19-011 [ORIGINAL]

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HEALTH FACILITIES & SERVICES REVIEW BOARD

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT
SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name:	NCH Buffalo Grove Outpatient Care Center		
Street Address:	15 S. McHenry Road		
City and Zip Code:	Buffalo Grove 60089		
County: Lake	Health Service Area: HSA 8		Health Planning Area: A-09

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

Exact Legal Name:	Northwest Community Hospital	
Street Address:	800 West Central Road	
City and Zip Code:	Arlington Heights	60005
Name of Registered Agent:	Stephen O. Scogna	
Registered Agent Street Address:	800 West Central Road	
Registered Agent City and Zip Code:	Arlington Heights	60005
Name of Chief Executive Officer:	Stephen O. Scogna	
CEO Street Address:	800 West Central Road	
CEO City and Zip Code:	Arlington Heights	60005
CEO Telephone Number:	847-618-5018	

Type of Ownership of Applicants

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

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

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

Primary Contact [Person to receive ALL correspondence or inquiries]

Name:	Rich Casey
Title:	Vice President, Hospital Operations
Company Name:	Northwest Community Hospital
Address:	800 West Central Road
Telephone Number:	847-618-5060
E-mail Address:	rcasey@nch.org
Fax Number:	847-618-5009

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

Name:	Ralph Weber
Title:	Consultant
Company Name:	Weber Alliance
Address:	920 Hoffman Lane Riverwoods, IL 60015
Telephone Number:	847-791-0830
E-mail Address:	rmweber90@gmail.com
Fax Number:	----

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APPLICATION FOR PERMIT
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Address:	920 Hoffman Lane Riverwoods, IL 60015
Telephone Number:	847-791-0830
E-mail Address:	rmweber90@gmail.com
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APPLICATION FOR PERMIT
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Street Address: 15 S. McHenry Road			
City and Zip Code: Buffalo Grove 60089			
County: Lake	Health Service Area: HSA 8	Health Planning Area: A-09	

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

Exact Legal Name:	MPG NCH Buffalo Grove JV, LLC
Street Address:	MedProperties Group 40 Skokie Boulevard Suite 410
City and Zip Code:	Northbrook, IL 60062
Name of Registered Agent:	The Corporation Trust Company
Registered Agent Street Address:	1209 Orange Street
Registered Agent City and Zip Code:	Wilmington, DE 19801
Name of Chief Executive Officer:	c/o Matthew J. Campbell MedProperties Group
CEO Street Address:	40 Skokie Boulevard Suite 410 Northbrook, IL 60062
CEO City and Zip Code:	Northbrook, IL 60062
CEO Telephone Number:	847-897-7300

Type of Ownership of Applicants

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

- Corporations and limited liability companies must provide an **Illinois certificate of good standing.**
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Additional Contact [Person who is also authorized to discuss the application for permit]

Name:	Ralph Weber
Title:	Consultant
Company Name:	Weber Alliance
Address:	920 Hoffman Lane Riverwoods, IL 60015
Telephone Number:	847-791-0830
E-mail Address:	rmweber90@gmail.com
Fax Number:	----

Post Permit Contact

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

Name:	Rich Casey
Title:	Vice President, Hospital Operations
Company Name:	Northwest Community Healthcare
Address:	800 West Central Road Arlington Heights, IL 60005
Telephone Number:	847-618-5060
E-mail Address:	rcasey@nch.org
Fax Number:	847-618-5009

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner:	Northwest Community Hospital
Address of Site Owner:	800 West Central Road Arlington Heights, IL 60005
Street Address or Legal Description of the Site: **Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statements, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease, or a lease.**	
APPEND DOCUMENTATION AS <u>ATTACHMENT 2,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.	

Operating Identity/Licensee

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

Exact Legal Name:	MPG NCH Buffalo Grove JV, LLC
Address:	Med Properties Group 40 Skokie Boulevard Suite 410 Northbrook, IL 60062

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

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

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

Organizational Relationships

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

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

Flood Plain Requirements

[Refer to application instructions.]

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

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

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

Provide documentation regarding compliance with the requirements of the Historic Resources Preservation Act.

APPEND DOCUMENTATION AS ATTACHMENT 6, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

DESCRIPTION OF PROJECT

1. Project Classification

[Check those applicable - refer to Part 1110.20 and Part 1120.20(b)]

Part 1110 Classification:

☐ Substantive

☒ Non-substantive

2. Narrative Description

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

Northwest Community Hospital, Northwest Community Healthcare and MPG NCH Buffalo Grove JV, LLC, as co-applicants, propose to construct an outpatient care center at 15 S McHenry Road, on the southeast corner of McHenry Road and Lake Cook Road, in north suburban Buffalo Grove.

The outpatient care center will include medical offices, clinic space with 90 exam rooms, imaging services (MRI, CT scanning, x-ray, ultrasound, mammography, and bone densitometry), physical therapy and a lab draw station with some point of care testing on site. An immediate care center with 9 additional exam rooms is part of the program.

The 4 story building will be entirely located in Lake County. A portion f the surface parking south of the proposed new building on the property is in Cook County. The building will total 70,600 building gross sq ft (68,030 departmental sq ft). All space is new construction. Total capital costs associated with the project are $57,288,255, of which $30,659,363 constitutes the fair market value of space leased by Northwest Community Hospital.

MPG NCH Buffalo Grove JV, LLC is a joint venture of Northwest Community Healthcare and MPG-BG Co-Investment, LLC, the manager of the joint venture and the development entity. In addition to leasing all space in the building, Northwest Community Hospital is responsible for funding the cost of all medical equipment, fixtures, furniture, non-medical equipment and information technology, and the cost of its interior buildout above the tenant improvement allowance.

Construction on the project will start in June, 2020. The project will be completed by March 1, 2022.

The project is Non-Substantive because it does not propose to establish a new category of service and there are no services provided to inpatients.

Project Costs and Sources of Funds

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

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

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Related Project Costs

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

Land acquisition is related to project ☐ Yes ☒ No Purchase Price: $________ Fair Market Value: $________
The project involves the establishment of a new facility or a new category of service ☐ Yes ☒ No If yes, provide the dollar amount of all **non-capitalized** operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100. Estimated start-up costs and operating deficit cost is $ NA .

Project Status and Completion Schedules

For facilities in which prior permits have been issued please provide the permit numbers.
Indicate the stage of the project's architectural drawings: ☐ None or not applicable ☐ Preliminary ☒ Schematics ☐ Final Working
Anticipated project completion date (refer to Part 1130.140): March 1, 2022
Indicate the following with respect to project expenditures or to financial commitments (refer to Part 1130.140): ☐ Purchase orders, leases or contracts pertaining to the project have been executed. ☐ Financial commitment is contingent upon permit issuance. Provide a copy of the contingent "certification of financial commitment" document, highlighting any language related to CON Contingencies ☒ Financial Commitment will occur after permit issuance.
APPEND DOCUMENTATION AS ATTACHMENT 8, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

State Agency Submittals [Section 1130.620(c)]

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

Cost Space Requirements

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

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

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

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Facility Bed Capacity and Utilization

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

FACILITY NAME: Northwest Community Hospital			**CITY: Arlington Heights, IL**		
REPORTING PERIOD DATES:		**From: Jan 1, 2017**		**to: Dec 31, 2017**	
Category of Service	**Authorized Beds**	**Admissions**	**Patient Days**	**Bed Changes**	**Proposed Beds**
Medical/Surgical	312	12,974	63,425	0	312
Obstetrics	44	2,672	7,172	0	44
Pediatrics	16	314	1,427	0	16
Intensive Care	60	2,418 *	8,180	0	60
Comprehensive Physical Rehabilitation	17	432	5,940	0	17
Acute/Chronic Mental Illness	52	1,809	12,850	0	52
Neonatal Intensive Care	8	167	2,317	0	8
General Long Term Care					
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify)					
TOTALS:	509	20,786	101,311	0	509

* Includes only direct ICU admissions; 549 transfers into ICU are not counted in the admissions number.

CERTIFICATION

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

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

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

SIGNATURE

Michael Hartke
PRINTED NAME

Executive Vice President
and Chief Operating Officer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 27 day of February 2019

Signature of Notary

Seal

GLENDA PETERSON
Official Seal
Notary Public - State of Illinois
My Commission Expires Sep 18, 2020

SIGNATURE

John L. Skeans
PRINTED NAME

Executive Vice President
and Chief Financial Officer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 27 day of February 2019

Signature of Notary

Seal

GLENDA PETERSON
Official Seal
Notary Public - State of Illinois
My Commission Expires Sep 18, 2020

*Insert the EXACT legal name of the applicant

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SIGNATURE	SIGNATURE
Michael Hartke	John L. Skeans
PRINTED NAME	PRINTED NAME
Executive Vice President and Chief Operating Officer	Executive Vice President and Chief Financial Officer
PRINTED TITLE	PRINTED TITLE
Notarization: Subscribed and sworn to before me this 27 day of February 2019	Notarization: Subscribed and sworn to before me this 27 day of February 2019
Signature of Notary	Signature of Notary
Seal: GLENDA PETERSON Official Seal Notary Public - State of Illinois My Commission Expires Sep 18, 2020	Seal: GLENDA PETERSON Official Seal Notary Public - State of Illinois My Commission Expires Sep 18, 2020

*Insert the EXACT legal name of the applicant

CERTIFICATION

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

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

SIGNATURE	SIGNATURE
Matthew J. Campbell PRINTED NAME	PRINTED NAME
Manager PRINTED TITLE	PRINTED TITLE
Notarization: Subscribed and sworn to before me this 1st day of March 2019	Notarization: Subscribed and sworn to before me this _____ day of _______________
Signature of Notary	Signature of Notary
Seal VLAD MILRUD OFFICIAL SEAL Notary Public, State of Illinois My Commission Expires June 18, 2019	Seal

*Insert the EXACT legal name of the applicant

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

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

1110.110(a) – Background of the Applicant

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

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

2. A listing of all health care facilities currently owned and/or operated in Illinois, by any corporate officers or directors, LLC members, partners, or owners of at least 5% of the proposed health care facility.

