey, Secretary

PRESENCE SAINT FRANCIS HOSPITAL

Signature: Jeannie C. Frey
Jeannie C. Frey, Secretary

PRESENCE SAINT JOSEPH HOSPITAL – CHICAGO

Signature: Jeannie C. Frey
Jeannie C. Frey, Secretary

PRESENCE SAINTS MARY AND ELIZABETH MEDICAL CENTER

Signature: Jeannie C. Frey
Jeannie C. Frey, Secretary

Legal Affairs\Gov Restru Proj\Corp Reorg\Hospital Reorg\Legacy Resurrection Hospitals_Plan of Merger_FINAL_09.14.2015.doc

ATTACHMENT # 6

FINANCIAL STATEMENTS

See attached 2014 Consolidated Financial Statements of Presence Health Network and Affiliates

PRESENCE HEALTH NETWORK AND AFFILIATES

Consolidated Financial Statements and Supplementary Information

December 31, 2014 and 2013

(With Independent Auditors' Report Thereon)

PRESENCE HEALTH NETWORK AND AFFILIATES

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KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

Independent Auditors' Report

The Board of Directors
Presence Health Network:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Presence Health Network and its affiliates (Presence Health), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of operations and change in unrestricted net assets, changes in net assets, and cash flows for the years ended December 31, 2014 and 2013, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Presence Health Network and its affiliates as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years ended December 31, 2014 and 2013, in accordance with U.S. generally accepted accounting principles.

KPMG

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Chicago, Illinois
May 26, 2015

PRESENCE HEALTH NETWORK AND AFFILIATES

Consolidated Statements of Financial Position

December 31, 2014 and 2013

(In thousands)

Assets		**2014**	**2013**
Current assets:			
Cash and cash equivalents	$	192,404	192,672
Assets whose use is limited or restricted – required for current liabilities		53,830	44,148
Patient and resident accounts receivable, less allowance for uncollectible accounts of $186,461 and $211,599		467,648	428,671
Inventories		50,136	46,826
Prepaid expenses and other current assets		60,072	66,823
Assets held for sale		4,500	56,403
Total current assets		828,590	835,543
Assets whose use is limited or restricted		942,752	1,021,140
Land, buildings, and equipment, net		1,397,543	1,341,677
Other assets		71,508	79,338
Total assets	$	3,240,393	3,277,698
Liabilities and Net Assets			
Current liabilities:			
Current installments of long-term debt	$	49,847	33,701
Current portion of obligations under capital leases		1,625	2,434
Current portion of estimated self-insurance liabilities		32,908	31,422
Accounts payable and accrued expenses		332,408	314,865
Estimated payables under third-party reimbursement programs		201,359	180,444
Deferred revenue and refundable deposits		33,894	36,840
Other		20,472	25,886
Liabilities held for sale		—	2,877
Total current liabilities		672,513	628,469
Long-term debt, excluding current installments and unamortized bond premiums and discounts		1,044,833	1,094,741
Obligations under capital leases, net of current portion		3,661	4,012
Pension benefit liability		287,901	210,746
Estimated self-insurance liabilities, excluding current portion		262,901	262,481
Other long-term liabilities		22,355	25,976
Total liabilities		2,294,164	2,226,425
Net assets:			
Unrestricted:			
Unrestricted net assets of Presence Health		898,335	998,402
Noncontrolling interest in subsidiaries		4,385	4,335
Total unrestricted net assets		902,720	1,002,737
Temporarily restricted		26,493	32,828
Permanently restricted		17,016	15,708
Total net assets		946,229	1,051,273
Total liabilities and net assets	$	3,240,393	3,277,698

See accompanying notes to consolidated financial statements.

PRESENCE HEALTH NETWORK AND AFFILIATES

Consolidated Statements of Operations and Change in Unrestricted Net Assets

Years ended December 31, 2014 and 2013

(In thousands)

		2014	2013
Net patient and resident service revenue:			
Net patient and resident service revenue before bad debt	$	2,431,805	2,496,476
Provision for uncollectible accounts receivable		79,755	178,200
Net patient and resident service revenue		2,352,050	2,318,276
Other revenue:			
Other		226,833	244,011
Total revenue		2,578,883	2,562,287
Expenses:			
Salaries and benefits		1,322,616	1,338,094
Supplies		406,485	379,961
Purchased services		270,643	254,237
Insurance		44,156	35,840
Depreciation and amortization		134,831	149,260
Interest		41,831	45,178
Assessments and taxes		109,810	123,883
Restructuring costs		—	48,747
Other		261,255	247,382
Total expenses		2,591,627	2,622,582
Loss from operations		(12,744)	(60,295)
Nonoperating gains (losses):			
Investment income and other, net		58,636	133,690
Loss on early extinguishment of debt		—	(8,540)
Nonoperating gains, net		58,636	125,150
Revenue and gains in excess of expenses and losses before discontinued operations		45,892	64,855
Net gains (losses) from discontinued operations (including loss on sale of $35,369 in 2014)		(47,898)	826
Revenue and gains in excess (deficient) of expenses and losses		(2,006)	65,681
Other changes in unrestricted net assets:			
Net assets released from restrictions for purchase of land, buildings, and equipment		11,734	6,367
Recognition of change in pension funded status		(109,745)	126,505
Change in unrestricted net assets	$	(100,017)	198,553

See accompanying notes to consolidated financial statements.

PRESENCE HEALTH NETWORK AND AFFILIATES

Consolidated Statements of Changes in Net Assets

Years ended December 31, 2014 and 2013

(In thousands)

		2014	2013
Unrestricted net assets:			
Revenue and gains in excess of expenses and losses	$	(2,006)	65,681
Net assets released from restrictions for purchase of land, buildings, and equipment		11,734	6,367
Recognition of change in pension funded status		(109,745)	126,505
Change in unrestricted net assets		(100,017)	198,553
Temporarily restricted net assets:			
Pledges and contributions		8,697	13,711
Investment return		210	125
Net assets released from restrictions for purchase of land, buildings, and equipment		(11,734)	(6,367)
Net assets released from restrictions for operations – other revenue		(3,508)	(3,694)
Change in temporarily restricted net assets		(6,335)	3,775
Permanently restricted net assets:			
Contributions		1,308	266
Change in permanently restricted net assets		1,308	266
Change in net assets		(105,044)	202,594
Net assets at beginning of year		1,051,273	848,679
Net assets at end of year	$	946,229	1,051,273

See accompanying notes to consolidated financial statements.

PRESENCE HEALTH NETWORK AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended December 31, 2014 and 2013

(In thousands)

		2014	2013
Cash flows from operating activities:			
Change in net assets	$	(105,044)	202,594
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Losses from discontinued operations		47,898	(826)
Depreciation and amortization		134,831	149,260
Amortization of bond premium and discount, net		(61)	(69)
Amortization of deferred occupancy and care revenue		(294)	(274)
Provision for uncollectible accounts receivable		79,755	178,200
Gain on disposal of land, buildings, and equipment		(591)	(3,559)
Loss on early extinguishment of debt		—	8,540
Change in pension funded status		109,745	(126,505)
Equity gain in joint ventures		(1,120)	(1,109)
Change in net unrealized gains on investment securities		75,322	(50,148)
Net realized gain on sale of investments		(117,699)	(32,571)
Net assets released from restrictions for operations – other revenue		3,508	3,694
Restricted contributions and investment return		(10,215)	(14,102)
Changes in assets and liabilities:			
Patient and resident accounts receivable		(111,548)	(168,844)
Estimated settlements under third-party reimbursement programs, net		20,915	(12,330)
Inventories		(2,914)	(57)
Prepaid expenses and other assets		6,281	2,598
Accounts payable and accrued expenses		14,471	(10,978)
Estimated self-insurance liabilities		1,906	(24,325)
Other current liabilities		(5,414)	(1,790)
Pension benefit liability		(32,590)	(18,159)
Other long-term liabilities		(4,900)	(605)
Net cash (used in) provided by discontinued operating activities		(2,663)	7,909
Net cash provided by operating activities		99,579	86,544
Cash flows from investing activities:			
Acquisition of land, buildings, and equipment, net		(197,385)	(145,527)
Net proceeds from sale of land, buildings, and equipment		16,811	6,214
Purchases of investment securities		(717,390)	(604,861)
Sales of investment securities		828,473	686,407
Acquisition of interest in joint venture		(3,000)	—
Change in other long-term assets		5,748	6,152
Net cash used in discontinued investing activities		(6,199)	(5,765)
Net cash used in investing activities		(72,942)	(57,380)
Cash flows from financing activities:			
Repayment of obligations under capital leases		(3,036)	(3,771)
Scheduled repayments of long-term debt		(33,701)	(32,631)
Redemptions and defeasance of long-term debt		—	(497,820)
Proceeds from issuance of long-term debt		—	497,545
Net refunds of entrance fees and membership deposits		(2,652)	(2,289)
Cash acquired in acquisition of joint venture		5,777	—
Net assets released from restrictions for operations – other revenue		(3,508)	(3,694)
Restricted contributions and investment return		10,215	14,102
Net cash used in financing activities		(26,905)	(28,558)
Net change in cash and cash equivalents		(268)	606
Cash and cash equivalents at beginning of year		192,672	192,066
Cash and cash equivalents at end of year	$	192,404	192,672
Supplemental disclosure of cash flow information:			
Cash paid for interest, net of amounts capitalized	$	41,272	54,911
Supplemental disclosures of noncash transaction:			
Conversion of equity investment to consolidated investment	$	(4,557)	—
Assets acquired under capital leases		1,876	754

See accompanying notes to consolidated financial statements.

(1) Presence Health Network and Affiliates

Presence Health Network and its affiliates (referred to as Presence Health, herein) is the largest Catholic healthcare network in the state of Illinois, spanning 11 hospitals, 27 long-term care and senior residential facilities, more than 50 primary and specialty care clinics, and 6 home health agencies. The combined health system has hospital operations throughout Chicago, as well as in Des Plaines, Evanston, Aurora, Elgin, Joliet, Kankakee, Urbana, and Danville.

The accompanying consolidated financial statements include the accounts of Presence Health Network and the following affiliates:

- Presence Hospitals PRV (Presence Hospitals), an Illinois not-for-profit corporation that owns and operates six acute care hospitals and medical centers and more than 30 health centers. The six acute care hospitals owned and operated by Presence Hospitals are Presence Mercy Medical Center, Presence United Samaritans Medical Center, Presence Saint Joseph Hospital-Elgin, Presence Saint Joseph Medical Center, Presence St. Mary's Hospital, and Presence Covenant Medical Center. Presence Hospitals' wholly owned subsidiary, Presence Service Corporation (d/b/a Presence Medical Group – PRV) (PSC), is a taxable Illinois not-for-profit corporation formed to manage Presence Hospitals' physician practices;
- Presence Resurrection Medical Center (PRMC), a not-for-profit corporation that owns an acute care hospital providing various inpatient and outpatient services and programs;
- Presence Our Lady of the Resurrection Medical Center (POLR), a not-for-profit corporation that owns an acute care hospital providing various inpatient and outpatient services and programs. Effective December 31, 2014, Presence Health sold substantially all of the assets and certain liabilities of and associated with POLR (note 8);
- Presence Holy Family Medical Center (PHFMC), a not-for-profit corporation that owns a long-term acute care hospital providing various services and programs to patients including outpatient services and addiction services;
- Presence Saint Francis Hospital (PSFH), a not-for-profit corporation that owns an acute care hospital providing various inpatient and outpatient services and programs;
- Presence Saint Joseph Hospital – Chicago (PSJH), a not-for-profit corporation that owns an acute care hospital providing various inpatient and outpatient services and programs;
- Presence Saints Mary and Elizabeth Medical Center (PSMEMC), a not-for-profit corporation that owns two acute care hospitals providing various inpatient and outpatient services and programs;
- Presence Healthcare Services (Services), a not-for-profit corporation that encompasses the following operating divisions: Presence Properties, Presence Pharmacies (retail), Presence Ambulatory Services, Presence Medical Group – RHC, and Presence Home Medical Equipment – RHC;
- Presence Life Connections, an Illinois not-for-profit corporation that owns and operates 11 nursing homes, four independent living facilities, four assisted living facilities, two adult daycare centers, two

community service facilities, one child care center, and one outpatient pharmacy in northern and central Illinois and Indiana;

Presence PRV Health is the sole member of LaVerna Terrace Housing Corporation, an Illinois not-for-profit corporation doing business as Provena LaVerna Terrace;

Presence Life Connections is the sole member of Presence Home Care, a not-for-profit corporation that owns and operates five home health agencies and two hospice agencies in northern and central Illinois. Presence Care @ Home is an Illinois not-for-profit corporation formerly known as Will County Community Transitions Program, Inc.