3. For the following questions, please provide information for each applicant, including corporate officers or directors, LLC members, partners and owners of at least 5% of the proposed facility. A health care facility is considered owned or operated by every person or entity that owns, directly or indirectly, an ownership interest.

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

   b. A certified listing of each applicant, identifying those individuals that have been cited, arrested, taken into custody, charged with, indicted, convicted or tried for, or pled guilty to the commission of any felony or misdemeanor or violation of the law, except for minor parking violations; or the subject of any juvenile delinquency or youthful offender proceeding. Unless expunged, provide details about the conviction and submit any police or court records regarding any matters disclosed.

   c. A certified and detailed listing of each applicant or person charged with fraudulent conduct or any act involving moral turpitude.

   d. A certified listing of each applicant with one or more unsatisfied judgements against him or her.

   e. A certified and detailed listing of each applicant who is in default in the performance or discharge of any duty or obligation imposed by a judgment, decree, order or directive of any court or governmental agency.

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

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

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

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Criterion 1110.110(b) & (d)

PURPOSE OF PROJECT

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.
2. Define the planning area or market area, or other relevant area, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed as applicable and appropriate for the project.
4. Cite the sources of the documentation.
5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals **as appropriate**.

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

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

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

ALTERNATIVES

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

Alternative options **must** include:

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

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

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

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

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

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

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

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

Criterion 1110.120 - Project Scope, Utilization, and Unfinished/Shell Space

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

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

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

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

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

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

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

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

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

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

PROJECT SERVICES UTILIZATION:

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

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

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

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

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

UNFINISHED OR SHELL SPACE:

Not applicable; there is no shelled space in the project.

Provide the following information:

1. Total gross square footage (GSF) of the proposed shell space.
2. The anticipated use of the shell space, specifying the proposed GSF to be allocated to each department, area or function.
3. Evidence that the shell space is being constructed due to:
   a. Requirements of governmental or certification agencies; or
   b.
   xperienced increases in the historical occupancy or utilization of those areas proposed to occupy the shell space.
4. Provide:
   a. Historical utilization for the area for the latest five-year period for which data is available; and
   b. Based upon the average annual percentage increase for that period, projections of future utilization of the area through the anticipated date when the shell space will be placed into operation.

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

ASSURANCES:

Not applicable. There is no shelled space in the project.

Submit the following:

1. Verification that the applicant will submit to HFSRB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at the time or the categories of service involved.
2. The estimated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted; and
3. The anticipated date when the shell space will be completed and placed into operation.

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

M. Criterion 1110.270 - Clinical Service Areas Other than Categories of Service

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

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

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

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

Project Type	Required Review Criteria
New Services or Facility or Equipment	(b) – Need Determination – Establishment
Service Modernization	(c)(1) – Deteriorated Facilities
	AND/OR
	(c)(2) – Necessary Expansion
	PLUS
	(c)(3)(A) – Utilization – Major Medical Equipment
	OR
	(c)(3)(B) – Utilization – Service or Facility
APPEND DOCUMENTATION AS <u>ATTACHMENT 30,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.	

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

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

VI. 1120.120 - AVAILABILITY OF FUNDS

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

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

	terms and conditions.
________	e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
________	f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
________	g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
	TOTAL FUNDS AVAILABLE

APPEND DOCUMENTATION AS <u>ATTACHMENT 33</u>, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION VII. 1120.130 - FINANCIAL VIABILITY

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

Financial Viability Waiver

The applicant is not required to submit financial viability ratios if:
1. "A" Bond rating or better
2. All of the projects capital expenditures are completely funded through internal sources
3. The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent
4. The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.

See Section 1120.130 Financial Waiver for information to be provided

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

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

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

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

Variance

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

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

SECTION VIII.1120.140 - ECONOMIC FEASIBILITY

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

A. Reasonableness of Financing Arrangements

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

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

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

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

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

B. Conditions of Debt Financing

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

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

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

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

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

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

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

* Include the percentage (%) of space for circulation

D. Projected Operating Costs

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

E. Total Effect of the Project on Capital Costs

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

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

SECTION IX. SAFETY NET IMPACT STATEMENT

NOT APPLICABLE; THIS PROJECT IS NON-SUBSTANTIVE

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

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

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

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

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

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

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

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

A table in the following format must be provided as part of Attachment 38.

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

Outpatient			
Total			

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

SECTION X. CHARITY CARE INFORMATION

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

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

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

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

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

A table in the following format must be provided for all facilities as part of Attachment 39.

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

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

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

INDEX OF ATTACHMENTS

File Number 3408-231-6

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

NORTHWEST COMMUNITY HOSPITAL, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON NOVEMBER 09, 1953, 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* 28TH *day of* JANUARY *A.D.* 2019 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Authentication #: 1902803496 verifiable until 01/28/2020
Authenticate at: http://www.cyberdriveillinois.com

Jesse White
SECRETARY OF STATE

File Number 5229-793-1

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

NORTHWEST COMMUNITY HEALTHCARE, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON FEBRUARY 11, 1981, 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* 28TH *day of* JANUARY *A.D.* 2019 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Authentication #: 1902803502 verifiable until 01/28/2020
Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "MPG NCH BUFFALO GROVE JV, LLC" IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWENTY-FIFTH DAY OF FEBRUARY, A.D. 2019.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL TAXES HAVE BEEN ASSESSED TO DATE.

SECRETARY'S OFFICE DELAWARE

Jeffrey W. Bullock, Secretary of State

7258493 8300

SR# 20191344374

You may verify this certificate online at corp.delaware.gov/authver.shtml

Authentication: 202318358

Date: 02-25-19

SITE OWNERSHIP

A. Proof of Ownership and Site Description
Chicago Title Insurance Company – Commitment for Title Insurance
Ownership by Northwest Community Hospital

B. Letter of Intent to Lease
Attached is LOI signed December 18, 2018. Northwest Community Hospital will be the master tenant. The LOI refers to the joint venture entity called NCH-BG Holdings, LLC. The JV entity recently changed name to MPG NCH Buffalo Grove JV, LLC. The new JV name is shown on the Organization Chart in Attachment 4 of this permit application.

Attachment 2

CHICAGO TITLE INSURANCE COMPANY

LAKE COUNTY OFFICE
15 SOUTH COUNTY STREET · WAUKEGAN, ILLINOIS
ONtario 2-8000
HOllycourt 5-0717

COMMITMENT FOR TITLE INSURANCE

CHICAGO TITLE INSURANCE COMPANY hereby commits to issue its policy or policies, as identified in Schedule A, in favor of the proposed Insured named in Schedule A, under the terms of and subject to the provisions and Conditions and Stipulations contained in the "American Land Title Association Commitment—1966" issued by the Company, which are incorporated herein by reference and made a part of this Commitment; all subject to the provisions of Schedules A and B below, the Exclusions from Coverage and the General Exceptions contained in the policies issued pursuant to this Commitment.
NOTE: This Commitment shall not be valid or binding until signed by an authorized signatory.

SCHEDULE A

Number	Effective Date	Refer Inquiries To
LAKE-424070	NOVEMBER 15, 1979 as to Parcels 1 and 3; and NOVEMBER 14, 1979 as to Parcel 2	

1. Owners Policy to be issued: ALTA Form - 1970 Amount: $757,600.00

   Proposed Insured:

   NORTHWEST COMMUNITY HOSPITAL, an Illinois not-for-profit corporation

   Loan Policy to be issued: Amount: - - - -

   Proposed Insured:

   NONE

2. The estate or interest in the land described or referred to in this Commitment and covered herein is a fee simple and title thereto is at the effective date hereof vested in:

   NORTHWEST COMMUNITY HOSPITAL, an Illinois not-for-profit corporation

3. The mortgage and assignments, if any, covered by this Commitment are described as follows:

   NONE

4. The land referred to in this Commitment is described as follows:

   PARCEL 1: That part of the South half of Section 33, Township 43 North, Range 11, East of the 3rd P. M., lying East of the East line of McHenry Road, West of the West line of Weiland Road and South of the South line of Lake Cook Road, (except that part thereof in Northwest Community Hospital Ambulatory Care Center Plat of Subdivision recorded November 15, 1979, as Document 2034079), in Lake County, Illinois.