During 2013, Presence Life Connections acquired control of Arthur Merkle – Clara Knipprath Nursing Home (Merkle) through a corporate membership substitution becoming Merkle's sole corporate member. As a part of the corporate member substitution, Presence Life Connections acquired $6,058 of assets and assumed $164 of liabilities, resulting in an inherent contribution of $5,894, that was recorded as investment income and other, net, in the accompanying 2013 consolidated statement of operations and change in unrestricted net assets;

- Presence RHC Senior Services (Senior Services), a not-for-profit corporation that manages and owns various independent living and nursing services and programs including the following: Presence Resurrection Nursing and Rehabilitation Center, Presence Resurrection Retirement Community, Presence Resurrection Life Center, Presence Bethlehem Woods Retirement Community, Presence Casa San Carlo Retirement Community, Presence Saint Benedict Nursing and Rehabilitation Center, Presence Villa Scalabrini Nursing and Rehabilitation Center, Presence Maryhaven Nursing and Rehabilitation Center, Presence Saint Andrew Life Center (PSALC), Presence Nazarethville, and Presence Ballard Nursing Center (PBNC). Effective December 8, 2014, Presence Health sold substantially all of the assets and certain liabilities associated with PSALC and PBNC (note 8);
- Resurrection Development Foundation Board of Trustees (Foundation), a not-for-profit corporation established to coordinate fund-raising activities that support the benevolent care and other programs at Presence Health;
- Presence Health Care Preferred (PHCP), a taxable not-for-profit corporation that serves as a managed care contracting organization for physicians associated with certain Presence Health hospitals in Chicago, and holds capitated risk and "messenger model" contracts for which such physicians and Presence Health hospitals and other facilities act as participating providers;
- Presence Home Care Services (Home Care), a not-for-profit corporation established to provide home care services. Prior to August 1, 2014, Home Care held the Presence Health System's membership interest in Rainbow Hospice, not-for-profit corporation that is a 50/50 joint venture with Advocate Health and Hospitals Corporation. Effective as of August 1, 2014, Presence Home Care Services became the sole corporate member of Rainbow Hospice;
- Presence Ventures, Inc. (Ventures), an Illinois (for-profit) corporation, which is the sole shareholder of Presence Properties, Inc. as of December 31, 2014 and 2013, an Illinois business corporation that owns four parcels of land held for future use by Presence Health;

- Resurrection University, a not-for-profit corporation established to prepare students for professional careers in a healthcare environment;
- Presence Behavioral Health, f/k/a Proviso Family Services, a not-for-profit corporation established to provide behavioral health services;
- Presence PRV Health and Presence RHC Corporation (collectively, the Presence Health Corporate), not-for-profit tax-exempt corporations, incorporated for charitable, educational, and scientific purposes to support health and human services by providing management assistance;
- Provena Health Assurance SPC, an insurance company incorporated in the Cayman Islands as of May 29, 2003, operates subject to the provisions of the Companies Law (2002 Revision) of the Cayman Islands. Provena Health Assurance SPC is a wholly owned subsidiary of Presence PRV Health. The principal business of Provena Health Assurance SPC is to procure excess commercial insurance coverage on behalf of Presence Health through reinsurance with AM Best highly rated reinsurers;
- L. Gilbraith Insurance SPC Ltd. – Resurrection Segregated Portfolio, an insurance company incorporated in the Cayman Islands on February 25, 1986, operates subject to the provisions of the Companies Law (2002 Revision) of the Cayman Islands. L. Gilbraith Insurance SPC Ltd. – Resurrection Segregated Portfolio is wholly owned by Presence RHC Corporation and is consolidated with Presence RHC Corporation. The principal business of L. Gilbraith Insurance SPC Ltd – Resurrection Segregated Portfolio is to procure excess commercial insurance coverage on behalf of Presence Health through reinsurance with AM Best highly rated reinsurers;
- Resurrection Ministries of New York, a not-for-profit tax-exempt subsidiary of Presence RHC Corporation, which owns two nursing home facilities, the assets of which are presented as assets held for sale in the accompanying 2014 and 2013 consolidated statements of financial position. The two nursing homes remain in receivership pending final approval from the New York Department of Health under its Certificate of Need program and from the New York Attorney General's Charities Bureau. This receivership arrangement was established to allow the prospective purchaser to commence work to stabilize the operations and financial results to achieve the necessary levels of quality and viability needed to obtain the pending approvals.
- Alverno Provena Hospital Laboratories, Inc. (APHL), a corporation operated as a cooperative hospital service organization providing laboratory services, and Alverno Clinical Laboratories, LLC (ACL), a venture created to expand the availability of lab services to patients in the communities serviced by the company, encourage further improvement in the quality of lab services, and support APHL (collectively herein, Alverno). Presence Health and its affiliates collectively own a 66.7% controlling interest in Alverno. Accordingly, the accompanying consolidated financial statements include the statements of financial position and results of operations of Alverno as of and for the years ended December 31, 2014 and 2013.

(Continued)

(Dollars in thousands)

The following represents a reconciliation of beginning and ending balances of Presence Health's interest and the noncontrolling interests for each class of net assets for which a noncontrolling interest exists during the years ended December 31, 2014 and 2013:

	Unrestricted net assets		
	Total	Controlling interest	Noncontrolling interest
Balance at December 31, 2012	$ 804,184	799,974	4,210
Revenue and gains in excess of expenses and losses	65,681	65,556	125
Net assets released from restrictions used for the purchase of property and equipment	6,367	6,367	—
Recognition of change in pension funded status	126,505	126,505	—
Balance at December 31, 2013	1,002,737	998,402	4,335
Revenue and gains in excess (deficient) of expenses and losses	(2,006)	(2,056)	50
Net assets released from restrictions used for the purchase of property and equipment	11,734	11,734	—
Recognition of change in pension funded status	(109,745)	(109,745)	—
Balance at December 31, 2014	$ 902,720	898,335	4,385

The accompanying consolidated financial statements also include certain settlement transactions relating to Westlake Hospital (WH) and West Suburban Medical Center (WSMC) – two entities disposed of by sale in August 2010 – that are presented as discontinued operations. In addition, Presence Health disposed of POLR, PBNC, and PSALC during 2014, and these entities are also presented as discontinued operations with 2013 restated to reflect these assets and liabilities as held for sale.

(2) Summary of Significant Accounting Policies

A summary of significant accounting policies is as follows:

- 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, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include: allowance for contractual adjustments, bad debt, and charity; third-party payor settlements; valuation of investments;

recoverability of land, buildings, and equipment; self-insurance liabilities; and accrued pension benefit liabilities.

- Transactions deemed by management to be ongoing, major, or central to the provision of health and long-term care services are reported as revenue and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.
- The consolidated statements of operations and change in unrestricted net assets include revenue and gains in excess (deficient) of expenses and losses. Changes in unrestricted net assets, which are excluded from revenue and gains in excess (deficient) of expenses and losses, consistent with industry practice, include recognition of change in pension funded status and contributions of and for long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets).
- Cash and cash equivalents consist primarily of demand deposits with banks, cash on hand, overnight secured repurchase agreements, and securities with an original term of 90 days or less when purchased, excluding amounts included as assets whose use is limited or restricted. At December 31, 2014 and 2013, Presence Health maintained funds with financial institutions in amounts in excess of federally insured limits.
- Presence Health applies the provisions of Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, for fair value measurements of financial assets and liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 establishes a framework for measuring fair value and expands disclosures about fair value measurements (note 7).

  Presence Health applies the measurement provisions of ASC Topic 820 to certain investments in mutual funds and alternative investments that do not have readily determinable fair values. This guidance allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value (NAV) per share or its equivalent. Interests in mutual funds and alternative investment funds are generally reported at the NAV reported by the fund managers, which is used as a practical expedient to estimate the fair value interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of December 31, 2014 and 2013, Presence Health had no plans or intentions to sell investments at amounts different from NAV.
- Presence Health applies the provisions of ASC Subtopic 825-10, *Financial Instruments – Overall*, which gives the irrevocable option to report most financial assets and liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. During 2014, Presence Health elected to report its investment in Class B, vested but unexchanged, shares in Premier at fair value. Presence Health has not elected to measure any additional eligible financial assets or financial liabilities at fair value subsequent to the adoption of ASC Subtopic 825-10.
- Inventories are stated at the lower of cost or market. Cost is determined on the basis of the most recent purchase price, which approximates the first-in, first-out method and the average cost method.

- Land, buildings, and equipment are stated at cost, or if donated, at fair value at the date of donation, net of allowances for depreciation and impairments. Depreciation is provided over the estimated useful life of each class of depreciable asset and is primarily computed using the straight-line method. Leasehold improvements are amortized over the shorter of the terms of the leases or the estimated useful lives of the improvements. Equipment under capital leases is recorded at the present value of minimum lease payments. Amortization of equipment under capital leases is over the shorter of the lease term or useful life of the equipment. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component cost of acquiring those assets. Presence Health capitalized interest cost of $2,269 and $2,429 for the years ended December 31, 2014 and 2013, respectively. During 2014, Presence Health engaged an external expert to perform a fixed asset reliving study over equipment and software. As a result of this study annual depreciation for 2014 decreased by approximately $19,900.
- Presence Health applies the provisions of ASC Subtopics 958-805, *Not-for-Profit Entities - Business Combinations* and 954-805, *Health Care Entities – Business Combinations.* ASC Subtopics 958-805 and 954-805 provide guidance on a transaction or other event in which a not-for-profit entity that is a reporting entity combines with one or more other not-for-profit, businesses, or nonprofit activities in a transaction that meets the definition of a merger of not-for-profit entities or an acquisition by a not-for-profit entity.
- Presence Health evaluates 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. Recoverability of long-lived assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset. When such assets are considered to be impaired, the impairment loss recognized is measured by the amount by which the carrying value of the asset exceeds the fair value of the asset. No such impairments were required for the year ended December 31, 2014 or 2013.
- Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expiration of donor restrictions is reported when the donated or acquired long-lived assets are placed in service.
- Assets whose use is limited or restricted include: assets set aside by the board of directors for future capital improvements, over which the board of directors retains control and may at its discretion subsequently use for other purposes; assets held by trustees under indenture agreements and resident agreements; assets set aside for self-insured liabilities; and donor-restricted investments. Assets whose use is limited or restricted are classified as current assets to the extent they are required to satisfy obligations classified as current liabilities in the accompanying consolidated statements of financial position.
- Deferred finance charges, bond discount, and bond premium are amortized on a straight-line basis over the periods the related obligations are outstanding.

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- Deferred revenue and refundable deposits represent various types of entrance and membership fees received from residents of senior living facilities. Resident membership deposits are fully refundable, net of applicable processing fees, to the resident upon termination of the lease agreement between Senior Services and the resident, with any interest earned on such deposits accruing to Senior Services. Senior Services offers a variety of partially refundable entrance fees. The nonrefundable portion of entrance fees is amortized to revenue using the straight-line method over the estimated remaining life expectancies of the residents. Total entrance payments subject to refund at December 31, 2014 and 2013 approximated $30,086 and $34,255, respectively, and are included in deferred revenue and refundable deposits in the accompanying consolidated statements of financial position.
- ASC Subtopic 954-450, *Health Care Entities - Contingencies* clarifies that healthcare entities should not net insurance recoveries against the related claim liability and that the claim liability amount should be determined without consideration of insurance recoveries. As such, Presence Health reported a receivable of $18,902 and $19,190 at December 31, 2014 and 2013, respectively, in other assets in the accompanying consolidated statements of financial position.
- The provisions for estimated self-insured medical malpractice claims, workers' compensation claims, and employee health claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported.
- Unconditional promises to give cash or other assets are reported at fair value at the date the promise is received, and are considered a Level 3 financial instrument in the fair value hierarchy (note 7). All contributions are considered to be available for unrestricted use unless specifically restricted by donors. Contributions are reported as direct additions to temporarily restricted net assets 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 a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and change in unrestricted net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are recorded as unrestricted contributions. 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.
- Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Temporarily restricted net assets are restricted for various programs related to the provision of health and pastoral care and the acquisition of land, buildings, and equipment.
- Permanently restricted net assets represent donor-restricted contributions, the principal amount of which may not be expended. Amounts reported as permanently restricted net assets represent the cumulative amount of contributions received for permanent endowment. Investment return currently earned on permanently restricted investments is reported as either nonoperating investment income or a direct addition to temporarily restricted net assets based on donor intentions.

  Endowment funds are commingled in a pooled investment portfolio administered by Presence Health. Presence Health relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Presence

Health targets a diversified asset allocation that places a greater emphasis on fixed-income investments to achieve its long-term return objectives within prudent risk constraints. Investment return is allocated to endowment fund assets on a basis proportional to its percentage of the investment portfolio. Endowment fund assets are maintained at a level equivalent to the balance of permanently restricted net assets.

- Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. 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.
- Presence Health provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because Presence Health does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Presence Health applies the provisions of ASC Subtopic 954-605, *Health Care Entities – Revenue Recognition*, the disclosure section of which requires that cost be used as the measurement basis for charity care disclosures purposes and that cost can be identified as direct and indirect costs of providing charity care.
- Presence Health accounts for discontinued operations under ASC guidance related to accounting for the impairment or disposal of long-lived assets. The guidance requires that a component entity that has been disposed of or is classified as held-for-sale and has operations and cash flows that can be clearly distinguished from the rest of the entity be reported as discontinued operations. In the period that a component entity has been disposed of or is classified as held-for-sale, the results of operations for current and prior periods are reclassified to discontinued operations in the accompanying consolidated statements of operations and change in unrestricted net assets.
- Investment income or loss (including realized gains and losses on investments, changes in unrealized gains and losses on trading securities, interest, and dividends) is included in unrestricted revenue and gains in excess (deficient) of expenses and losses in the accompanying consolidated statements of operations and change in unrestricted net assets unless the income or loss is restricted by donors, in which case the investment income is recorded directly to temporarily or permanently restricted net assets. Investment returns of temporarily restricted investments are recorded directly to temporarily restricted net assets in accordance with donor intent.
- Presence Health recognizes liabilities when a legal obligation exists to perform an asset retirement obligation (ARO) in which the timing or method of settlement are conditional on a future event that may or may not be under the control of the entity. An ARO liability is recorded at its net present value with recognition of a related long-lived asset in a corresponding amount. The ARO liability is accreted through periodic charges to interest expense. Presence Health is legally liable to remove asbestos from existing buildings prior to future remodeling or demolishing of the existing buildings. The estimated asbestos removal cost at December 31, 2014 and 2013 was $13,560 and $13,282, respectively, and is included as other long-term liabilities in the accompanying consolidated statements of financial position.

- Ventures is an Illinois business (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 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.

  Ventures tax effects of temporary differences that give rise to significant portions of the deferred tax assets at December 31, 2014 and 2013 are primarily the result of net operating loss carryforwards of $6,656 and $6,684 at December 31, 2014 and 2013, respectively, which expire at various future dates through 2030.

  PSC is an Illinois not-for-profit taxable corporation that also recognizes deferred income taxes under the asset and liability method. PSC tax effects of temporary differences that give rise to significant portions of the deferred tax assets at December 31, 2014 and 2013 are primarily the result of net operating loss carryforwards of $168,667 and $148,392 at December 31, 2014 and 2013, respectively, which expire at various future dates through 2034.

  In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable losses and projections for future taxable losses over the periods for which the deferred tax assets are deductible, management believes it is more likely than not that Ventures and PSC will not realize the majority of the benefits of these deductible differences. The deferred tax assets attributable to the net operating loss carryforwards not realized as of December 31, 2014 and 2013 have been fully reserved in the accompanying consolidated financial statements due to the uncertainty of realization.

  Presence Health recognizes 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. As of December 31, 2014 and 2013, Presence Health does not have any liabilities for unrecognized tax benefits.

- Presence Health primarily incurs expenses for the provision of health and residential care services and related general and administrative activities.