   PARCEL 2: That part of the North half of Section 4, Township 42 North, Range 11, East of the 3rd P. M., described as follows: Commencing at a point on the North line of said Section 4, said point being 326.1 feet West of the Southerly quarter corner of Section 33, Township 43 North, Range 11, East of the 3rd P. M.; thence South 16 degrees 45 minutes West, 505.15 feet, to the center line of McHenry Road; thence North Westerly, along the said center line, being a curved line, convex South Westerly and having a radius of 1,432.7 feet, a distance of 639.5 feet to the North line of said Section 4; thence East on the said North line, 555.4 feet to the point of beginning (excepting therefrom that part thereof, falling in

FORM 3786

Attachment 2

(continued)

(Schedule A continued)

4. (continued)
said McHenry Road), all in Cook County, Illinois.

PARCEL 3: Lot 1 in Northwest Community Hospital Ambulatory Care Center Plat of Subdivision of part of the South half of Section 33, Township 43 North, Range 11, East of the 3rd P. M., according to the plat thereof, recorded November 15, 1979, as Document 2034079, in Lake County, Illinois.

GENERAL EXCEPTIONS IN POLICIES

The owners policy will be subject to the following General Exceptions: (1) Rights or claims of parties in possession not shown by the public records; (2) Encroachments, overlaps, boundary line disputes, and any matters which would be disclosed by an accurate survey and inspection of the premises; (3) Easements, or claims of easements, not shown by the public records, (4) Any lien, or right to a lien, for services, labor, or material heretofore or hereafter furnished, imposed by law and not shown by the public records; (5) Taxes or special assessments which are not shown as existing liens by the public records.

The G or H form loan policy will be subject to the foregoing General Exceptions (4) and (5), and the H form will also be subject to: Consequences of the failure of the lender to pay out properly the whole or any part of the loan secured by the trust deed or mortgage covered by the Commitment, as affecting: (a) The validity of the lien of said trust deed or mortgage; and (b) The priority of the lien over any other right, claim, lien or encumbrance which has or may become superior to the lien of said trust deed or mortgage before the disbursement of the entire proceeds of the loan.

SCHEDULE B

Schedule B of the policy or policies to be issued will contain the applicable General Exceptions (see above); and, if an owners policy is to be issued, the encumbrance, if any, shown in Schedule A; and exceptions to the following matters unless the same are disposed of to the satisfaction of the Company:

(1) Defects, liens, encumbrances, adverse claims or other matters, if any, created, first appearing in the public records or attaching subsequent to the effective date hereof but prior to the date the proposed Insured acquires for value of record the estate or interest or mortgage thereon covered by this Commitment.

(2) An ALTA LOAN POLICY will be subject to the following exceptions (a) and (b), in the absence of the production of the data and other essential matters described in our Form 3735. (a) Any lien, or right to a lien, for services, labor, or material heretofore or hereafter furnished, imposed by law and not shown by the public records; (b) Consequences of the failure of the lender to pay out properly the whole or any part of the loan secured by the mortgage described in Schedule A, as affecting: (i) the validity of the lien of said mortgage; and (ii) the priority of the lien over any other right, claim, lien or encumbrance which has or may become superior to the lien of said mortgage before the disbursement of the entire proceeds of the loan.

3. Right of Illinois Bell Telephone Company, a corporation of Illinois, its successors and assigns, to construct, lay, maintain, etc., underground conduits, cables, etc., with right of access thereto for the maintenance thereof, in, upon, under and along a strip of land 10 feet in even width, adjacent to, parallel with and lying East of the East right of way line of the public highway known as McHenry Road, as granted by Instrument dated October 29, 1968 and recorded January 2, 1969 as Document 1406129.
(Affects Parcel 1).

4. Easement in, upon, under and along the Northerly half of the public road known as McHenry Road in the North half of the East half of the North West quarter of Section 4, Township 42 North, Range 11, East of the 3rd P. M., of the land to install and maintain all equipment for the purpose of serving the land and other property with telephone and electric service, together with right of access thereto as created by grant to the Commonwealth Edison Company and the Illinois Bell Telephone Company, recorded January 8, 1969 as Document 20722677.
(Affects Parcel 2).

5. Rights of the public, the State of Illinois and the municipality in and to so much of the land as dedicated in the right of way plat for road purposes by Instrument recorded December 1, 1978 as Document 24746088.
(Affects Parcel 2).

6. Public utility easement over the Northerly 10 feet, South Westerly 10 feet, South 10 feet and the East 10 feet of said Lot as shwon on the plat of saéd Subdivision.
(Affects Parcel 3).

7. Building line 25 feet South of the North line and 25 feet North Easterly of the South Westerly line of said Lot as shown on the plat of said Subdivision.
(Affects Parcel 3).

8. Easement for ingress and egress over the West 30 feet of the East 145 feet of said Lot as shown on the plat of said Subdivision.
(Affects Parcel 3).

Attachment 2

CHICAGO TITLE INSURANCE COMPANY

9. Ten foot public utility easement over the West 10 feet of the East 115 feet as shown on the plat of said Subdivision. (Affects Parcel 3).

10. Ten foot by 20 foot public utility easement over the Westerly portion of said Lot as shown on the plat of said Subdivision. (Affects Parcel 3).

11. Ten foot by 39 foot public utility easement over the North Easterly portion of said Lot as shown on the plat of said Subdivision.
(Affects Parcel 3).

12. Notation on plat as follows: The easements shown as public utility easements shown on the annexed plat are hereby reserved for and granted to the Village of Buffalo Grove, Illinois for public utility purposes including but not limited to water, sewer, drainage and street lighting.
(Affects Parcel 3).

13. Certificate of survey dated November 5, 1979 and recorded November 14, 1979, as Document 25,240 142 made by Paul Lotz, surveyor number 2026, who certified that he surveyed the following described property:

Easement A:

Over the North 15.00 feet of that part of Section 4, Township 42 North, Range 11, East of the 3rd P. M., described as follows: Beginning at a point in the North line of said Section 4, said point being 295.10 feet West of the North quarter corner of said Section 4; thence South 16 degrees 45 minutes 00 seconds West a distance of 445.50 feet, more or less, to a point in the curved North Easterly line of McHenry Road; thence North Westerly along said curved line concave to North Easterly, having a radius of 1,382.70 feet an arc distance of 508.58 feet to a point; thence North 58 degrees 37 minutes 17 seconds East along a line, said line being radial to the aforesaid curved line, a distance of 5.00 feet; thence North Westerly along said North Easterly line of McHenry Road said North Easterly line being a curved line concave to North Easterly and having a radius of 1,377.70 feet an arc distance of 55.19 feet, more or less, to a point in the North line of said Section 4; thence "due East" 489.74 feet, more or less, to the point of beginning, in Cook County, I Illinois.

Easement B:

A 35 feet wide strip of land of that part of Section 4, Township 42 North, Range 11, East of the 3rd P. M., The center line of said strip of land described as follows: Beginning at the intersection of the North Easterly right of way line (as per Document 24746191) of McHenry Road with the North line of said Sec Section 4; thence "due East" along the North line of said Section 4 a distance of 97.50 feet to a point, said point being in the center line of said 35 feet wide strip of land; thence "due South " along said center line a distance of 85.00 feet to a point of curve; thence South Westerly along said curve, convex to South Easterly tangent to the aforesaid center line and having a radius of 32.50 feet an arc distance of 31.64 feet to a point; thence South 55 degrees 06 minutes 35 seconds West along a line a distance of 16.38 feet to a point in the North Easterly curved right of way line of said McHenry Road; said point being an arc distance of 84.74 feet South Easterly of the South Westerly point of a 5.00 feet jog as shown on said Document 24746191 in Cook County, Illinois.

Attachment 2

(Affects Parcel 2).

CHICAGO TITLE INSURANCE COMPANY

14. Provisions and conditions contained in the annexation agreement recorded November 5, 1979, as Document 2031989.

15. The requirements of Section 1, Chapter 109 (Plat Act) should be considered on any conveyance of the land herein. (Affects Parcel 1 and 2).

16. Easement over the Northerly 10 feet, South Westerly 10 feet, South 10 feet and East 10 feet of the land for the purpose of installing and maintaining all equipment necessary to serve the Subdivision and other land with telephone, electric and gas service, together with the right to overhang aerial service wires and the right of access to such wires, as created by grant to the Illinois Bell Telephone Company, the Commonwealth Edison Company and Northern Illinois Gas Company, and their respective successors and assigns and as shown on the plat of Subdivision recorded November 15, 1979, as Document 2034079. (Affects Parcel 3).

17. Rights of the United States of America and the State of Illinois, or either of them, to recover any public funds advanced under the provisions of one or more of various federal statutes relating to health care or the "Illinois Hospital Construction Act."

18. Taxes for the year 1979.

INFO ONLY: The taxes levied for the year 1978 covered the land herein with other property. Therefore, we are not able to provide a separate general tax amount for this parcel.

County Collector's Book 1689 Parcel Number 685
(Affects Parcel 1).

03-04-102-001-0000 (1)	231	$881.23

(Affects Parcel 2)

ASSESSEE: Cecilia Koch
Box 115 RR1
Prairie View, Illinois 60069
(Affects Parcel 2).

NOTE: The 1979 taxes not delinquent before March 3, 1980.
(Affects Parcel 2).

Yours respectfully,

CHICAGO TITLE INSURANCE COMPANY

By [signature]
Unit Manager

12/4/79

Attachment 2

FORM 3649-03

MedProperties

November 13, 2018

Sent Via E-Mail

Michael Hartke (mhartke@nch.org)
COO/EVP
Northwest Community Healthcare
800 W. Central Road
Arlington Heights, IL 60005

Rich Casey (rcasey@nch.org)
Vice President, Hospital Operations
Northwest Community Healthcare
800 W. Central Road
Arlington Heights, IL 60005

Re: Buffalo Grove Medical Center Development for Northwest Community Healthcare

Michael & Rich:

We are pleased to submit this nonbinding leasing proposal ("Leasing Proposal") on behalf of the to be formed "NCH Buffalo Grove JV, LLC" Joint Venture to Northwest Community Healthcare ("NCH") for an approximately 67,000 rentable square foot ("RSF") build-to-suit medical center in Buffalo Grove, under the following key terms and conditions:

Project	A build-to-suit 67,000 RSF medical center including parking to be located at a 7.2 acre site in Buffalo Grove (bound by McHenry, Lake Cook and Weiland) as further depicted on Exhibit C – Site Plan.
Tenant	NCH. No other leasable space will be developed.
Developer/Landlord	The to be formed "NCH Buffalo Grove JV, LLC" Joint Venture
Core & Shell Delivery	The Joint Venture estimates that the core and shell, suitable for tenant improvements to begin will be available in Summer of 2020 per the attached Preliminary Project Schedule in Exhibit B.
Rent Commencement	Six (6) months following delivery by the Joint Venture of the Project suitable for Tenant to commence its tenant improvements.
Base Net Rent	First year initial base net rent shall be equal to 7.57% multiplied by the Total Project Cost less $675,000 ("Adjusted TPC"). Base Net Rent shall escalate 2.25% on each anniversary of the lease. TPC shall include all costs, fees and expenses actually incurred and paid, pursuant to the final budget approved by Tenant, to acquire, develop and finance the Project.
Property Expenses	Tenant shall be responsible for all of the Project's operating expenses and real estate taxes typical under a "triple net" lease. Tenant shall have the option to self-manage the Project provided it occupies more than 50% of the building. Landlord shall maintain the Building's exterior (including facade and glass),

roof, structural members, foundation. etc. for a period of one (1) year after the Substantial Completion date (to be defined in the lease).

Lease Term	The initial term of the lease shall be fifteen (15) years.
Renewal Options	Tenant shall have three (3) consecutive options of five (5) years to renew the Lease Term for all of the space upon a minimum one (1) year prior written notice. The Base Net Rent payable for the renewal option shall be at the fair market rental value at the time the Renewal Option is exercised. The Joint Venture will provide for a one-time $25/RSF refurbishing allowance at the initial renewal option.
TI Allowance	The Joint Venture shall provide a tenant improvement allowance of $85.07/RSF for the initial build-out. Tenant shall be allowed to draw on the TI allowance in accordance with standard construction escrow deliveries, reviews and approvals.
Security Deposit	None.
Developer/Landlord Work	The Joint Venture to work with Tenant's architect to create base building delivery conditions for the Project's core and shell to be included as an exhibit to the lease agreement.
Electricity	The Joint Venture will bring all utilities and required data to the Property as part of its core and shell construction scope. Tenant shall be directly metered and billed by the respective utility provider(s).
Parking	The Project development shall target a parking ratio of 4.5 cars per 1,000 RSF.
Signage	Tenant shall be responsible at its sole cost and expense for all Project signage including but not limited to building and monument signage as permitted by local ordinance.
Leasing Commissions	Commissions due to any party representing NCH, and MedProperties, LLC representing the Joint Venture shall be included in the TPC if prior disclosed and approved and included in the final approved budget.
Agency Disclosure	Tenant acknowledges, as required by Section 38.35 of the Illinois Real Estate Brokers and Salesman License Act, 225 ILCS 455/38.35, that Tenant has been informed, both orally and by this written disclosure that MedProperties, LLC is not acting on behalf of Tenant and information given to any broker or advisor by Tenant may be disclosed to MedProperties, LLC.
Confidentiality	The existence of this Leasing Proposal and its contents are intended to be confidential and are not to be discussed with or disclosed to any third party, except (i) with the express prior written consent of the other party to this letter, (ii) as may be required or appropriate in response to any summons,

subpoena or discovery order or to comply with any applicable law, order, regulation or ruling, and (iii) with either the parties' attorneys, lenders, accountants, and advisors directly and solely for the purpose of evaluating the proposed Project.

Exclusivity	Without limitation to the nonbinding nature of this letter of intent which shall control, the parties will work in good faith to complete the necessary legal documentation to memorialize the terms and conditions of this Leasing Proposal.
Expenses	The Joint Venture and Tenant will each be responsible for their own legal fees and out-of-pocket expenses related to the negotiation and documentation of the transaction contemplated herein.
Conditions / Provisions:	The Lease shall be conditioned on Tenant's securing a Certificate of Need, the JV Agreement being entered into by the parties, and such other conditions of zoning, delivery, etc., typical in a build to suit development.
Lease Preparation:	The initial draft of lease shall be prepared by counsel for the Joint Venture.

Any communication, written or oral, shall be made with the express understanding that the Joint Venture may have contractual obligations and duties that will supersede anything contained herein. This leasing proposal is subject to review of Tenant's financial statements, errors and omissions and the timely execution and delivery of a lease agreement. This Leasing Proposal is subject to withdrawal at any time by either Tenant or the Joint Venture and for any reason, and if accepted, is not binding on either party until all parties have executed a definitive formal lease agreement.

NCH-BG Holdings, LLC.

The "__________" Joint Venture is very excited about this opportunity to work with Northwest Community Healthcare. ~~If the terms of this proposal are acceptable, please execute this agreement no later than November____, 2018.~~

Sincerely,

Matthew J. Campbell
Founding Partner, Chief Executive Officer
MedProperties, LLC

Michael Boler
President
Boler Properties LLC

Accepted:

Northwest Community Healthcare

By: [signature]

Title: EVP /COO

Date: 12/18/18

cc: Warren Kelleher, Vice President, Chief Financial Officer & Treasurer, The Boler Company
Paul Kopecki, Partner & Chief Operating Officer, MedProperties, LLC
Kelleen Enright, Partner, Head of Asset & Property Management, MedProperties, LLC
Daniel Ahlering, Vice President, MedProperties, LLC

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "NCH-BG HOLDINGS, LLC", CHANGING ITS NAME FROM "NCH-BG HOLDINGS, LLC" TO "MPG NCH BUFFALO GROVE JV, LLC", FILED IN THIS OFFICE ON THE TWENTY-SECOND DAY OF FEBRUARY, A.D. 2019, AT 4:29 O`CLOCK P.M.

Jeffrey W. Bullock, Secretary of State

SECRETARY'S OFFICE

7258493 8100
SR# 20191298340

Authentication: 202316254
Date: 02-25-19

You may verify this certificate online at corp.delaware.gov/authver.shtml

Attachment 2

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "MPG NCH BUFFALO GROVE JV, LLC" IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWENTY-FIFTH DAY OF FEBRUARY, A.D. 2019.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL TAXES HAVE BEEN ASSESSED TO DATE.

Jeffrey W. Bullock, Secretary of State

SECRETARY'S OFFICE DELAWARE

7258493 8300

SR# 20191344374

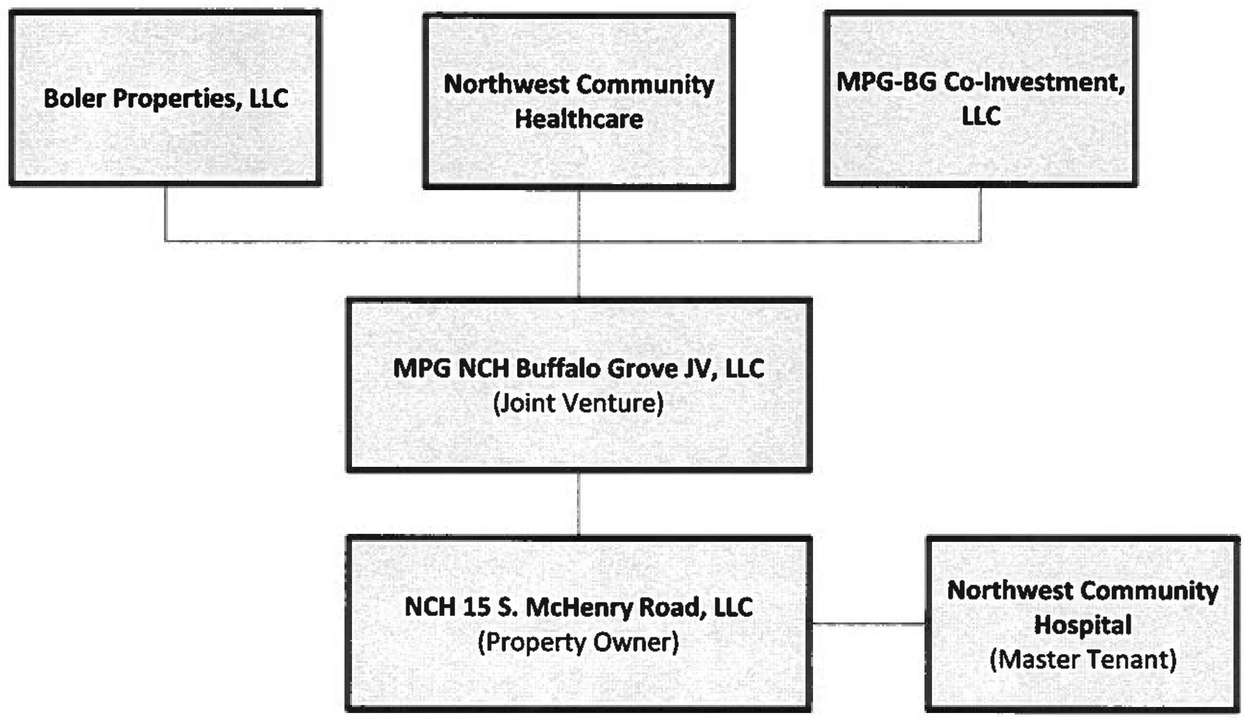
You may verify this certificate online at corp.delaware.gov/authver.shtml