- The Medical Electronic Health Record (EHR) Incentive Program (the Program) provides incentive payments to eligible hospitals and professionals as they adopt, implement, upgrade, or demonstrate meaningful use of certified EHR technology and demonstrate meaningful use. Presence Health accounts for the Program using International Accounting Standards 20 (IAS 20), *Accounting for Government Grants and Disclosures of Government Assistance*. Presence Health applies the "ratable recognition" approach, which states that the grant income can be recognized ratably over the entire

EHR reporting period once the "reasonable assurance" income recognition threshold of IAS 20 is met. For the years ended December 31, 2014 and 2013, Presence Health recognized $16,352 and $30,901, respectively, as other revenue related to Medicare and Medicaid EHR incentives, which have been received or are expected to be received based on certifications prepared by management under the appropriate guidelines for attestation.

- Since the formation of Presence Health on November 1, 2011, Presence Health has undertaken various restructuring activities to bring together the two legacy organizations of Provena Health and Resurrection Health Care Corporation. The costs associated with these restructuring activities of $0 and $48,747 for the years ended December 31, 2014 and 2013, respectively, primarily consist of severance and consulting costs.
- Certain 2013 amounts have been reclassified to conform to the 2014 consolidated financial statement presentation.

(3) Net Patient and Resident Service Revenue

Presence Health has agreements with third-party payors that provide for reimbursement at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, capitation, and per diem payments. A summary of the basis of reimbursement with major third-party payors is as follows:

Medicare – Inpatient acute care services, outpatient services, physician services, home health, and long-term care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per case. These rates vary according to patient and resident classification systems that are based on clinical, diagnostic, and other factors. The prospectively determined rates are not subject to adjustment. Payment classification of patients and residents under the prospective payment systems, and the appropriateness of the services, are subject to validation reviews. Certain services related to Medicare beneficiaries are reimbursed based upon cost-reimbursement methodologies. Presence Health is reimbursed for cost-reimbursable items at tentative rates with final settlement determined after submission of annual reimbursement reports by Presence Health and audits thereof by the Medicare fiscal intermediary. As of December 31, 2014, annual Medicare reimbursement reports generally have been final settled through 2009.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under prospectively determined rates per discharge and fee schedules, respectively. Presence Health also receives incremental Medicaid reimbursement for specific programs and services at the discretion of the State of Illinois Medicaid Program. Medicaid reimbursement may be subject to periodic adjustment, as well as to changes in existing payment methodologies and rates, based on the amount of funding available to the State of Illinois Medicaid Program.

The State of Illinois (the State) has an assessment program to assist in the financing of its Medicaid program, which was extended by the State through July 1, 2018. Pursuant to this program, hospitals within the State are required to remit payment to the State Medicaid program under an assessment formula approved by the Centers for Medicare and Medicaid Services (CMS). Presence Health has included $79,207 as provider tax assessment expense for the years ended December 31, 2014 and 2013, in the accompanying consolidated statements of operations and change in unrestricted net assets.

The assessment program also provides hospitals within the State with additional Medicaid reimbursement based on funding formulas approved by CMS. Presence Health has included its additional related reimbursement of $125,339 for the years ended December 31, 2014 and 2013, within net patient and resident service revenue in the accompanying consolidated statements of operations and change in unrestricted net assets.

As of and for the year ended December 31, 2014, Presence Health has included its related assessment of $24,894 under the Enhanced Hospital Assessment Program, within assessments and taxes in the accompanying 2014 consolidated statement of operations and change in unrestricted net assets. The Enhanced Hospital Assessment Program provides hospitals within the State with additional Medicaid reimbursement, based on funding formulas also approved by CMS. Presence Health has included its additional related reimbursements for the year ended December 31, 2014 of $34,609, within net patient and resident service revenue in the accompanying 2014 consolidated statement of operations and change in unrestricted net assets.

As of and for the year ended December 31, 2013, Presence Health has included its related assessment of $39,058 under the Enhanced Hospital Assessment Program, retroactive to June 10, 2012, within assessments and taxes in the accompanying 2013 consolidated statement of operations and change in unrestricted net assets. The Enhanced Hospital Assessment Program provides hospitals within the State with additional Medicaid reimbursement, based on funding formulas also approved by CMS. Presence Health has included its additional related reimbursements for the year ended December 31, 2013 of $54,621, retroactive to June 10, 2012, within net patient and resident service revenue in the accompanying 2013 consolidated statement of operations and change in unrestricted net assets.

The State's Medicaid program entered its fiscal years beginning July 1, 2011 and 2012 with structural budget deficits. The deficits include the continued practice of deferring Medicaid bills to future periods, and have led to the State's slowdown in claims processing and payments. As of December 31, 2014 and 2013, Medicaid net receivables were approximately $139,000 and $107,000, respectively, and represented approximately eleven and nine months, respectively, of outstanding claims. Management continues to value these patient receivables using historical collection percentages.

Blue Cross – Presence Health participates as a provider of healthcare services under reimbursement agreements with Blue Cross. The provisions of the indemnity plan agreements stipulate that services will be reimbursed at a tentative reimbursement rate and that final reimbursement for these services is determined after the submission of annual cost reports and reviews by Blue Cross. As of December 31, 2014, the Blue Cross cost settlements for 2014 are subject to audit and retroactive adjustment.

Managed Care – Presence Health participates as a provider of healthcare services under various agreements with health maintenance organizations (HMOs) and preferred provider organizations (PPOs). The terms of each contract vary, but typically include a negotiated discount offered by Presence Health for services provided to contracted HMO and PPO patients.

Capitation Revenue – PHCP receives capitation payments based on the demographic characteristics of covered members in exchange for providing all primary care physician services, as well as certain outpatient diagnostic and specialist physician services. Additionally, PHCP is eligible for incentive payments based on favorable utilization experience. Capitation revenue related to risk-based contracts totaled $50,178 and $56,204 for the years ended December 31, 2014 and 2013, respectively, and is included within other revenue in the accompanying consolidated statements of operations and change in unrestricted net assets. Pursuant to risk-based contracts, PHCP estimates its liability for covered medical claims, including claims incurred but not reported as of the consolidated statements of financial position dates, based upon historical costs incurred and payment processing experience. This liability approximated $4,859 and $4,591 at December 31, 2014 and 2013, respectively, and is included within accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

Net patient and resident service revenue for the years ended December 31, 2014 and 2013 includes $6,611 and $5,812, respectively, of net favorable retroactively determined reimbursement settlements from prior years with third-party payors. Also included in net patient and resident service revenue for the year ended December 31, 2013 is approximately $17,511 received as part of a one-time lump sum agreement with one of its third-party payors as a retroactive rate adjustment.

Patients' accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patients' accounts receivable, Presence Health analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for uncollectible accounts receivable. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, Presence Health analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for uncollectible accounts receivable, if necessary. For receivables associated with patient responsibility (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the patients are screened against the Presence Health charity care policy and uninsured discount policy. For any remaining patient responsibility balance, Presence Health records a provision for uncollectible accounts receivable in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

Presence Health's allowance for uncollectible accounts for self-pay patients, which includes uninsured patients and residual copayments and deductibles for which managed care has already paid, decreased from 85.5% of self-pay accounts receivable at December 31, 2013 to 84.5% of self-pay accounts receivable at December 31, 2014. In addition, Presence Health's self-pay write-offs decreased from $185,517 for the year ended December 31, 2013 to $94,984 for the year ended December 31, 2014. Presence Health does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant write-offs from third-party payors.

Presence Health recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not quality for charity care, Presence Health recognizes revenue for services provided (on the basis of discounted rates, as provided by policy). On the basis of historical experience, a portion of Presence

(Dollars in thousands)

Health's uninsured patients will be unable or unwilling to pay for the services provided. Thus, Presence Health records a provision for uncollectible accounts receivable in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts receivable), recognized in the period from these major payor sources is as follows:

		2014	2013
Medicare	$	1,037,935	960,793
Medicaid		255,122	345,686
Managed care/contract payors		916,761	919,505
Other		221,987	270,492
Net patient and resident service revenue	$	2,431,805	2,496,476

(4) Concentrations of Credit Risk

Presence Health grants credit without collateral to its patients and residents, most of whom are local residents in Presence Health's markets. The mix of receivables from patients, residents, and third-party payors at December 31, 2014 and 2013 is as follows:

	2014	2013
Medicare	33%	28%
Medicaid	29	28
Managed care/contract payors	23	21
Other	15	23
	100%	100%

(5) Charity Care

During the years ended December 31, 2014 and 2013, the estimated costs of charity care provided were $61,695 and $60,664, respectively. Cost is estimated using an overall cost to charge ratio.

(Dollars in thousands)

(6) Investments

A summary of the composition of Presence Health's investment portfolio at December 31, 2014 and 2013 is as follows:

		2014	2013
Cash and cash equivalents	$	58,042	93,677
Domestic common stocks		200,632	213,720
Foreign common stocks		1,025	76,010
Domestic equity mutual funds		310,039	103,517
Domestic fixed-income mutual funds		1,988	34,541
U.S. government and agency obligations		54,906	107,060
Corporate debt securities		77,566	84,178
Mortgage-backed securities		55,729	134,255
Commercial mortgage-backed securities		12,755	20,820
Asset-backed securities		15,499	24,326
Foreign debt securities		6,276	8,634
Other		1,025	2,965
Alternative investment – Lighthouse Global Long/Short Fund		101,102	83,741
Alternative investment – Aurora Offshore Fund Ltd II		99,998	77,844
	$	996,582	1,065,288

Presence Health has invested in alternative investments – hedge fund of funds that employ a long/short strategy. The funds are primarily invested in global equity markets and private investment funds. There are no additional funding commitments as of December 31, 2014 and 2013.

Investments are classified in the accompanying consolidated statements of financial position as follows:

		2014	2013
Assets whose use is limited or restricted, required for current liabilities	$	53,830	44,148
Assets whose use is limited or restricted, net of current portion		942,752	1,021,140
	$	996,582	1,065,288

(Dollars in thousands)

The composition of assets whose use is limited or restricted is as follows:

		2014	2013
Board-designated investments for reinvestment, self-insurance, and debt payments	$	920,923	975,094
Self-insurance trust		—	5,325
Held by trustee under bond indenture agreements		32,150	36,333
Restricted by donors		43,509	48,536
	$	996,582	1,065,288

The composition of investment return for the years ended December 31, 2014 and 2013 is as follows:

		2014	2013
Interest and dividend income, net of fees and expenses	$	12,490	36,869
Change in net unrealized gains on securities		(75,322)	50,148
Net realized gains on sale of investments		117,699	32,571
Total investment return	$	54,867	119,588

Investment returns are included in the accompanying consolidated statements of operations and change in unrestricted net assets for the years ended December 31, 2014 and 2013 as follows:

		2014	2013
Nonoperating:			
Investment income	$	54,657	119,463
Temporarily restricted net assets:			
Investment return		210	125
Total investment return	$	54,867	119,588

Presence Health is a member in the Premier purchasing group and maintains a cost basis investment of $1,582 and $1,898 as of December 31, 2014 and 2013, respectively, reported in other assets in the accompanying consolidated statements of financial position. Premier transacted an initial public offering (IPO) effective October 1, 2013. In connection with the IPO, Presence Health received cash proceeds of $5,816, which have been reported as investment income in the 2013 consolidated statement of operations and change in unrestricted net assets along with approximately 1,204 Class B common units.

Beginning October 31, 2014, the Class B common units are eligible for exchange evenly over a seven-year period to Class A shares that are publicly traded. In order to retain the Class B common units and have the ability to exchange them, the member owner must continue to be a party to a participation agreement with Premier. As the Class B shares are converted to Class A shares, Presence Health reflects a realized gain for the value of the shares exchanged less the pro rata cost basis of the original cost basis investment. For subsequent reporting periods these Class A shares will be marked to market similar to other marketable

(Continued)

equity securities. For the year ended December 31, 2014, Presence Health recognized an unrealized gain of $3,352 in relation to 172,022 Class B shares that are vested but unexchanged.

During 2014, Presence Health sold its cost basis investment in Preferred Professional Insurance Company. As a result of this sale, Presence Health reported a realized gain of $10,574, which has been reported as investment income and other, net in the 2014 consolidated statement of operations and change in unrestricted net assets.

(7) Fair Value Measurements

(a) Fair Value of Financial Instruments

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

- The carrying amount reported in the consolidated statements of financial position for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, patient and resident accounts receivable, accounts payable and accrued expenses, and estimated payables under third-party reimbursement programs.
- Assets whose use is limited or restricted: Common stocks are measured using quoted market prices at the reporting date multiplied by the quantity held. U.S. government obligations, U.S. agency obligations, corporate debt securities, mortgage-backed securities, commercial mortgage-backed securities, asset-backed securities, and foreign debt securities are measured using other observable inputs. The carrying value equals fair value.
- Presence Health applies the concepts of ASC Subtopic 820-10 to its mutual funds and alternative investments using NAV as a practical expedient in estimating fair value; however, it is possible that the redemption rights of certain alternative investments may be restricted by the funds in the future in accordance with the underlying fund agreements. Changes in market conditions and the economic environment may impact the NAV of the funds and consequently the fair value of Presence Health's interest in the funds.
- Long-term debt: The fair value of fixed rate long-term debt is estimated based on quoted market prices for the same or similar issues or on the current rates offered to Presence Health for debt of the same remaining maturities. For variable rate debt, carrying amounts approximate fair value. The estimated fair value of long-term debt instruments at December 31, 2014 and 2013 is approximately $1,189,000 and $1,197,000, respectively.
- Capital leases: The fair value of capital leases is estimated based on debt of the same remaining maturities using Presence Health's incremental borrowing rate at the measurement date. The fair value of capital leases at December 31, 2014 and 2013 is $5,138 and $6,155, respectively.