Authentication: 202318358

Date: 02-25-19

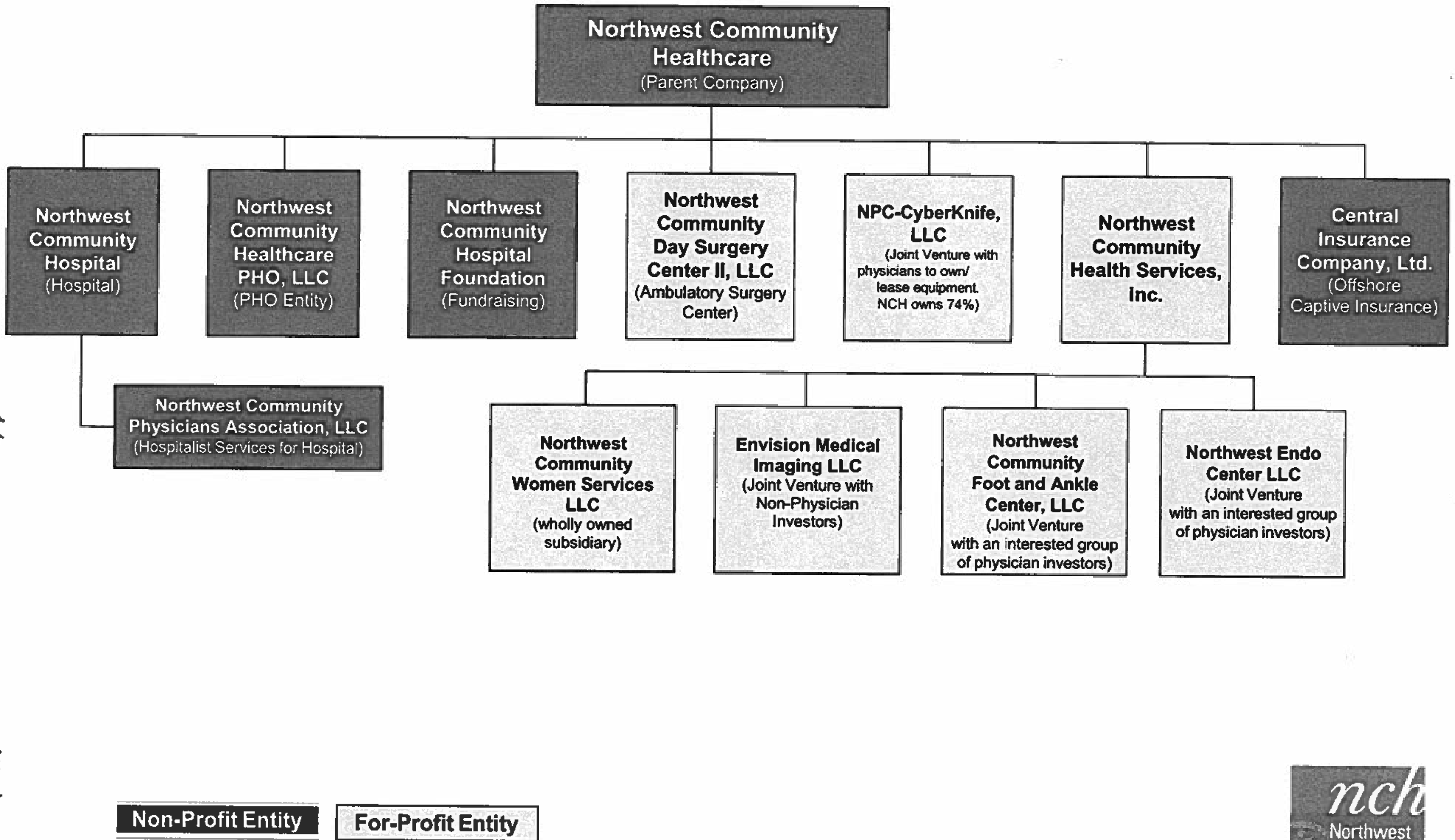
Attachment 3

NCH Buffalo Grove Ownership Structure



Northwest Community Healthcare & Subsidiaries

Corporate Organizational Chart



December 2018

(enterpriserisk/legal/OrgCharts/kap12/6/18

Attachment 4

Flood Plain Requirements

Evidence that the site is not located in a floodplain is shown on the map on the following page. The map shows angular site of the proposed project at 15 S McHenry Road. McHenry Road is on the left, Lake Cook Road is on the top part of the map. The two existing buildings on the site are the approximate location where the new building will be constructed. The area is designated as an Area of Minimal Flood Hazard.

The map is obtained from FloodPartners utilizing FEMA Flood Maps. The FEMA Flood Map Service Center is the official public service for flood hazard information produced in support of the National Flood Insurance Program (NFIP). The information is shown in FEMA Panel 17097C0264K.

As a result, the project complies with the requirements of Illinois Executive Order #2006-5.

Attachment 5

FEMA
(//www.fema.gov/)

Navigation

Search

Languages

- MSC Home (/portal/)
- **MSC Search by Address (/portal/search)**
- MSC Search All Products (/portal/advanceSearch)
- MSC Products and Tools (/portal/resources/productsandtools)
  - Hazus (/portal/resources/hazus)
  - LOMC Batch Files (/portal/resources/lomc)
  - Product Availability (/portal/productAvailability)
- MSC Frequently Asked Questions (FAQs) (/portal/resources/faq)
- MSC Email Subscriptions (/portal/subscriptionHome)
- Contact MSC Help (/portal/resources/contact)

FEMA Flood Map Service Center: Search By Address

Enter an address, place, or coordinates:

155 McHenry Road, Buffalo Grove, IL

Search

Whether you are in a high risk zone or not, you may need flood insurance (https://www.fema.gov/national-flood-insurance-program) because most homeowners insurance doesn't cover flood damage. If you live in an area with low or moderate flood risk, you are 5 times more likely to experience flood than a fire in your home over the next 30 years. For many, a National Flood Insurance Program's flood insurance policy could cost less than $400 per year. Call your insurance agent today and protect what you've built.

Learn more about steps you can take (https://www.fema.gov/what-mitigation) to reduce flood risk damage.

Search Results—Products for **BUFFALO GROVE, VILLAGE OF**

Show ALL Products » (https://msc.fema.gov/portal/availabilitySearch?addcommunity=170068&communityName=BUFF

The flood map for the selected area is number **17097C0264K**, effective on **09/18/2013**

DYNAMIC MAP

PRINT MAP/ FIRMette

MAP IMAGE

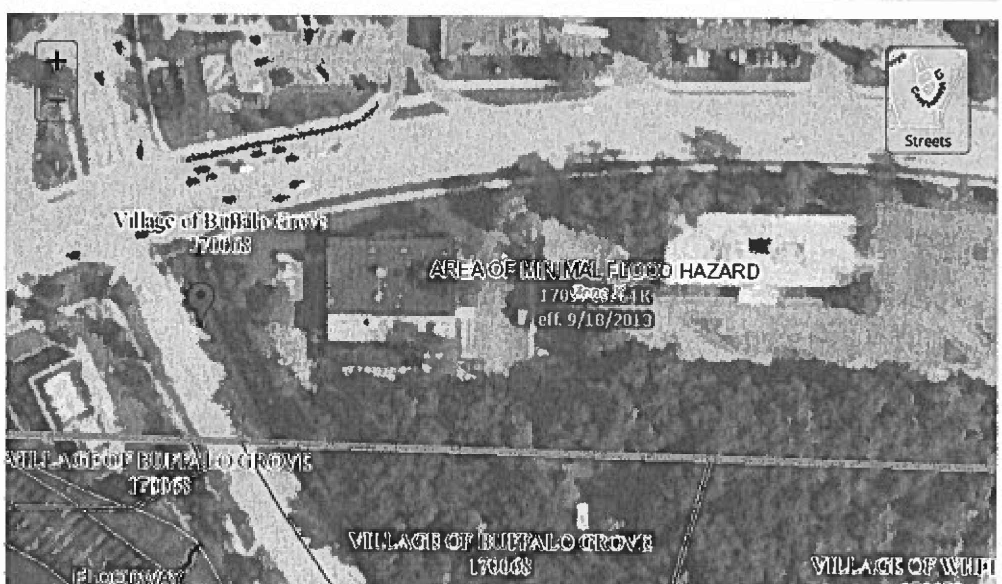
DOWNLOAD FIRM PANEL (https://msc.fema.gov/portal/downloadProduct?filepath=/17/P/Firm/17097C0264K.png&productTypeID=FINAL_PRODUCT&productSubTypeID=FIRM_PANEL

Changes to this FIRM

- Revisions (0)
- Amendments (0)
- Revalidations (0)

You can choose a new flood map or move the location pin by selecting a different location on the locator map below or by entering a new location in the search field above. It may take a minute or more during peak hours to generate a dynamic FIRMette.