(b) Fair Value Hierarchy

ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

(Dollars in thousands)

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

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

The following table presents assets and liabilities that are measured at fair value on a recurring basis at December 31, 2014:

	Total fair value	Fair value measurements at December 31, 2014 using (Level 1)	(Level 2)	(Level 3)	Redemption frequency	Days notice
Assets:						
Assets whose use is limited or restricted, excluding pledges and other totaling $1,025 and cash and cash equivalents totaling $58,042:						
Domestic common stocks	$ 200,632	200,632	—	—	Daily	One
Foreign common stocks	1,025	1,025	—	—	Daily	One
Domestic equity mutual funds	310,039	310,039	—	—	Daily	One
Domestic fixed-income mutual funds	1,988	1,988	—	—	Daily	One
U.S. government and agency obligations	54,906	47,782	7,124	—	Daily	One
Corporate debt securities	77,566	—	77,566	—	Daily	One
Mortgage-backed securities	55,729	—	55,729	—	Daily	One
Commercial mortgage-backed securities	12,755	—	12,755	—	Daily	One
Asset-backed securities	15,499	—	15,499	—	Daily	One
Foreign debt securities	6,276	—	6,276	—	Daily	One
Alternative investment – Lighthouse Global Long/ Short Fund	101,102	—	101,102	—	Monthly/ Quarterly	90/60
Alternative investment – Aurora Offshore Fund Ltd II	99,998	—	99,998	—	Quarterly	95
Total	$ 937,515	561,466	376,049	—		

(Dollars in thousands)

The following table presents assets and liabilities that are measured at fair value on a recurring basis at December 31, 2013:

	Total fair value	Fair value measurements at December 31, 2013 using (Level 1)	(Level 2)	(Level 3)	Redemption frequency
Assets:					
Assets whose use is limited or restricted, excluding pledges and other totaling $2,965 and cash and cash equivalents totaling $93,677:					
Domestic common stocks	$ 213,720	213,720	—	—	Daily
Foreign common stocks	76,010	76,010	—	—	Daily
Domestic equity mutual funds	103,517	103,517	—	—	Daily
Domestic fixed-income mutual funds	34,541	34,541	—	—	Daily
U.S. government and agency obligations	107,060	98,366	8,694	—	Daily
Corporate debt securities	84,178	—	84,178	—	Daily
Mortgage-backed securities	134,255	—	134,255	—	Daily
Commercial mortgage-backed securities	20,820	—	20,820	—	Daily
Asset-backed securities	24,326	—	24,326	—	Daily
Foreign debt securities	8,634	—	8,634	—	Daily
Alternative investment – Lighthouse Global Long/ Short Fund	83,741	—	83,741	—	Monthly/ Quarterly
Alternative investment – Aurora Offshore Fund Ltd II	77,844	—	77,844	—	Quarterly
Total	$ 968,646	526,154	442,492	—	

Presence Health recognizes transfers between levels of the fair value hierarchy in the year of the event or change in circumstances that caused the transfer. There were no transfers into or out of Level 1, Level 2, or Level 3 for the years ended December 31, 2014 and 2013.

(8) Discontinued Operations

Effective December 31, 2014, Presence Health divested certain assets and liabilities associated with POLR, certain properties, physician practices, and a retail pharmacy associated with Services (collectively referred to herein as the Entities). Pursuant to the Asset Purchase Agreement (Agreement), Presence Health divested the fixed assets, inventory, and prepaid expenses of the Entities. The net book value of the Entities' assets that were divested at date of sale approximated $31,062. The accrued expenses and asbestos remediation liabilities assumed by the buyer at date of sale approximated $1,625. Presence Health made a cash distribution of $6,000 in conjunction with the divestiture. Presence Health recognized a loss on sale of $35,437 in 2014.

(Dollars in thousands)

Effective December 8, 2014, Senior Services sold certain assets and liabilities associated with PBNC. Pursuant to the Asset Purchase Agreement, Senior Services sold the fixed assets, inventory, and prepaid expenses of PBNC. The net book value of PBNC's assets that were purchased by the buyer at date of sale approximated $15,751. Accrued expenses assumed by the buyer at the date of sale approximated $1,551. Senior Services received cash proceeds from the sale of $13,378. Senior Services recognized a loss on sale of $822 in 2014.

Effective December 8, 2014, Senior Services sold certain assets and liabilities associated with PSALC. Pursuant to the Asset Purchase Agreement, Senior Services sold the fixed assets, inventory, and prepaid expenses of PSALC. The net book value of PSALC's assets that were purchased by the buyer at date of sale approximated $8,880. Accrued expenses assumed by the buyer at the date of sale approximated $337. Senior Services received cash proceeds from the sale of $9,433. Senior Services recognized a gain on sale of $890 in 2014.

The Entities', PBNC's, and PSALC's assets and liabilities that were part of the asset purchase agreements have been reclassified as held-for-sale in the accompanying 2013 consolidated statement of financial position. The operations, including the loss on the sale transactions, of the Entities, PBNC, and PSALC have been presented in the accompanying consolidated statements of operation as discontinued operations. Presence Health's results of operations for the year ended December 31, 2013 have also been restated to reflect the discontinuance of the Entities, PBNC, and PSALC. All net cash flows related to the operating, investing, and financing activities of the Entities, PBNC, and PSALC are reported separately as discontinued operations in the accompanying consolidated statement of cash flows.

A summary of the operating components of the loss from discontinued operations for the Entities, PBNC, PSALC, and other discontinued operations for the years ended December 31, 2014 and 2013 is as follows:

		2014	2013
Revenue	$	125,009	137,788
Expenses		(137,538)	(136,962)
Gain (loss) from discontinued operations		(12,529)	826
Loss on sale		(35,369)	—
Net gain (loss) from discontinued operations	$	(47,898)	826

(Dollars in thousands)

(9) Land, Buildings, and Equipment

A summary of land, buildings, and equipment at December 31, 2014 and 2013 is as follows:

		2014	2013
Land	$	85,525	84,915
Land improvements		52,340	53,859
Buildings and leasehold improvements		1,687,687	1,655,486
Equipment and furnishings		1,414,381	1,378,737
		3,239,933	3,172,997
Less accumulated depreciation and amortization for capital leases		1,921,826	1,871,462
		1,318,107	1,301,535
Construction in progress		79,436	40,142
Land, buildings, and equipment, net	$	1,397,543	1,341,677

At December 31, 2014 and 2013, construction in progress related primarily to various information systems, infrastructure, and facility improvement projects. Presence Health has outstanding contractual commitments of approximately $38,928 as of December 31, 2014 relating to these projects, which will be funded through operations and with existing funds.

(Dollars in thousands)

(10) Capital Leases

Presence Health leases certain equipment under capital leases. Included with equipment and furnishings is \$21,587 and \$22,866 of assets held under capital leases and \$16,227 and \$15,265 of related accumulated amortization at December 31, 2014 and 2013, respectively. Capital leases are secured by the underlying equipment. A summary of future minimum lease payments and the present value of future minimum lease payments related to capital leases as of December 31, 2014 and 2013 are as follows:

2015	$	1,840
2016		1,164
2017		1,007
2018		997
2019		451
Thereafter		401
Total future minimum lease payments		5,860
Less amount representing interest at rates from 5.25% to 27.60%		574
Present value of future minimum lease payments		5,286
Less current portion of obligations under capital leases		1,625
Obligations under capital leases, excluding current portion	$	3,661

(11) Long-Term Debt

In May of 2013, the Provena Health Master Trust Indenture (Provena MTI) and the Presence RHC Corporation Master Trust Indenture (RHC MTI) were consolidated into a single Master Trust Indenture for Presence Health (Presence Health MTI). The Presence Health MTI incorporates all covenants from the Provena MTI and RHC MTI. In instances where there were similar covenants between the Provena MTI and the RHC MTI, the Presence Health MTI incorporated the more stringent covenant. Security under the Presence Health MTI includes the pledged revenue of all Obligated Group members plus mortgages on nine acute care hospitals. The Presence Health MTI includes ten original Obligated Group Members, with Presence Health as the Obligated Group Agent. The other nine Obligated Group Members include Presence PRV Health, Presence Hospitals, Presence Life Connections, Presence RHC Corporation, PRMC, POLR, PSFH, PSJH, and PSMEMC. Unlimited Credit Group Participants include Presence Behavioral Health, Presence Ambulatory Services, Resurrection Development Foundation Board of Trustees, Presence Home Care Services, Presence RHC Senior Services, and Presence Healthcare Services. In September 2013, the Holy Family MTI was defeased, and PHFMC was added as a member of the Presence Health Obligated Group. The Presence Health Obligated Group represents approximately 98% of consolidated operating revenue for the year ended December 31, 2014 and approximately 99% of consolidated assets as of December 31, 2014.

Amounts of long-term debt outstanding under the Presence Health MTI totaled \$1,079,473 and \$1,113,101 as of December 31, 2014 and 2013, respectively.

(Continued)

Bond issue premiums and costs are amortized over the term of the related bonds using a weighted average method, based on outstanding debt. Bond issuance costs, net of amortization, are reported as other assets in the accompanying consolidated statements of financial position.

(Dollars in thousands)

A summary of long-term debt issued through the Illinois Finance Authority (IFA) and financial institutions at December 31, 2014 and 2013 is as follows:

		2014	2013
Provena Series:			
IFA Revenue Bonds (Series 2009A) – payable annually beginning in 2026 through August 2034. Interest payable semiannually is fixed at 7.75%.	$	200,000	200,000
IFA Revenue Bonds (Series 2010A) – payable annually through May 2028. Interest payable semiannually is fixed at 5.00% to 6.25%.		96,110	100,415
RHC Series:			
IFA Revenue Bonds (Series 1999A) – payable annually through June 2029. Interest is fixed at 4.00% to 5.50%.		87,400	91,900
IFA Revenue Bonds (Series 1999B) – payable annually through June 2029. Interest is fixed at 4.00% to 5.25%.		87,400	91,900
IFA Revenue Refunding Bonds (Series 2009) – payable annually through 2025. Interest is payable semiannually at fixed rates ranging from 5.00% to 6.125%.		62,825	72,825
Presence Health Series:			
Variable Rate Direct Purchase Bonds (Series 2013A) – payable annually commencing in 2015 with final maturity in 2035. Interest rate of 1.38% at December 31, 2014 and 2013.		60,000	60,000
Variable Rate Direct Purchase Bonds (Series 2013B) – payable annually commencing in 2035 with final maturity of 1.21% and 1.26% at December 31, 2014 and 2013, respectively.		50,000	50,000
Variable Rate Direct Purchase Bonds (Series 2013C) – payable annually commencing in 2015 with final maturity in 2045. Interest rate of 1.32% and 1.28% at December 31, 2014 and 2013, respectively.		55,850	55,850
Variable Rate Direct Purchase Bonds (Series 2013D) – payable annually commencing in 2014 with final maturity in 2045. Interest rate of 1.11% and 1.06% at December 31, 2014 and 2013, respectively.		40,040	41,000
Variable Rate Direct Purchase Bonds (Series 2013E) – payable annually commencing in 2015 with final maturity in 2035. Interest rate of 1.07% and 1.02% at December 31, 2014 and 2013, respectively.		119,140	119,140
Variable Rate Direct Purchase Bonds (Series 2013F) – payable annually commencing in 2035 with final maturity in 2044. Interest rate of 1.07% and 1.02% at December 31, 2014 and 2013, respectively.		40,875	40,875

(Dollars in thousands)

		2014	2013
Bank of America Term Loan – payable annually ranging from $1,259 to $2,925 over ten years. Variable interest rates of 1.62% and 1.51% at December 31, 2014 and 2013, respectively.	$	93,793	95,121
PNC Term Loan – payable annually through 2023, bearing a fixed interest rate of 3.19%.		86,040	94,075
Other obligations:			
U.S. Department of Housing and Urban Development Mortgage Loan – payable monthly through November 2022		894	967
Business Loan Agreements – payable annually starting in 2023 through 2041, bearing interest at 0.94%		14,000	14,000
Total long-term debt		1,094,367	1,128,068
Less current installments of long-term debt		49,847	33,701
Less unamortized bond premium		(4,657)	(4,946)
Less unamortized bond discount		4,344	4,572
Total long-term debt, net of current installments and unamortized bond premium/discount	$	1,044,833	1,094,741

In May of 2013, Presence Health defeased the Provena Series 2010B bonds via an additional draw of $10,020 proceeds on the Bank of America Term Loan. All future interest and principle payments due on the 2010B bonds through May 2020 (the first call date of these bonds) are on deposit in escrow with the bond trustee.

In September of 2013, Presence Health redeemed all existing variable rate demand bonds including Provena Series 2009B, 2009C, 2009D, 2010C, and 2010D and RHC Series 2005B and 2005C. Each of these programs was reissued as a new tax-exempt Variable Rate Direct Purchase Bond (Presence Series 2013A through 2013F (Series 2013 Bonds)), via a private placement offering having a bank as the bondholder. The initial purchase period of these six bond series ranges from five years to eight years, with new purchase dates extending from September 3, 2018 to September 1, 2021. Each of these series is in an Index Floating Rate Period. Under the bond documents, except for a default, there are no conditions under which the bonds can be put back to Presence Health in advance of the Initial Index Floating Rate Purchase Date. On or before the date 180 days prior to the Initial Index Floating Rate Purchase Date, Presence Health may submit, in writing, a request that the bank repurchase the bonds for an additional period. The bank may respond within 60 days. If the bank does not provide a written response to this request within 60 days, the bank is deemed to have refused the request. In connection with the Series 2013 Bonds, Presence Health entered into six separate, but substantially similar, Continuing Covenant Agreements (CCAs) with five banks. Under these CCAs, principal payments are made either in accordance with the underlying bonds or on a more accelerated basis under the CCAs. Interest is computed as a percent of one-month LIBOR plus a credit spread.

(Dollars in thousands)

Also in September of 2013, Presence Health redeemed the PHFMC Series 1997B and Provena Series 1998A bonds. These obligations were refinanced with the proceeds of two taxable term loans. The PNC Term Loan refunded the Provena Series 1998A bonds and had original proceeds of $94,075. The PHFMC Series 1997B bonds were refinanced via an additional draw on the Bank of America Term Loan in the amount of $26,585.

As a result of the redemptions and defeasances in 2013, a loss on refinancing of $8,540 was reported in the accompanying 2013 consolidated statement of operations and change in unrestricted net assets.

Presence Health's effective interest rates for variable rate debt for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Presence Health Series		
2013 A	1.38%	1.38%
2013 B	1.26	1.21
2013 C	1.32	1.28
2013 D	1.11	1.07
2013 E	1.07	1.02
2013 F	1.07	1.02
Bank of America Term Loan	1.66	1.54

Scheduled principal repayments on long-term debt based on the scheduled redemptions according to the Presence Health MTI, the CCA minimum period and the other loan agreements are as follows:

Year ending December 31:		
2015	$	49,847
2016		27,969
2017		30,872
2018		182,941
2019		36,381
Thereafter		766,357
	$	1,094,367

Presence Health has a Revolving Credit Agreement for $25,000 with a commercial bank to provide a line of credit, secured under the Presence Health MTI through September 1, 2015. No draws under the Revolving Credit Agreement were outstanding at December 31, 2014 and 2013.

Under Section 148(f) of the Code, an issuer of tax-exempt bonds is required to rebate to the Internal Revenue Service the excess of investment income earned on all nonpurpose investments made with the gross proceeds of tax-exempt bond issues over the amount, which would have been earned if such nonpurpose investments had been invested at a rate equal to the interest yield on the related bond issue. There was no estimated rebate liability at December 31, 2014 and 2013.

(Continued)

During the fourth quarter of 2014, Presence Health sold certain assets at POLR, PBNC, and PSALC (note 8) to for-profit corporations. Certain assets located at these facilities had been financed with the proceeds of tax-exempt debt. As a result, remediation of the debt associated with those assets is necessary and were to be completed in the first quarter of 2015. This remediation consists of redemptions in several bond series, which resulted in increasing the current portion of long-term debt by $13,600 as of December 31, 2014 over the previously scheduled debt service amounts.

(12) Employees' Retirement Plans

Prior to September 1, 2013, the Presence Health Retirement Program consisted of the defined contribution money purchase plan (the Defined Contribution Plan), the Provena Employees' 403(b) Retirement Savings Plan (the Savings Plan), the Provena Ventures, Inc. 401(k) Retirement Savings Plan (the 401(k) Plan), the Resurrection Health Care Retirement Plan (Retirement Plan), the West Suburban Health Care Retirement Income Plan (Income Plan), and the Provena Employees' Pension Plan (the Plan). Effective September 1, 2013, Presence Health replaced the Defined Contribution Plan and the Savings Plan with the Presence Health Retirement Savings Plan (PH Plan), a defined contribution 403(b) plan. The account balances, investment elections, and contribution elections of participants of the legacy plans were automatically transferred to the PH Plan.

In conjunction with the formation of the PH Plan, Presence Health also amended the Retirement Plan to freeze benefit accruals for all nongrandfathered participants whose benefit accruals are specifically provided for in the supplements to the Retirement Plan, effective August 31, 2013. As a result of that amendment, the remaining unrecognized prior service cost of $289 was immediately recognized in expense.

Matching employer and base contributions under the cash balance plans (the Savings Plan, the 401(k) Plan, and the newly formed PH Plan) are funded currently and amounted to $39,952 and $26,472 for the years ended December 31, 2014 and 2013, respectively, and are included in salaries and benefits expense in the accompanying consolidated statements of operations and change in unrestricted net assets.

Resurrection Health Care Retirement Plan

Presence Health records pension cost at an amount calculated by an independent consulting actuary. Presence Health recognizes the cost related to employee service using the projected unit credit cost method. Gains and losses, calculated as the difference between estimated and actual amounts of plan assets and the projected benefit obligation, and prior service cost are amortized over the expected future service period.

(Dollars in thousands)

The following tables set forth the consolidated funded status, assumptions, and amounts recognized in the accompanying consolidated financial statements as of and for the years ended December 31, 2014 and 2013 for the Retirement Plan:

		2014	2013
Change in benefit obligation:			
Projected benefit obligation at beginning of period	$	(354,300)	(360,689)
Service cost		(14)	(13,219)
Interest cost		(14,247)	(14,009)
Actuarial (loss) gain		(29,647)	7,396
Benefits paid		32,943	26,221
Projected benefit obligation at end of period		(365,265)	(354,300)
Change in plan assets:			
Fair value of plan assets at beginning of period		224,761	187,737
Actual return on plan assets		11,949	33,245
Employer contributions		30,000	30,000
Benefits paid		(32,943)	(26,221)
Fair value of plan assets at end of period		233,767	224,761
Funded status	$	(131,498)	(129,539)
Amounts recognized in the accompanying consolidated statements of financial position:			
Pension benefit liability	$	(131,498)	(129,539)
Accumulated charge to unrestricted net assets		80,291	53,239
Net amount recognized	$	(51,207)	(76,300)
Accumulated benefit obligation	$	(365,123)	(353,994)

(Dollars in thousands)

		2014	2013
Components of net periodic benefit cost:			
Service cost	$	14	13,219
Expense load		700	509
Interest cost		14,247	14,009
Expected return on plan assets		(16,800)	(14,316)
Amortization of unrecognized net loss		428	3,737
Amortization of unrecognized prior service credit		—	(233)
Curtailment credit		—	(289)
Settlement charge		6,318	—
Net periodic benefit cost	$	4,907	16,636
Other changes in plan assets and benefit obligation recognized in unrestricted net assets:			
Net actuarial (loss) gain	$	27,480	(26,325)
Reversal of amortization items:			
Net actuarial loss		(428)	(3,737)
Prior service credit		—	522
Total recognized in unrestricted net assets	$	27,052	(29,540)
Estimated future benefit payments:			
Calendar year 2015	$	34,222	
Calendar year 2016		30,539	
Calendar year 2017		27,637	
Calendar year 2018		25,905	
Calendar year 2019		25,197	
Calendar years 2020–2024		108,373	
Expected contribution during calendar year 2015	$	30,000	

Presence Health contributed $30,000 to the Retirement Plan during 2014, of which $4,907 is the expense of the Retirement Plan. The estimated net actuarial loss for the Retirement Plan that will be amortized from unrestricted net assets into net periodic benefit cost during the 2015 fiscal year is $1,200.

During 2014, benefit payments exceeded the sum of service cost and interest cost. As a result, Presence Health recognized a settlement charge of $6,318, which represents accelerated recognition of a portion of the previously unrecognized loss.

As of December 31, 2014, Presence Health adopted the new RP-2014 Mortality Table with generational improvements using projection scale MP-2014. As a result of the adoption, the projected benefit obligation increased by $3,900.

(Dollars in thousands)

	2014	2013
Weighted average assumptions used to determine benefit obligations at period-end:		
Settlement (discount) rate	3.46%	4.26%
From January 1, 2013 to August 31, 2013	NA	3.75%
From September 1, 2013 to December 31, 2013	NA	4.60%
Weighted average rate of increase in future compensation levels	2.00	2.00
Weighted average assumptions used to determine net periodic benefit cost:		
Discount rate	4.26%	3.75%/4.60%*
Expected return on plan assets	7.50	7.50
Rate of compensation increase	2.00	2.00

* Based on a discount rate of 3.75% as of January 1, 2013 and 4.60% as of August 31, 2013.

Presence Health's overall expected long-term rate of return on assets is 7.5%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

Presence Health has developed a plan investment policy for the Retirement Plan, which has been reviewed and approved by the Presence Health Finance Committee and its board of directors. The policy established goals and objectives of the fund, asset allocations, asset classifications, and manager guidelines. The policy dictates a specific asset allocation between equity and fixed-income securities. Investments are managed by independent advisers who are monitored by management and the Finance Committee. Presence Health monitors the asset allocation and executes required recalibrations of the portfolio allocation on a regular basis in response to fluctuations in market conditions and the overall portfolio composition.

The table below shows the target allocation and acceptable ranges and actual asset allocations as of December 31, 2014 and 2013:

Asset	Target allocation	Acceptable range	Actual allocation December 31, 2014	Actual allocation December 31, 2013
Common stocks and mutual funds	60%	50%–70%	62.0%	64.0%
Fixed-income securities	40%	30%–50%	34.4%	33.7%
Cash and cash equivalents	—	0%–5%	3.6%	2.3%

(a) Fair Value of Financial Instruments

Valuation methodologies used to measure fair value of plan assets for the Retirement Plan are consistent with those used by Presence Health for its general investments as previously disclosed (note 7).

(Dollars in thousands)

(b) Fair Value Hierarchy

The Retirement Plan applies the provisions of ASC Topic 715, *Compensation – Retirement Benefits*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Topic 715 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The following table presents the Retirement Plan's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2014:

	Total	Level 1	Level 2	Level 3	Redemption frequency	Days notice
Investments, excluding cash and cash equivalents of $8,303:						
Domestic common stocks	$ 115,129	115,129	—	—	Daily	One
Foreign common stocks	1	1	—	—	Daily	One
Foreign equity mutual fund	29,831	29,831	—	—	Daily	One
U.S. government and agency obligations	17,608	17,205	403	—	Daily	One
Corporate debt securities	32,389	—	32,389	—	Daily	One
Foreign debt securities	—	—	—	—	Daily	One
Mortgage-backed securities	21,162	—	21,162	—	Daily	One
Commercial mortgage-backed securities	8,363	—	8,363	—	Daily	One
Asset-backed securities	981	—	981	—	Daily	One
Total assets at fair value	$ 225,464	162,166	63,298	—		

(Continued)

(Dollars in thousands)

The following table presents the Retirement Plan's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2013:

		Total	Level 1	Level 2	Level 3	Redemption frequency	Days notice
Investments, excluding cash and cash equivalents of $5,244:							
Domestic common stocks	$	109,470	109,470	—	—	Daily	One
Foreign common stocks		33,321	33,321	—	—	Daily	One
Equity mutual funds		956	956	—	—	Daily	One
U.S. government and agency obligations		14,963	14,963	—	—	Daily	One
Corporate debt securities		31,642	—	31,642	—	Daily	One
Foreign debt securities		372	—	372	—	Daily	One
Mortgage-backed securities		19,930	—	19,799	131	Daily	One
Commercial mortgage-backed securities		7,783	—	7,783	—	Daily	One
Asset-backed securities		1,080	—	1,080	—	Daily	One
Total assets at fair value	$	219,517	158,710	60,676	131		

The Retirement Plan recognizes transfers between levels of the fair value hierarchy in the year of the event or change in circumstances that caused the transfer. There were no transfers into or out of Level 1, Level 2, or Level 3 for the years ended December 31, 2014 and 2013.

The Level 3 asset was a mortgage-backed security issued by the National Credit Union Association and was secured by residential mortgages. Inputs to determine fair value of the security include loan level and structure specific items that influence the bonds' principal and interest cash flows and their timing, which includes, but is not limited to, assumptions about prepayments, defaults, severities, credit enhancement, and discount rate. There are no redemption frequency or notice restrictions with this security. The following table presents a reconciliation for Level 3 assets measured at fair value on a recurring basis for the years ended December 31, 2014 and 2013:

		2014	2013
Beginning balance	$	131	215
Net gains		—	1
Settlements		—	(85)
Sales		(131)	—
Ending balance	$	—	131

(Continued)

(Dollars in thousands)

West Suburban Health Care Retirement Income Plan

The Income Plan is a noncontributory defined benefit pension plan, for which the board of directors of WSMC authorized the curtailment of the Income Plan effective January 1, 2002. As a result of the curtailment, participation in the Income Plan is limited to participants entering on or before January 1, 2002, and no new benefits will accrue to participants subsequent to that date. Gains and losses, calculated as the difference between estimated and actual amounts of plan assets and the projected benefit obligation, are amortized over the expected future service period. Presence Health has maintained responsibility for the Income Plan subsequent to the asset divestitures.

A summary of the changes in the projected benefit obligation and plan assets and the resulting funded status of the Income Plan is as follows at December 31, 2014 and 2013 (measurement date):

		2014	2013
Change in benefit obligation:			
Projected benefit obligation at beginning of period	$	(83,961)	(90,040)
Interest cost		(3,921)	(3,705)
Actuarial gain (loss)		(16,151)	6,463
Benefits paid		3,457	3,321
Projected benefit obligation at end of period	$	(100,576)	(83,961)
Change in plan assets:			
Fair value of plan assets at beginning of period	$	77,399	65,411
Actual return on plan assets		4,136	11,204
Employer contributions		817	4,105
Benefits paid		(3,457)	(3,321)
Fair value of plan assets at end of period	$	78,895	77,399
Funded status	$	(21,681)	(6,562)
Amount recognized in the accompanying consolidated statements of financial position:			
Pension benefit liability	$	(21,681)	(6,562)
Accumulated charge to unrestricted net assets		43,462	26,848
Net amount recognized	$	21,781	20,286
Components of net periodic benefit cost:			
Interest cost	$	3,921	3,705
Expected return on plan assets		(5,319)	(4,539)
Amortization of unrecognized net loss		720	1,173
Net periodic benefit (income) cost	$	(678)	339

(Continued)

(Dollars in thousands)

		2014	2013
Other changes in plan assets and benefit obligation recognized in unrestricted net assets:			
Net actuarial (loss) gain	$	17,334	(13,131)
Reversal of amortization item:			
Net actuarial loss		(720)	(1,173)
Total recognized in unrestricted net assets	$	16,614	(14,304)
Estimated future benefit payments:			
Calendar year 2015	$	4,159	
Calendar year 2016		4,365	
Calendar year 2017		4,495	
Calendar year 2018		4,707	
Calendar year 2019		4,899	
Calendar years 2020–2024		27,147	
Expected contributions during calendar year 2015:			
Minimum required contribution	$	—	
Weighted average assumptions used to determine benefit obligations:			
Settlement (discount) rate		3.84%	4.75%
Weighted average assumptions used to determine net periodic benefit cost:			
Discount rate		4.75%	4.20%
Expected return on plan assets		7.00	7.00

Presence Health contributed $817 to the Income Plan during 2014, of which $678 is the expense of the Income Plan. The estimated net actuarial loss for the Income Plan that will be amortized from unrestricted net assets into net periodic benefit cost during the 2015 fiscal year is $1,200.

As of December 31, 2014, Presence Health adopted the new RP-2014 Mortality Table with generational improvements using projection scale MP-2014. As a result of the adoption, the projected benefit obligation increased by $4,400.

The Income Plan's overall expected long-term rate of return on assets is 7.0%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

Presence Health has developed a plan investment policy for the Income Plan, which has been reviewed and approved by the Presence Health Finance Committee and its board of directors. The policy established goals and objectives of the fund, asset allocations, asset classifications, and manager guidelines. The policy dictates a specific asset allocation between equity and fixed-income securities. Investments are managed by independent advisers who are monitored by management and the Finance Committee. Presence Health monitors the asset allocation and executes required recalibrations of the portfolio allocation on a regular basis in response to fluctuations in market conditions and the overall portfolio composition.

(Continued)

(Dollars in thousands)

The table below shows the target allocation and acceptable ranges and actual asset allocations as of December 31, 2014 and 2013:

Asset	Target allocation	Acceptable range	Actual allocation December 31, 2014	Actual allocation December 31, 2013
Common stocks and mutual funds	60	50%–70%	64.0%	63.3%
Fixed-income securities	40	30%–50%	34.3%	34.8%
Cash and cash equivalents	—	0%–5%	1.7%	1.9%

(a) *Fair Value of Financial Instruments*

Valuation methodologies used to measure fair value of plan assets for the Income Plan are consistent with those used by Presence Health for its general investments as previously disclosed (note 7).