Go To NFHL Viewer » (https://hazards-fema.maps.arcgis.com/apps/webappviewer/index.html?id=8b0adb51996444d



January 31, 2019

Illinois Department of Natural Resources
Illinois State Historic Preservation Office
One Natural Resources Way
Springfield, IL 62702

Attn: Review and Compliance / Old State Capitol

Re: CON – Ambulatory Care Center Development
Northwest Community Healthcare
15 S. McHenry Road
Buffalo Grove, IL 60089
Lake County

Dear Sir or Madam:

Northwest Community Healthcare is preparing a Certificate of Need permit application to construct an Ambulatory Care Center Development at 15 S. McHenry Road in suburban Buffalo Grove. The property is currently occupied by two buildings – an urgent care center and a vacant office building. If approved by the Illinois Health Facilities and Services Review Board, the project will involve construction of a four story building with an immediate care center, physician offices, diagnostic imaging and other clinical services, with on-site parking.

Attached are two area maps and aerial photograph of the close-in area showing the project location. Also attached are photos of the existing buildings on the property, which will be razed and replaced by the four story structure.

I represent the hospital as its Certificate of Need consultant. Please provide me with a letter concerning the applicability of the Preservation Act to the proposed project. I will include your letter in the Certificate of Need permit application.

Thank you for your attention to this request.

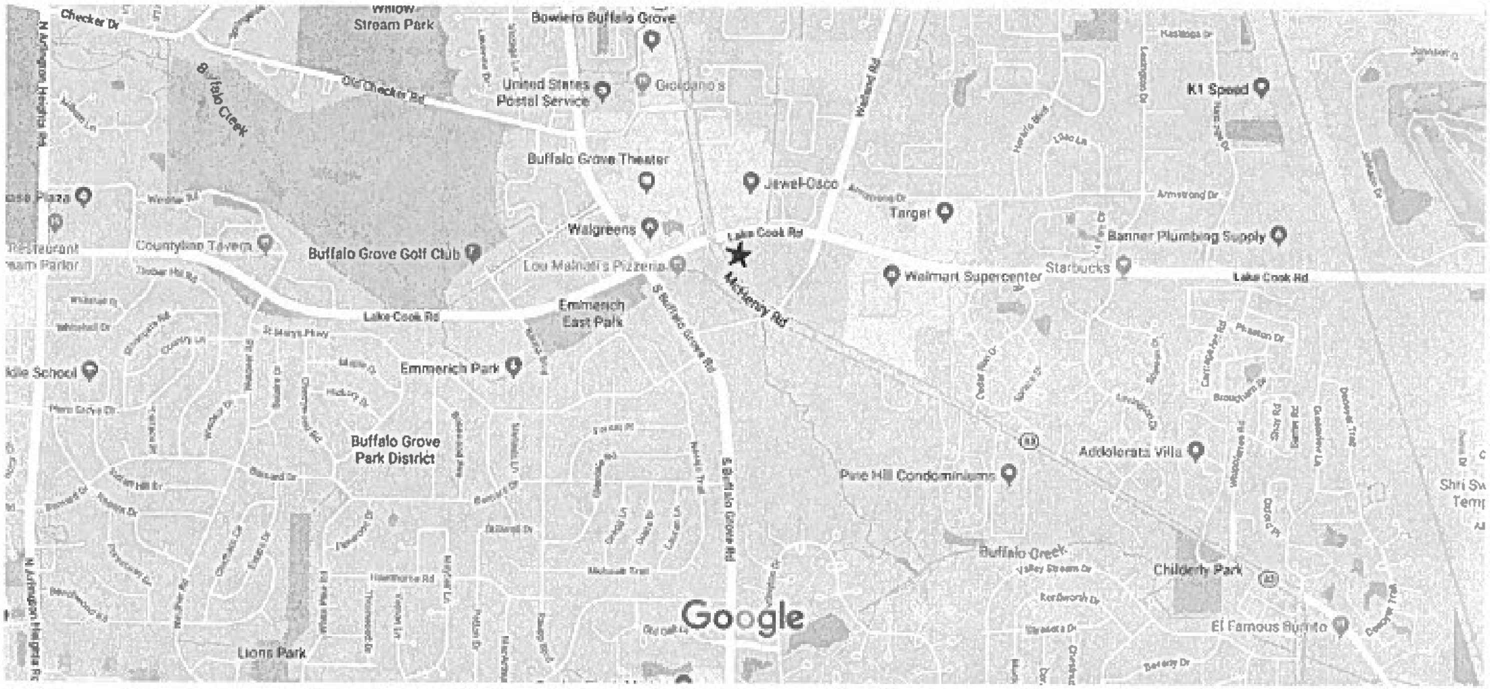
Sincerely,

Ralph M Weber

Ralph M. Weber
Weber Alliance
920 Hoffman Lane
Riverwoods, IL 60015
rmweber90@gmail.com
847-791-0830

Attachments:
- maps (2)
- photographs of the two existing buildings (2)
- aerial photograph