(b) *Fair Value Hierarchy*

The Income Plan applies the provisions of ASC Topic 715.

The following table presents the Income Plan's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2014:

	Total	Level 1	Level 2	Level 3	Redemption frequency	Days notice
Investments, excluding cash and cash equivalents of $1,332:						
Domestic common stocks	$ 40,109	40,109	—	—	Daily	One
Foreign common stocks	1	1	—	—	Daily	One
Foreign equity mutual funds	10,419	10,419	—	—	Daily	One
U.S. government and agency obligations	5,540	4,887	653	—	Daily	One
Corporate debt securities	10,601	—	10,601	—	Daily	One
Mortgage-backed securities	6,939	—	6,939	—	Daily	One
Commercial mortgage-backed securities	3,126	—	3,126	—	Daily	One
Asset-backed securities	828	—	828	—	Daily	One
	$ 77,563	55,416	22,147	—		

(Dollars in thousands)

The following table presents the Income Plan's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2013:

		Total	Level 1	Level 2	Level 3	Redemption frequency	Days notice
Investments, excluding cash and cash equivalents of $1,498:							
Domestic common stocks	$	37,418	37,418	—	—	Daily	One
Foreign common stocks		11,221	11,221	—	—	Daily	One
Equity mutual funds		317	317	—	—	Daily	One
U.S. government and agency obligations		5,665	5,268	397	—	Daily	One
Corporate debt securities		10,339	—	10,339	—	Daily	One
Foreign debt securities		111	—	111	—	Daily	One
Mortgage-backed securities		7,202	—	7,202	—	Daily	One
Commercial mortgage-backed securities		2,460	—	2,460	—	Daily	One
Asset-backed securities		1,168	—	1,168	—	Daily	One
	$	75,901	54,224	21,677	—		

The Income Plan recognizes transfers between levels of the fair value hierarchy in the year of the event or change in circumstances that caused the transfer. There were no transfers into or out of Level 1, Level 2, or Level 3 for the years ended December 31, 2014 and 2013.

Provena Health Employees' Pension Plan

The Plan was frozen effective December 31, 2003 and only specified grandfathered employees remained as active participants in the Plan. Presence Health recognizes the cost related to the Plan using the Projected Unit Credit cost method. Gains and losses, calculated as the difference between estimates and actual amounts of plan assets and the projected benefit obligation, were amortized over the expected future service period through 2004. Effective January 1, 2005, the amortization period was changed to the average remaining life expectancy of inactive participants.

Presence Health accounts for the Plan in accordance with ASC Topic 715.

(Dollars in thousands)

The following table sets forth the Plan's funded status, amounts recognized in the accompanying consolidated financial statements, and assumptions at the Plan's measurement date, December 31:

		2014	2013
Change in benefit obligation:			
Projected benefit obligation at beginning of period	$	(489,569)	(532,625)
Service cost		(1,301)	(1,917)
Interest cost		(21,137)	(19,221)
Actuarial gain (loss)		(58,112)	39,300
Benefits paid		25,747	24,894
Projected benefit obligation at end of period	$	(544,372)	(489,569)
Change in plan assets:			
Fair value of plan assets at beginning of period	$	414,924	374,796
Actual return on plan assets		21,648	65,609
Expenses paid		(1,175)	(587)
Benefits paid		(25,747)	(24,894)
Fair value of plan assets at end of period	$	409,650	414,924
Funded status	$	(134,722)	(74,645)

		2014	2013
Amounts recognized in the accompanying consolidated statements of financial position:			
Pension benefit liability	$	(134,722)	(74,645)
Accumulated charge to unrestricted net assets:		277,680	211,601
Net amount recognized	$	142,958	136,956
Components of net periodic benefit cost (benefit):			
Service cost	$	1,301	1,917
Interest cost		21,137	19,221
Expected return on plan assets		(34,224)	(30,847)
Amortization of unrecognized net actuarial loss		5,785	9,186
Net periodic benefit cost	$	(6,001)	(523)
Changes in plan assets and benefit obligations recognized in unrestricted net assets:			
Net actuarial (loss) gain	$	71,864	(73,475)
Amortization of actuarial loss		(5,785)	(9,186)
Total recognized in unrestricted net assets	$	66,079	(82,661)

(Continued)

(Dollars in thousands)

		2014	2013
Estimate of amounts that will be amortized from unrestricted net assets to net pension cost in 2015:			
Net actuarial loss	$	7,700	
Estimated future benefit payments:			
Calendar year 2015		29,993	
Calendar year 2016		30,883	
Calendar year 2017		31,465	
Calendar year 2018		32,259	
Calendar years 2019–2023		32,948	
Calendar years 2020–2024		166,234	
Weighted average assumptions used to determine benefit obligations:			
Discount rate – benefit obligations		3.60%	4.50%
Rate of compensation increase		2.00	2.00
Weighted average assumptions used to determine net periodic benefit cost:			
Discount rate		4.50	3.61
Expected return on plan assets		8.50	8.50
Rate of compensation increase		2.00	2.00

Presence Health's overall expected long-term rate of return on assets is 8.5%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments. Presence Health does not expect to make any contributions to the Plan during 2015.

As of December 31, 2014, Presence Health adopted the new RP-2014 Mortality Table with generational improvements using projection scale MP-2014. As a result of the adoption, the projected benefit obligation increased by $14,900.

Presence Health has developed a plan investment policy for the Plan, which has been reviewed and approved by the Presence Health Finance Committee and its boards of directors. The policy established goals and objectives of the fund, asset allocations, asset classifications, and manager guidelines. The policy dictates a specific asset allocation between equity and fixed-income securities. Investments are managed by independent advisers who are monitored by management and the Finance Committee. Presence Health monitors the asset allocation and executes required recalibrations of the portfolio allocation on a regular basis in response to fluctuations in market conditions and the overall portfolio composition.

(Continued)

(Dollars in thousands)

The table below shows the target allocation and acceptable ranges and actual asset allocations as of December 31, 2014:

Asset	Target allocation	Acceptable range	Actual allocation December 31, 2014	Actual allocation December 31, 2013
Common stocks and mutual funds	60%	55%–65%	63.0%	67.4%
Fixed-income securities and cash equivalents	40%	35%–45%	37.0%	32.6%

Presence Health monitors the asset allocation and executes required recalibrations of the portfolio allocation on a regular basis in response to fluctuations in market conditions and the overall portfolio composition.

(a) Fair Value of Financial Instruments

Valuation methodologies used to measure fair value of plan assets for the Plan are consistent with those used by Presence Health for its general investments as previously disclosed (note 7).

(b) Fair Value Hierarchy

The following table presents the Plan's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2014:

	Total	Level 1	Level 2	Level 3	Redemption frequency	Days notice
Investments, excluding cash and cash equivalents of $17,750:						
Domestic equity common stocks	$ 201,526	201,526	—	—	Daily	One
Foreign common stocks	1	1	—	—	Daily	One
Foreign equity mutual funds	56,363	56,363	—	—	Daily	One
U.S. government and agency obligations	43,490	38,063	5,427	—	Daily	One
Corporate debt securities	27,196	—	27,196	—	Daily	One
Foreign debt securities	846	—	846	—	Daily	One
Mortgage-backed securities	49,004	—	49,004	—	Daily	One
Commercial mortgage-backed securities	5,637	—	5,637	—	Daily	One
Asset-backed securities	7,837	—	7,837	—	Daily	One
Total	$ 391,900	295,953	95,947	—		

(Dollars in thousands)

The following table presents the Plan's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2013:

	Total	Level 1	Level 2	Level 3	Redemption frequency	Days notice
Investments, excluding cash and cash equivalents of $4,264:						
Domestic equity common stocks	$ 65,024	65,024	—	—	Daily	One
Foreign common stocks	2,364	2,364	—	—	Daily	One
Domestic equity mutual funds	212,251	212,251	—	—	Daily	One
U.S. government and agency obligations	36,997	33,504	3,493	—	Daily	One
Corporate debt securities	20,605	—	20,605	—	Daily	One
Foreign debt securities	4,093	—	4,093	—	Daily	One
Mortgage-backed securities	57,311	—	57,311	—	Daily	One
Commercial mortgage-backed securities	6,432	—	6,432	—	Daily	One
Asset-backed securities	5,583	—	5,583	—	Daily	One
Total	$ 410,660	313,143	97,517	—		

The Plan recognizes transfers between levels of the fair value hierarchy in the year of the event or change in circumstances that caused the transfer. There were no transfers into or out of Level 1, Level 2, or Level 3 for the years ended December 31, 2014 and 2013.

(13) Self-Insurance

(a) Professional and General Liability

Presence Health is self-insured for professional and general liability claims up to specified limits arising from incidents occurring after dates of entry into the program, which vary by corporation. Excess insurance coverage was occurrence based through various dates, which over time has been changed to claims-made-based coverage. There are no assurances that Presence Health will be able to renew existing excess policies or procure coverage on similar terms in the future.

Presence Health is involved in litigation arising in the ordinary course of business. Claims alleging malpractice have been asserted and are currently in various stages of litigation. Provisions for professional and general liability claims include the ultimate cost of known claims and claims incurred but not reported as of the respective consolidated statements of financial position dates. It is the opinion of management that the estimated malpractice liabilities accrued at December 31, 2014 and 2013 are adequate to provide for the ultimate cost of potential losses resulting from pending or threatened litigation; however, such estimates may be more or less than the amounts ultimately paid when claims are resolved. Accruals for professional and general liabilities are recorded on an undiscounted basis.

Professional and general liability expense amounted to $35,281 and $28,328 for the years ended December 31, 2014 and 2013, respectively, and is included in insurance expense in the accompanying consolidated statements of operations and change in unrestricted net assets.

The accrued liability estimated for self-insured professional and general liability claims is $262,901 and $262,481 at December 31, 2014 and 2013, respectively. All self-insured malpractice and general claim liabilities are reported as long-term liabilities as the portion expected to be paid within one year is not readily determinable.

Professional insurance consultants have been retained to determine funding requirements for the Provena self-insurance program. The amounts funded have been placed in an irrevocable trust account administered by a trustee. The trust assets are included within assets whose use is limited or restricted in the accompanying consolidated statements of financial position.

(b) Workers' Compensation

Presence Health administers self-insurance programs for workers' compensation coverage that covers all entities except for two long-term care and residential facilities in Indiana, which are commercially insured. These programs limit the self-insured retention to specific amounts on a per occurrence basis. Coverage from commercial insurance carriers is maintained for claims in excess of the self-insured retention. Accrued workers' compensation claims amounted to $27,129 and $25,895 at December 31, 2014 and 2013, respectively. Management believes the estimated self-insured workers' compensation claims liability at December 31, 2014 and 2013 is adequate to cover the ultimate liability; however, such estimate may be more or less than the amounts ultimately paid when claims are resolved. The portion of workers' compensation claims expected to be paid beyond one year of the consolidated statements of financial position dates is not readily determinable, and therefore, the entire accrual is classified as a current liability included within current portion of estimated self-insurance liabilities in the accompanying consolidated statements of financial position. Workers' compensation self-insurance expense amounted to $12,070 and $12,482 for the years ended December 31, 2014 and 2013, respectively, and is included in salaries and benefits expense in the accompanying consolidated statements of operations and change in unrestricted net assets.

Professional insurance consultants have been retained to determine funding requirements for the Provena workers' compensation self-insurance program. The trust assets and the related liabilities are included in the accompanying consolidated statements of financial position.

(c) Healthcare

Presence Health maintains a program of self-insurance for employee health coverage. Stop-loss reinsurance coverage is maintained for claims in excess of stop-loss limits. Accrued self-insured employee healthcare claims amounted to $5,779 and $5,527 at December 31, 2014 and 2013, respectively, and are included within the current portion of estimated self-insurance liabilities in the accompanying consolidated statements of financial position based on the short-term payment cycle related to health claims. It is the opinion of management that the estimated healthcare costs accrued at December 31, 2014 and 2013 are adequate to provide for the ultimate liability; however, final payouts as claims are paid may vary significantly from estimated claim liabilities.

(Continued)

(14) Commitments and Contingencies

(a) Medicare Reimbursement

For the years ended December 31, 2014 and 2013, Presence Health recognized $1,037,935 and $960,793, respectively, of net patient and resident service revenue from services provided to Medicare beneficiaries. Federal legislation has routinely included provisions to reduce Medicare payments to healthcare providers.

Presence Health has received and responded to requests from the Medicare program requiring that Presence Health provide Medicare with documentation for claims to carry out the Recovery Audit Contracting (RAC) program.

(b) Litigation

Presence Health is involved in litigation and regulatory investigations 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 consolidated financial position or results from operations.

(c) Regulatory Investigations and Overpayments

The U.S. Department of Justice (DOJ) and other federal agencies routinely conduct regulatory investigations and compliance audits of healthcare providers. Presence Health is subject to these regulatory efforts. Additionally, the laws and regulations governing the Medicare, Medicaid, and other government healthcare programs are extremely complex and subject to interpretation, making compliance an ongoing challenge for Presence Health and other healthcare organizations. Recently the federal government has increased its enforcement activity, including audits and investigations related to billing practices, clinical documentation, and related matters. Presence Health maintains a systemwide compliance program and conducts audits and other activities to identify potential compliance issues, including overpayments to governmental payors.

(d) The Patient Protection and Affordable Care Act and Other Enacted Legislation

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (often referred to, collectively, as the Affordable Care Act of the healthcare reform law), was signed into law on March 23, 2010. The statute will change how healthcare services are delivered and reimbursed through a variety of mechanisms. The law contains stronger antifraud enforcement provisions and provides additional funding for enforcement activity.

On May 6, 2011, the Centers for Medicare and Medicaid Services issued the final rule establishing a hospital value-based purchasing program (VBP) for acute care hospitals paid under the Medicare Inpatient Prospective Payment System. Beginning in federal fiscal year 2014, value-based incentive payments are made based upon a provider's achievement of or improvement in a set of clinical and quality measures designed to foster improved clinical outcomes. The VBP will start with a 1% reduction in Medicare inpatient payments in federal fiscal year 2014 that will increase annually by 0.25% up to 2.0% of payments by federal fiscal year 2017. These value-based incentives are withheld and redistributed based on the hospital performance.