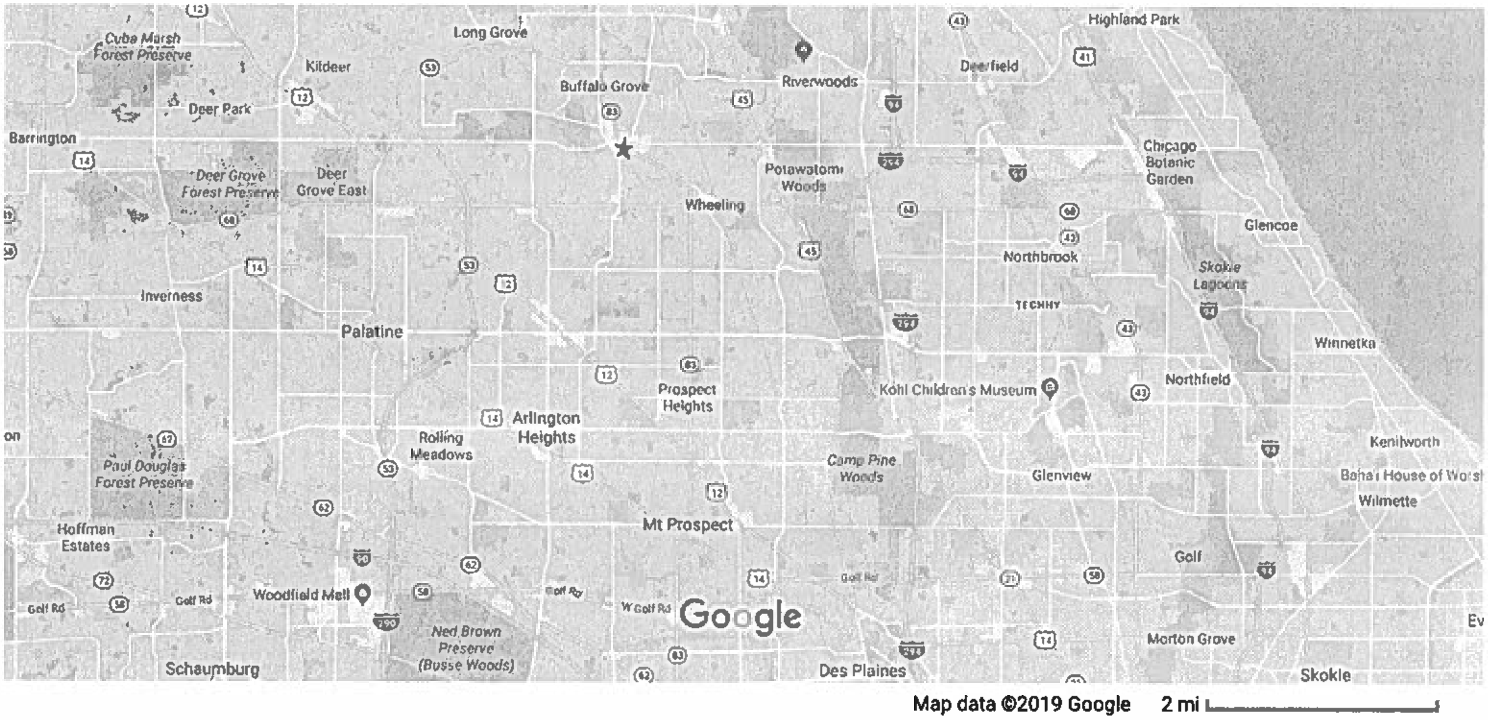
Google Maps



Map data ©2019 Google 1000 ft

Attachment 6

Google Maps



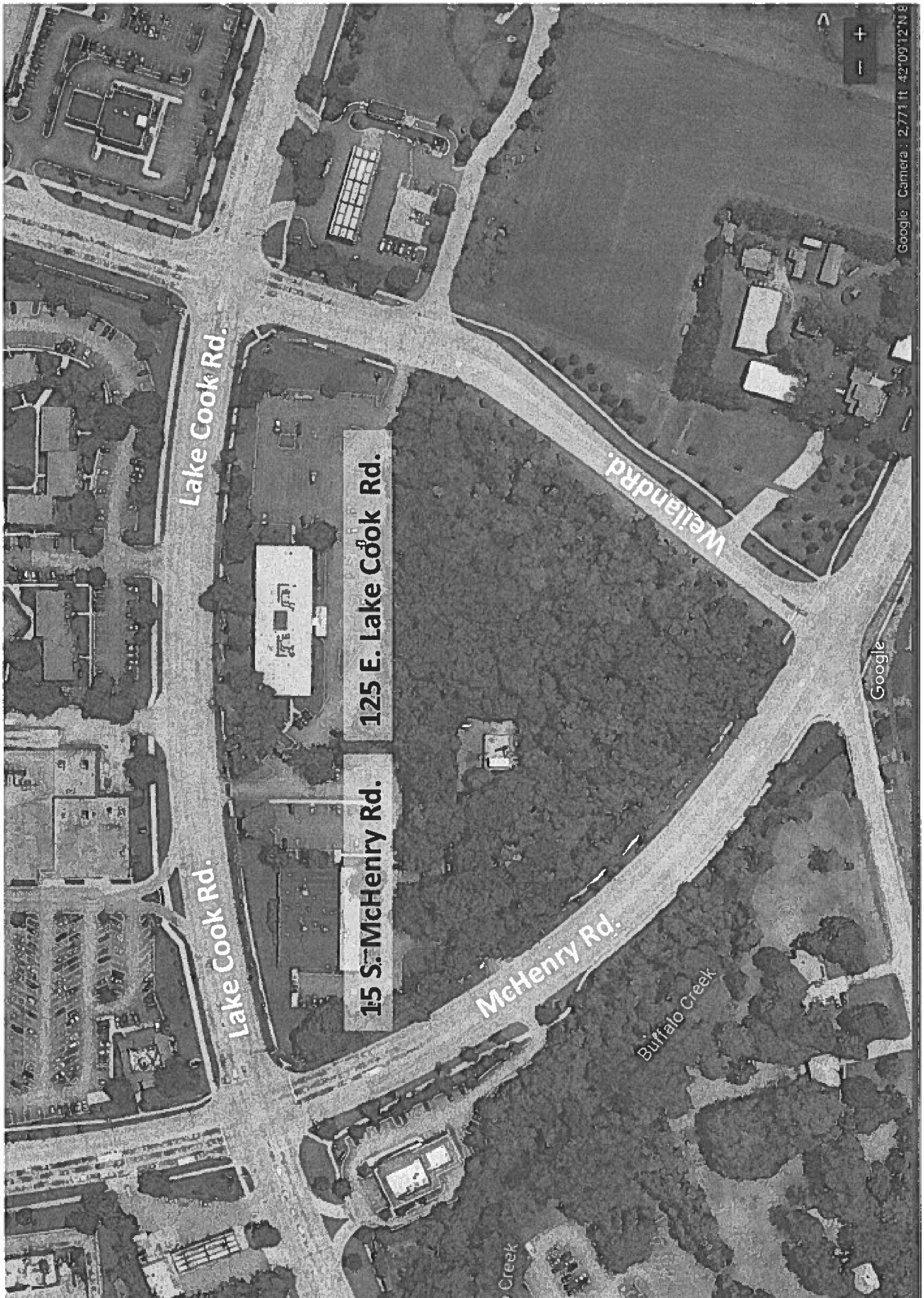
Attachment 6

49

Attachment 6

Attachment 6

51


Lake Cook Rd.
Lake Cook Rd.
125 E. Lake Cook Rd.
15 S. McHenry Rd.
McHenry Rd.
WeilandRd.
Buffalo Creek
Google

Project Costs and Sources of Funds

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

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs	13,000	87,000	100,000
Site Survey and Soil Investigation	0	0	0
Site Preparation	0	0	0
Off Site Work	0	0	0
New Construction Contracts	1,636,248	11,969,752	13,606,000
Modernization Contracts	0	0	0
Contingencies	163,624	1,196,976	1,360,600
Architectural/Engineering Fees	90,000	660,000	750,000
Consulting and Other Fees	125,000	857,000	1,000,000
Movable or Other Equipment (not in construction contracts)	5,140,000	1,084,129	6,224,129
Bond Issuance Expense (project related)	0	0	0
Net Interest Expense During Construction (project related)	100,000	400,000	500,000
Fair Market Value of Leased Space or Equipment	3,679,100	26,980,263	30,659,363
Other Costs To Be Capitalized	463,225	2,624,938	3,088,163
Acquisition of Building or Other Property (excluding land)	0	0	0
TOTAL USES OF FUNDS			57,288,255
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	585,467	4,293,425	4,878892
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages	7,145,630	14,604,370	21,750,000
Leases (fair market value)	3,679,100	26,980,263	30,659,363
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	11,410,197	45,878,058	57,288,255

Attachment 7

Project Costs and Sources of Funds

The following information provides detail regarding cost line items for the Project Costs and Sources of Funds table:

Preplanning Costs

Costs include joint venture structuring, legal, space planning and interior A/E related pre-construction fees. Core and shell pre-planning costs are included in the fair market value of the lease.

$100,000 of which $13,000 is assigned to Clinical

Site Survey and Soil Investigation

This line item is included in the fair market value of leased space.

Site Preparation

This line item is included in the fair market value of leased space.

Off Site Work

This line item is included in the fair market value of leased space.

New Construction contracts

Construction of a 4 story, 70,600 building gross sq ft facility. Costs included in the fair market value of the lease are: core and shell costs including general conditions, masonry, steel, carpentry/wood/plastics, thermal and moisture protection, doors and windows, mechanical, electrical and plumbing, fire alarm system. Balance of cost listed is interior buildout by tenant.

A tenant improvement allowance of approximately $6,000,000 will be provided, but is not deducted from the construction contract amount since the amount reflects the cost of the interior buildout.

$13,606,000, of which $1,636,248 is clinical.

Modernization contracts

Not Applicable

Contingencies

$1,360,600, of which $163,624 is clinical.

Attachment 7

Architect/Engineering fees

This work includes preparation of interior buildout: schematic design, design development, construction documents, bidding and negotiation services, presentations at client and public meetings, and project management services. Core and shell A/E fees are included in the fair market value of the lease.

$750,000, of which 90,000 is clinical.

Consulting and other fees

Certificate of need consulting / filing fees, commissioning consultant, lender fees, regulatory and permit fees, utilities during construction and builder's risk policy. Core and shell consulting and other fees are included in the fair market value of the lease.

$1,000,000, of which $125,000 is allocated to clinical.

Moveable or other Equipment

The total equipment budget is $6.224,129. Most of the clinical medical equipment is located in the imaging center:

MRI, including installation and shielding	$1,800,000
CT scanner, installation with shielding	1,600,000
Radiology / x-ray	320,000
Mammography	340,000
DEXA bone densitometry	120,000
Ultrasound (2 units)	160,000
TOTAL	$4,340,000

Additional equipment bringing the total to $6,224,129 includes audiology testing, EKG, gym therapy, POC/lab, and equipment supporting the exam rooms in the ICC and the physician office clinic areas.

$6,224,129, of which $5,140,000 is Clinical

Bond Issuance Expense

Not Applicable

Net Interest Expense During Construction

$500,000 of which $100,000 in interest is assigned to Clinical.

Fair Market Value of Leased Space

Northwest Community Hospital is leasing the entire building. The estimated fair market value of the leased space is $30,659,363, over the 15 year term of the lease.

Of the $30,659,363, 3,679,100 is assigned to the clinical component of the project.

Other Costs to be Capitalized

This line item refers to the cost of IT / Telecommunications -- computers, switch and cabling as well as FF&E including furniture, art and interior / exterior building signage.

IT is $1,852,898

Furnishings is estimated at $1,235,265, and includes: tables, chairs, conference rooms, staff lounge, waiting areas, desks and work stations, artwork, interior and exterior signage.