(Dollars in thousands)

The Budget Control Act of 2011 (BCA) mandated significant reductions and spending caps on the federal budget for fiscal year 2012 through 2021. The BCA also created a joint select committee on deficit reduction (the Super Committee) to develop a plan to further reduce the federal deficit. Since the Super Committee failed to act before the mandatory deadline, a 2% reduction in Medicare spending, among other reductions, was to take effect January 1, 2013 in a process known as Sequestration. The BCA also required a 26.5% reduction in the sustainable growth rate formula regarding physician reimbursement under Medicare effective January 1, 2013.

On January 2, 2013, the President signed into law the American Taxpayers Relief Act (ATRA), which delayed Sequestration until March 1, 2013 and is now in effect as of March 1, 2013 and will continue until Congress takes further action. The ATRA delays the reduction in physician reimbursement until the end of 2014. As such, only the 2% reduction for nonphysician payments was effective April 1, 2013. On April 1, 2014, the President signed into law the Protecting Access to Medicare Act of 2014, which further delayed any cuts to Medicare reimbursement rates until March, 2015.

Presence Health continues to monitor the impact of these regulations.

(e) Operating Leases

Presence Health leases various equipment and facilities under operating leases expiring at various dates through 2023. Total lease expense for the years ended December 31, 2014 and 2013 for all operating leases was approximately $20,575 and $21,065, respectively.

The following is a schedule by year of future minimum lease payments for the next five years and thereafter under operating leases as of December 31, 2014 and 2013 that have initial or remaining lease terms in excess of one year:

2015	$	13,768
2016		10,553
2017		8,475
2018		7,606
2019		7,048
Thereafter		28,890
	$	76,340

(f) Property and Sales Tax Exemption Legislation

On June 14, 2012, the Governor of Illinois signed into law *Public Act 97-068*, which creates new standards for property and sales tax exemptions for hospitals and hospital affiliates in Illinois. The law establishes new eligibility standards for the issuance of such exemptions, including requirements for a nonprofit hospital to certify annually that in the prior year it provided an amount of qualified services and activities to low-income and underserved individuals having a value at least equal to the hospital's estimated property tax liability. Presence Health expects that local assessors will begin requesting that its hospital and certain affiliated corporations begin certifying in 2015 and has not recorded a liability for related property taxes based upon management's current determination that such hospital entities will remain eligible for property and sales tax exemption based on the amount of qualified services provided.

Presence Health entities are exempt from sales tax and property tax based on their not-for-profit charitable status, except for Presence Ambulatory Services, which has applied for but not yet received approval of its exemption for sales tax. Under *Public Act 97-608*, the test for both sales tax exemption for hospital corporations and certain affiliated corporations will be the same, as described above. Management believes that its hospitals and hospital affiliated corporations qualify for both property and sales tax exemption under the new law.

(g) Investment Risks and Uncertainties

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

(15) New Accounting Literature

In April 2014, the Financial Accounting Standards Board issued Accounting Standard Update (ASU) 2014-08, "*Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.*" ASU 2014-08 improves the definition of what is defined as discontinued operations by limiting the circumstances under which is can be used. In addition, ASU 2014-08 requires expanded disclosures around discontinued operations as well as disposals not meeting those criteria. ASU 2014-08 is effective for Presence Health starting in fiscal year 2015. The adoption of ASU 2014-08 will not impact disposals previously reported as discontinued operations.

(16) Subsequent Events

On January 9, 2015, CMS approved a new Illinois Medicaid supplemental hospital payment program for services provided to individuals who qualify as a Medicaid beneficiary under the Affordable Care Act. The program is retroactive to March 1, 2014 and expires June 30, 2018. Recognition of this income was contingent upon the date of CMS approval. Accordingly, Presence Health recognized $36,547 of revenue, which includes $1,925 related to OLR and presented in discontinued operations of revenue, in 2015 related to 2014.

As disclosed in note 12, Employees' Retirement Plans, Presence Health sponsors various types of employee benefit plans. On April 2, 2015, a lawsuit was filed in the U.S. District Court for the Northern District of Illinois against Presence Health Network and certain affiliates, on behalf of the participants of the Resurrection Health Care Retirement Plan and the Provena Employees' Pension Plan (collectively, the Plans). The lawsuit challenges the eligibility of the Plans to be treated as "Church Plans" exempt from the Employee Retirement Income Security Act of 1974. Presence Health intends to vigorously defend the Plans' status as eligible Church Plans, consistent with long-standing positions of the U.S. Congress, the IRS and the U.S. Department of Labor. While Presence Health believes that it will ultimately prevail in this matter, the outcome of matters in litigation cannot be guaranteed. If in the future, a final, nonappealable ruling was made in this case that was adverse to Presence Health's position, such ruling could, under certain circumstances, have a material adverse effect on the financial condition or operations of Presence Health, when taken as a whole.

In connection with the preparation of the consolidated financial statements and in accordance with ASC Topic 855, *Subsequent Events*, Presence Health evaluated subsequent events after the consolidated statement of financial position date of December 31, 2014 through May 26, 2015, which was the date the financial statements were issued.

Schedule I

PRESENCE HEALTH NETWORK AND AFFILIATES

Consolidating Statement of Financial Position Information

December 31, 2014

(In thousands)

Assets		**Presence Mercy Medical Center**	**Presence United Samaritans Medical Center**	**Presence Saint Joseph Hospital - Elgin**	**Presence Saint Joseph Medical Center**	**Presence Saint Mary's Hospital**	**Presence Covenant Medical Center**	**Presence Resurrection Medical Center**
Current assets:								
Cash and cash equivalents	$	5,493	1,541	3,276	14,993	4,801	7,632	79,172
Assets whose use is limited or restricted – required for current liabilities		—	—	—	—	—	—	—
Patient and resident accounts receivable, less allowance for uncollectible accounts		38,841	15,824	23,899	75,992	26,668	27,704	37,485
Inventories		4,564	2,416	4,523	8,851	3,873	3,955	4,127
Prepaid expenses and other current assets		1,195	1,880	1,868	5,331	3,615	4,198	394
Assets held for sale		—	—	—	—	—	—	—
Due from affiliates		158	817	141	5,055	235	182	791,903
Total current assets		50,251	22,478	33,707	110,222	39,192	43,671	913,081
Assets whose use is limited or restricted		6,467	6,151	5,603	2,779	3,078	7,189	—
Land, buildings, and equipment, net		65,748	27,373	49,996	219,548	50,922	42,417	23,377
Other assets		655	1,163	168	2,275	167	35	3,590
Total assets	$	123,121	57,165	89,474	334,824	93,359	93,312	940,048
Liabilities and Net Assets								
Current liabilities:								
Current installments of long-term debt	$	—	—	—	—	—	—	—
Current portion of obligations under capital leases		130	—	105	874	321	195	—
Current portion of estimated self-insurance liabilities		—	—	—	—	—	—	15,977
Accounts payable and accrued expenses		10,484	7,050	10,109	25,344	11,823	15,862	65,461
Estimated payables under third-party reimbursement programs		19,212	5,970	12,905	43,285	10,191	10,345	36,580
Deferred revenue and refundable deposits		—	—	—	—	—	—	—
Other		2,286	901	2,450	2,030	476	2,304	—
Due to affiliates		3,080	5,726	2,965	13,473	10,198	7,597	411,784
Total current liabilities		35,192	19,647	28,534	85,006	33,009	36,303	529,802
Long-term debt, excluding current installments and unamortized bond premiums and discounts		—	—	—	—	—	—	—
Obligations under capital leases, net of current portion		418	—	342	1,081	1,801	19	—
Pension benefit liability		—	—	—	—	—	—	153,179
Estimated self-insurance liabilities, excluding current portion		—	—	—	—	—	—	43,340
Other long-term liability		2,328	256	7	3,405	475	406	—
Total liabilities		37,938	19,903	28,883	89,492	35,285	36,728	726,321
Net assets:								
Unrestricted:								
Unrestricted net assets (deficit) of Presence Health		82,880	35,931	58,981	243,151	54,996	54,990	213,727
Noncontrolling interest in subsidiaries		—	—	—	—	—	—	—
Total unrestricted net assets (deficit)		82,880	35,931	58,981	243,151	54,996	54,990	213,727
Temporarily restricted		1,882	1,179	988	1,986	3,059	1,467	—
Permanently restricted		421	152	622	195	19	127	—
Total net assets (deficit)		85,183	37,262	60,591	245,332	58,074	56,584	213,727
Total liabilities and net assets (deficit)	$	123,121	57,165	89,474	334,824	93,359	93,312	940,048

(Continued)

Schedule 1

PRESENCE HEALTH NETWORK AND AFFILIATES

Consolidating Statement of Financial Position Information

December 31, 2014

(In thousands)

Assets	Presence Our Lady of the Resurrection Medical Center	Presence Holy Family Medical Center	Presence Saint Francis Hospital	Presence Saint Joseph Hospital - Chicago	Presence Saints Mary and Elizabeth Medical Center	Presence Medical Group – PRV	Presence Healthcare Services
Current assets:							
Cash and cash equivalents	$ 726	8	626	28	789	1,003	(365)
Assets whose use is limited or restricted – required for current liabilities	—	—	—	—	—	—	—
Patient and resident accounts receivable, less allowance for uncollectible accounts	22,189	21,823	16,062	26,236	55,836	3,477	14,132
Inventories	—	1,013	4,072	4,193	4,819	—	491
Prepaid expenses and other current assets	454	36	—	691	954	381	4,345
Assets held for sale	—	—	—	—	—	—	—
Due from affiliates	10,324	428	132,771	15,246	179,945	6,645	406,024
Total current assets	33,693	23,308	153,531	46,394	242,343	11,506	424,627
Assets whose use is limited or restricted	—	—	—	—	—	—	—
Land, buildings, and equipment, net	—	21,828	59,822	70,173	98,072	1,154	83,046
Other assets	1,114	293	2,389	2,730	4,146	228	4,112
Total assets	$ 34,807	45,429	215,742	119,297	344,561	12,888	511,785
Liabilities and Net Assets							
Current liabilities:							
Current installments of long-term debt	$ —	—	—	—	—	—	—
Current portion of obligations under capital leases	—	—	—	—	—	—	—
Current portion of estimated self-insurance liabilities	—	—	—	—	—	—	—
Accounts payable and accrued expenses	1,080	(192)	1,606	1,744	7,871	6,533	6,504
Estimated payables under third-party reimbursement programs	6,305	8,736	9,123	32,875	4,562	—	—
Deferred revenue and refundable deposits	—	—	—	—	—	—	—
Other	—	—	—	—	—	786	—
Due to affiliates	18,810	47,418	—	—	—	2,491	656,158
Total current liabilities	26,195	55,962	10,729	34,619	12,433	9,810	662,662
Long-term debt, excluding current installments and unamortized bond premiums and discounts	—	—	—	—	14,000	—	—
Obligations under capital leases, net of current portion	—	—	—	—	—	—	—
Pension benefit liability	—	—	—	—	—	—	—
Estimated self-insurance liabilities, excluding current portion	10,935	3,169	23,073	21,188	36,413	—	—
Other long-term liability	—	—	—	—	11	144	—
Total liabilities	37,130	59,131	33,802	55,807	62,857	9,954	662,662
Net assets:							
Unrestricted:							
Unrestricted net assets (deficit) of Presence Health	(2,323)	(13,702)	181,940	63,490	280,216	2,934	(150,877)
Noncontrolling interest in subsidiaries	—	—	—	—	—	—	—
Total unrestricted net assets (deficit)	(2,323)	(13,702)	181,940	63,490	280,216	2,934	(150,877)
Temporarily restricted	—	—	—	—	1,488	—	—
Permanently restricted	—	—	—	—	—	—	—
Total net assets (deficit)	(2,323)	(13,702)	181,940	63,490	281,704	2,934	(150,877)
Total liabilities and net assets (deficit)	$ 34,807	45,429	215,742	119,297	344,561	12,888	511,785

(Continued)

Schedule 1

PRESENCE HEALTH NETWORK AND AFFILIATES

Consolidating Statement of Financial Position Information

December 31, 2014

(In thousands)

Assets	Presence Life Connections	Presence RHC Senior Services	Resurrection Development Foundation	Presence Health Care Preferred	Presence Home Care Services	Presence Rainbow Hospice	Presence Ventures, Inc.
Current assets:							
Cash and cash equivalents	$ 22,619	7,820	711	—	(10)	4,327	1,453
Assets whose use is limited or restricted – required for current liabilities	80	—	—	—	—	—	—
Patient and resident accounts receivable, less allowance for uncollectible accounts	22,782	25,411	—	—	1,249	3,798	—
Inventories	1,093	541	—	—	—	—	—
Prepaid expenses and other current assets	1,713	475	1,250	2,545	—	274	114
Assets held for sale	—	4,500	—	—	—	—	—
Due from affiliates	16	158,000	31,000	—	—	—	—
Total current assets	48,303	196,747	32,961	2,545	1,239	8,399	1,567
Assets whose use is limited or restricted	10,022	1	358	—	—	3,375	—
Land, buildings, and equipment, net	59,187	80,392	—	9,174	340	2,468	5,607
Other assets	179	298	82	—	—	—	—
Total assets	$ 117,691	277,438	33,401	11,719	1,579	14,242	7,174
Liabilities and Net Assets							
Current liabilities:							
Current installments of long-term debt	$ 80	—	—	—	—	—	—
Current portion of obligations under capital leases	—	—	—	—	—	—	—
Current portion of estimated self-insurance liabilities	—	—	—	—	—	—	—
Accounts payable and accrued expenses	17,314	7,105	—	9,125	1,037	4,429	173
Estimated payables under third-party reimbursement programs	(60)	3,562	—	—	—	—	—
Deferred revenue and refundable deposits	—	29,612	—	—	—	—	—
Other	2,172	—	—	—	—	—	304
Due to affiliates	23,503	22,138	719	21,196	13,298	—	146
Total current liabilities	43,009	62,417	719	30,321	14,335	4,429	623
Long-term debt, excluding current installments and unamortized bond premiums and discounts	814	—	—	—	—	—	—
Obligations under capital leases, net of current portion	—	—	—	—	—	—	—
Pension benefit liability	—	—	—	—	—	—	—
Estimated self-insurance liabilities, excluding current portion	—	—	—	—	—	—	—
Other long-term liability	1,005	655	—	—	—	—	—
Total liabilities	44,828	63,072	719	30,321	14,335	4,429	623
Net assets:							
Unrestricted:							
Unrestricted net assets (deficit) of Presence Health	71,405	214,366	6,086	(18,602)	(12,756)	8,361	6,551
Noncontrolling interest in subsidiaries	—	—	—	—	—	—	—
Total unrestricted net assets (deficit)	71,405	214,366	6,086	(18,602)	(12,756)	8,361	6,551
Temporarily restricted	1,215	—	12,520	—	—	291	—
Permanently restricted	243	—	14,076	—	—	1,161	—
Total net assets (deficit)	72,863	214,366	32,682	(18,602)	(12,756)	9,813	6,551
Total liabilities and net assets (deficit)	$ 117,691	277,438	33,401	11,719	1,579	14,242	7,174

(Continued)

Schedule I

PRESENCE HEALTH NETWORK AND AFFILIATES

Consolidating Statement of Financial Position Information

December 31, 2014

(In thousands)

Assets	Resurrection University	Presence Behavioral Health	Presence Health Corporate	Alverno	Eliminations	Consolidated totals
Current assets:						
Cash and cash equivalents	$ 149	18	35,186	408	—	192,404
Assets whose use is limited or restricted – required for current liabilities	—	—	53,750	—	—	53,830
Patient and resident accounts receivable, less allowance for uncollectible accounts	3,567	1,257	—	3,416	—	467,648
Inventories	—	—	68	1,537	—	50,136
Prepaid expenses and other current assets	93	12	22,735	5,588	(69)	60,072
Assets held for sale	—	—	—	—	—	4,500
Due from affiliates	2,650	17,791	162,329	—	(1,921,660)	—
Total current assets	6,459	19,078	274,068	10,949	(1,921,729)	828,590
Assets whose use is limited or restricted	—	17	900,968	16,907	(20,163)	942,752
Land, buildings, and equipment, net	397	2,588	416,415	7,499	—	1,397,543
Other assets	—	—	84,527	—	(36,643)	71,508
Total assets	$ 6,856	21,683	1,675,978	35,355	(1,978,535)	3,240,393
Liabilities and Net Assets						
Current liabilities:						
Current installments of long-term debt	$ —	—	49,767	—	—	49,847
Current portion of obligations under capital leases	—	—	—	—	—	1,625
Current portion of estimated self-insurance liabilities	—	—	16,931	—	—	32,908
Accounts payable and accrued expenses	459	390	102,527	18,570	—	332,408
Estimated payables under third-party reimbursement programs	—	122	(2,354)	—	—	201,359
Deferred revenue and refundable deposits	3,967	461	—	—	(146)	33,894
Other	—	—	3,203	3,629	(69)	20,472
Due to affiliates	—	17,217	643,743	—	(1,921,660)	—
Total current liabilities	4,426	18,190	813,817	22,199	(1,921,875)	672,513
Long-term debt, excluding current installments and unamortized bond premiums and discounts	—	—	1,030,019	—	—	1,044,833
Obligations under capital leases, net of current portion	—	—	—	—	—	3,661
Pension benefit liability	—	—	134,722	—	—	287,901
Estimated self-insurance liabilities, excluding current portion	—	—	124,783	—	—	262,901
Other long-term liabilities	—	—	33,826	—	(20,163)	22,355
Total liabilities	4,426	18,190	2,137,167	22,199	(1,942,038)	2,294,164
Net assets:						
Unrestricted:						
Unrestricted net assets (deficit) of Presence Health	2,430	3,493	(461,607)	8,771	(36,497)	898,335
Noncontrolling interest in subsidiaries	—	—	—	4,385	—	4,385
Total unrestricted net assets (deficit)	2,430	3,493	(461,607)	13,156	(36,497)	902,720
Temporarily restricted	—	—	418	—	—	26,493
Permanently restricted	—	—	—	—	—	17,016
Total net assets (deficit)	2,430	3,493	(461,189)	13,156	(36,497)	946,229
Total liabilities and net assets (deficit)	$ 6,856	21,683	1,675,978	35,355	(1,978,535)	3,240,393

See accompanying independent auditors' report.

PRESENCE HEALTH NETWORK AND AFFILIATES

Consolidating Statement of Operations and Change in Unrestricted Net Assets Information

Year ended December 31, 2014

(In thousands)

	Presence Mercy Medical Center	Presence United Samaritans Medical Center	Presence Saint Joseph Hospital - Elgin	Presence Saint Joseph Medical Center	Presence Saint Mary's Hospital	Presence Covenant Medical Center	Presence Resurrection Medical Center
Net patient and resident service revenue:							
Net patient and resident service revenue before bad debt	$ 191,824	101,611	135,307	392,204	115,646	137,246	247,832
Provision for uncollectible accounts receivable	7,038	5,153	408	16,243	5,480	5,476	10,289
Net patient and resident service revenue	184,786	96,458	134,899	375,961	110,166	131,770	237,543
Other revenue:							
Other revenue	8,527	5,390	5,140	8,252	3,354	3,763	6,676
Services provided to affiliates	—	—	—	—	—	—	—
Total revenue	193,313	101,848	140,039	384,213	113,520	135,533	244,219
Expenses:							
Salaries and benefits	61,242	40,000	53,767	155,151	44,908	47,784	108,485
Supplies	34,208	14,530	22,060	64,093	19,862	22,913	46,609
Management services	16,031	11,114	12,928	36,307	12,520	13,146	25,540
Purchased services	25,764	14,094	18,715	37,805	16,763	18,445	25,114
Insurance	3,092	3,791	2,754	11,378	2,333	3,930	4,864
Depreciation and amortization	8,240	3,936	5,337	23,782	6,554	6,410	9,927
Interest	3,105	1,633	4,549	9,956	2,945	2,904	2,910
Assessments and taxes	9,620	5,051	7,347	17,123	5,882	6,935	9,124
Other	14,245	4,326	7,391	18,811	7,119	10,123	12,871
Total expenses	175,547	98,475	134,848	374,406	118,886	132,590	245,444
Income (loss) from operations	17,766	3,373	5,191	9,807	(5,366)	2,943	(1,225)
Investment income (loss) and other, net	298	281	29	201	686	1,154	112
Revenue and gains in excess (deficient) of expenses and losses before discontinued operations	18,064	3,654	5,220	10,008	(4,680)	4,097	(1,113)
Net gains (losses) from discontinued operations	—	—	—	—	—	—	(677)
Revenue and gains in excess (deficient) of expenses and losses	18,064	3,654	5,220	10,008	(4,680)	4,097	(1,790)
Other changes in unrestricted net assets:							
Net assets released from restrictions for purchase of land, buildings, and equipment	350	646	525	311	543	576	—
Transfers from (to) affiliates	(13,861)	(6,207)	(267)	(24,609)	(2,817)	(12,360)	189
Recognition of change in pension funded status	—	—	—	—	—	—	(43,666)
Increase (decrease) in unrestricted net assets	$ 4,553	(1,907)	5,478	(14,290)	(6,954)	(7,687)	(45,267)

(Continued)

PRESENCE HEALTH NETWORK AND AFFILIATES

Consolidating Statement of Operations and Change in Unrestricted Net Assets Information

Year ended December 31, 2014

(In thousands)

	Presence Our Lady of the Resurrection Medical Center	Presence Holy Family Medical Center	Presence Saint Francis Hospital	Presence Saint Joseph Hospital - Chicago	Presence Saints Mary and Elizabeth Medical Center	Presence Medical Group – PRV	Presence Healthcare Services
Net patient and resident service revenue:							
Net patient and resident service revenue before bad debt	$ —	75,149	141,751	200,307	292,158	23,558	92,434
Provision for uncollectible accounts receivable	—	(1,020)	(4,198)	5,883	2,522	4,157	14,328
Net patient and resident service revenue	—	76,169	145,949	194,424	289,636	19,401	78,106
Other revenue:							
Other revenue	—	1,383	4,669	5,636	5,414	8,153	33,508
Services provided to affiliates	—	—	—	—	—	—	—
Total revenue	—	77,552	150,618	200,060	295,050	27,554	111,614
Expenses:							
Salaries and benefits	—	39,511	63,351	92,706	115,663	30,195	82,196
Supplies	—	8,724	21,676	28,052	33,554	954	16,239
Management services	9,200	7,177	16,658	20,167	29,642	338	15,881
Purchased services	—	5,452	21,142	22,784	36,389	9,096	9,158
Insurance	—	(159)	(1,634)	2,282	4,232	1,341	1,669
Depreciation and amortization	—	4,519	9,466	10,368	13,737	1,407	8,537
Interest	468	849	2,022	2,109	2,663	917	1,641
Assessments and taxes	—	3,143	7,659	9,922	22,717	—	3,325
Other	—	3,772	5,463	7,216	7,884	2,285	15,177
Total expenses	9,668	72,988	145,803	195,606	266,481	46,533	153,823
Income (loss) from operations	(9,668)	4,564	4,815	4,454	28,569	(18,979)	(42,209)
Investment income (loss) and other, net	33	2	5	(368)	28	(93)	(25)
Revenue and gains in excess (deficient) of expenses and losses before discontinued operations	(9,635)	4,566	4,820	4,086	28,597	(19,072)	(42,234)
Net gains (losses) from discontinued operations	(26,895)	—	—	—	—	(1,204)	(4,330)
Revenue and gains in excess (deficient) of expenses and losses	(36,530)	4,566	4,820	4,086	28,597	(20,276)	(46,564)
Other changes in unrestricted net assets:							
Net assets released from restrictions for purchase of land, buildings, and equipment	—	—	22	—	5,512	—	—
Transfers from (to) affiliates	—	—	312	305	1,155	22,347	—
Recognition of change in pension funded status	—	—	—	—	—	—	—
Increase (decrease) in unrestricted net assets	$ (36,530)	4,566	5,154	4,391	35,264	2,071	(46,564)

(Continued)

Schedule 2

PRESENCE HEALTH NETWORK AND AFFILIATES

Consolidating Statement of Operations and Change in Unrestricted Net Assets Information

Year ended December 31, 2014

(In thousands)

	Presence Life Connections	Presence RHC Senior Services	Resurrection Development Foundation	Presence Health Care Preferred	Presence Home Care Services	Presence Rainbow Hospice	Presence Ventures, Inc.
Net patient and resident service revenue:							
Net patient and resident service revenue before bad debt	$ 126,284	110,878	—	—	10,454	10,030	—
Provision for uncollectible accounts receivable	2,550	3,551	—	—	303	196	—
Net patient and resident service revenue	123,734	107,327	—	—	10,151	9,834	—
Other revenue:							
Other revenue	3,661	2,809	1,406	50,178	4	218	199
Services provided to affiliates	—	8,568	—	—	—	—	—
Total revenue	127,395	118,704	1,406	50,178	10,155	10,052	199
Expenses:							
Salaries and benefits	68,077	49,282	1,173	6,702	7,304	7,069	—
Supplies	17,153	20,062	99	163	410	991	—
Management services	3,786	6,547	64	370	1,060	—	18
Purchased services	19,417	17,432	345	2,438	106	260	7
Insurance	2,589	913	3	48	32	80	—
Depreciation and amortization	5,046	4,571	—	1,863	104	50	—
Interest	1,982	1,077	—	—	32	24	—
Assessments and taxes	—	1,544	—	7	—	—	—
Other	11,065	5,097	261	49,970	658	1,295	146
Total expenses	129,115	106,525	1,945	61,561	9,706	9,769	171
Income (loss) from operations	(1,720)	12,179	(539)	(11,383)	449	283	28
Investment income (loss) and other, net	661	239	—	—	603	8	—
Revenue and gains in excess (deficient) of expenses and losses before discontinued operations	(1,059)	12,418	(539)	(11,383)	1,052	291	28
Net gains (losses) from discontinued operations	—	(5,044)	—	—	—	—	—
Revenue and gains in excess (deficient) of expenses and losses	(1,059)	7,374	(539)	(11,383)	1,052	291	28
Other changes in unrestricted net assets:							
Net assets released from restrictions for purchase of land, buildings, and equipment	267	—	2,982	—	—	—	—
Transfers from (to) affiliates	(2,946)	18,786	(2,982)	—	(8,142)	8,070	—
Recognition of change in pension funded status	—	—	—	—	—	—	—
Increase (decrease) in unrestricted net assets	$ (3,738)	26,160	(539)	(11,383)	(7,090)	8,361	28

(Continued)

Schedule 2

PRESENCE HEALTH NETWORK AND AFFILIATES

Consolidating Statement of Operations and Change in Unrestricted Net Assets Information

Year ended December 31, 2014

(In thousands)

	Resurrection University	Presence Behavioral Health	Presence Health Corporate	Alverno	Eliminations	Consolidated totals
Net patient and resident service revenue:						
Net patient and resident service revenue before bad debt	$ —	17,102	—	13,736	(3,706)	2,431,805
Provision for uncollectible accounts receivable	—	281		1,115	—	79,755
Net patient and resident service revenue	—	16,821	—	12,621	(3,706)	2,352,050
Other revenue:						
Other revenue	10,963	913	1,605	153,055	(98,043)	226,833
Services provided to affiliates	—	—	243,093	—	(251,661)	—
Total revenue	10,963	17,734	244,698	165,676	(353,410)	2,578,883
Expenses:						
Salaries and benefits	6,817	11,687	140,292	89,254	—	1,322,616
Supplies	134	484	(1,525)	43,608	(8,568)	406,485
Management services	255	807	—	—	(239,556)	—
Purchased services	1,001	2,442	34,238	8,921	(76,685)	270,643
Insurance	3	54	124	437	—	44,156
Depreciation and amortization	38	237	8,972	1,730	—	134,831
Interest	—	45	—	—	—	41,831
Assessments and taxes	—	5	406	—	—	109,810
Other	2,067	1,734	79,325	21,555	(28,601)	261,255
Total expenses	10,315	17,495	261,832	165,505	(353,410)	2,591,627
Income (loss) from operations	648	239	(17,134)	171	—	(12,744)
Investment income (loss) and other, net	—	—	54,803	(21)	—	58,636
Revenue and gains in excess (deficient) of expenses and losses before discontinued operations	648	239	37,669	150	—	45,892
Net gains (losses) from discontinued operations	—	—	(9,748)	—	—	(47,898)
Revenue and gains in excess (deficient) of expenses and losses	648	239	27,921	150	—	(2,006)
Other changes in unrestricted net assets:						
Net assets released from restrictions for purchase of land, buildings, and equipment	—	—	—	—	—	11,734
Transfers from (to) affiliates	75	—	22,952	—	—	—
Recognition of change in pension funded status	—	—	(66,079)	—	—	(109,745)
Increase (decrease) in unrestricted net assets	$ 723	239	(15,206)	150	—	(100,017)

See accompanying independent auditors' report.