$3,088,163 of which $463,225 is Clinical

Attachment 7

Cost Space Requirements

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

		Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
Dept. / Area	**Cost**	**Existing**	**Proposed**	**New Const.**	**Modernized**	**As Is**	**Vacated Space**
REVIEWABLE							
Imaging	943,358						
CT scan			1030	1030			
MRI			1133	1133			
X-ray			1660	1660			
Ultrasound			633	633			
Mammography			1350	1350			
Bone densitometry			675	675			
Physical therapy	540,039		3935	3935			
Lab / draw station	152,851		1089	1089			
Total clinical	**1,636,248**		**11505**	**11505**			
NON REVIEWABLE							
Immediate Care	1,091,642		5185	5185			
Clinic/offices	8,481,427		39600	39600			
Building services	507,671		2245	2245			
Common circulation	990,766		4825	4825			
Wait, reg, restrooms	456,817		2375	2375			
Admin, staff areas	441,429		2295	2295			
Total Non-clinical	**11,969,752**		**56525**	**56525**			
Total Construction	**13,606,000**		**68030**	**68030**			
Other Project Costs							
Preplanning	100,000						
Site survey and soil investigation	0						
Site Preparation	0						
Off-site work	0						
Contingencies	1,360,600						
A/E fees	750,000						
Consulting and other fees	1,000,000						
Movable or other equipment	6,224,129						
Net interest expense during construction	500,000						
FMV leased space	30,659,363						
Other capitalized costs							
IT/low voltage	1,852,898						
furnishings	1,235,265						
Acquisition of building or other property	$0						
Total Other Project Costs	**43,682,255**						
Total Project Costs	**57,288,255**						

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

1110.230 Background of Applicant, Purpose of the Project, and Alternatives

Background of Applicant

Following is the list of healthcare facilities owned by Northwest Community Healthcare:

Northwest Community Hospital*
800 W. Central Rd.
Arlington Heights, IL 60005

Northwest Community Day Surgery Center*
675 W. Kirchoff Road
Arlington Heights, IL 60005

Northwest Endo Center*
1415 S. Arlington Heights Road
Arlington Heights, IL 60005

Northwest Community Foot and Ankle Center*
1455 Golf Road Suite 134
Des Plaines, IL 60016

Immediate Care Center in Buffalo Grove
15 S. McHenry Road
Buffalo Grove, IL 60089

Immediate Care Center in Lake Zurich
1201 S. Rand Road
Lake Zurich, IL 60047

Kildeer Ambulatory Care Center (under construction)
21481 N. Rand Road
Kildeer, Il 60047

Immediate Care Center in Mount Prospect
199 W. Rand Road
Mount Prospect, IL 60056

Immediate Care Center in Schaumburg
519 S. Roselle Road
Schaumburg, IL 60193

Lake Zurich Physical Rehab Center
1249 S. Rand Road
Lake Zurich, IL 60047

Wellness Center
900 W. Central Road
Arlington Heights, IL 60005

Outpatient Center in Rolling Meadows
3300 Kirchoff Road
Rolling Meadows, IL 60008

Occupational Wellness & Rehabilitation in Schaumburg
455 S. Roselle Rd, Suite 205
Schaumburg, IL 60193

Northwest Community Home Care
3060 W. Salt Creek Lane
Arlington Heights, IL 60005

*Licenses for these facilities are included in this attachment.

Northwest Community Hospital

Arlington Heights, IL

has been Accredited by

The Joint Commission

Which has surveyed this organization and found it to meet the requirements for the

Hospital Accreditation Program

October 21, 2017

Accreditation is customarily valid for up to 36 months.

Craig W. Jones, FACHE
Chair, Board of Commissioners

ID #4656
Print/Reprint Date: 01/04/2018

Mark R. Chassin, MD, FACP, MPP, MPH
President

The Joint Commission is an independent, not-for-profit national body that oversees the safety and quality of health care and other services provided in accredited organizations. Information about accredited organizations may be provided directly to The Joint Commission at 1-800-994-6610. Information regarding accreditation and the accreditation performance of individual organizations can be obtained through The Joint Commission's web site at www.jointcommission.org.

AMA AMERICAN MEDICAL ASSOCIATION

Attachment 11

Northwest Community Day Surgery Center II, LLC

Arlington Heights, IL

has been Accredited by

The Joint Commission

Which has surveyed this organization and found it to meet the requirements for the

Ambulatory Health Care Accreditation Program

July 13, 2017

Accreditation is customarily valid for up to 36 months.

Craig W. Jones, FACHE
Chair, Board of Commissioners

ID #558537
Print/Reprint Date: 10/16/2017

Mark R. Chassin, MD, FACP, MPP, MPH
President

The Joint Commission is an independent, not-for-profit national body that oversees the safety and quality of health care and other services provided in accredited organizations. Information about accredited organizations may be provided directly to The Joint Commission at 1-800-994-6610. Information regarding accreditation and the accreditation performance of individual organizations can be obtained through The Joint Commission's web site at www.jointcommission.org.

Attachment 11

ACCREDITATION
ASSOCIATION
for AMBULATORY HEALTH CARE, INC.

grants this

CERTIFICATE OF ACCREDITATION

to

NORTHWEST ENDO CENTER, LLC

1415 S. ARLINGTON HEIGHTS ROAD
ARLINGTON HEIGHTS, IL 60005

In recognition of its commitment to high quality of care and substantial compliance with the Accreditation Association for Ambulatory Health Care standards for ambulatory health care organizations.

117454
Organization Identification Number

JULY 6, 2020
The Award of Accreditation expires on the above date

KENNETH M. SADLER, DDS, MPA
Chair of the Board

MEENA DESAI, MD
Past Chair of the Board

ASSOCIATION MEMBERS

ASCA Foundation • American Academy of Cosmetic Surgery • American Academy of Dental Group Practice • American Academy of Dermatology American Academy of Facial Plastic and Reconstructive Surgery • American Association of Oral and Maxillofacial Surgeons • American College of Gastroenterology American College Health Association • American College of Mohs Surgery • American Congress of Obstetricians & Gynecologists • American Dental Association American Gastroenterological Association • American Society of Anesthesiologists • American Society for Dermatologic Surgery Association American Society for Gastrointestinal Endoscopy • Association of periOperative Registered Nurses • Society for Ambulatory Anesthesia

5250 OLD ORCHARD ROAD, SUITE 200 • SKOKIE, IL 60077
PHONE: 847/853.6060 • E-MAIL: INFO@AAAHC.ORG • WEB SITE: WWW.AAAHC.ORG

Attachment 11

ACCREDITATION ASSOCIATION *for* AMBULATORY HEALTH CARE, INC.

ACCREDITATION NOTIFICATION

June 25, 2018

Organization #	120139	Program Type	Ambulatory Surgery Center
Organization Name	Northwest Community Foot and Ankle Center LLC dba Northwest Community Healthcare Weil Surgery Center		
Address	1455 E Golf RD Ste 131,		
City | State | Zip	Des Plaines	IL	60016-1253
Decision Recipient	Ms. Kathleen Quinlan		
Survey Date	5/30/2018-5/31/2018	Type of Survey	Initial Accreditation/Initial Medicare Deemed Status Survey
Deficiency Level	Standard	Correction Method	Document Review, Plan of Action, Self Attestation
Accreditation Type	Full Accreditation	Recommend Medicare Deemed Status	Yes
Acceptable Plan of Correction Received	6/20/2018	Correction Timeframe	May - 2018 to June - 2018
Accreditation Term Begins	6/20/2018	Accreditation Term Expires	6/20/2021
Special CC:	CMS CO - Baltimore CMS RO V – Chicago	CMS Certification Number (CCN)	"Pending"
Accreditation Renewal Code	D5576340120139		
Complimentary AAAHC Institute study participation code			120139FREEIQI

As an ambulatory surgery center (ASC) that has undergone the AAAHC/Medicare Deemed Status Survey, your ASC has demonstrated its compliance with the AAAHC Standards and all Medicare Conditions for Coverage (CfC). The AAAHC Accreditation Committee recommends your ASC for participation in the Medicare Deemed Status program. CMS has the final authority to determine participation in Medicare Deemed Status.

Next Steps

1. Leadership and staff of your ASC should take time to thoroughly review your Survey Report and Plan of Correction (PoC).
   - Subsequent surveys by AAAHC will seek evidence that deficiencies from this survey were addressed within the timeframes of your PoC.
   - The Summary Table provides an overview of compliance for each chapter applicable to your organization.

2. AAAHC Standards, policies and procedures are reviewed and revised annually. You are invited to participate in the review through the public comment process each fall. Your organization will be notified when the proposed changes are available for review. You may also check the AAAHC website in late summer for details.

3. Accredited ASCs are required to maintain operations in compliance with the current AAAHC Standards and policies. Updates are published annually in the AAAHC *Handbooks*. Any mid-year updates are announced and posted to the AAAHC website, www.aaahc.org.

4. In order to ensure uninterrupted accreditation, your ASC should submit the *Application for Survey* approximately five months prior to the expiration of your term of accreditation. In states for which accreditation is mandated by law, the *Application* should be submitted six months in advance to ensure adequate time for scoping and scheduling the survey.

   NOTE: You will need the Accreditation Renewal Code found in the table at the beginning of this document to submit your renewal application.

Additional Information

The complimentary AAAHC Institute study participation code on the first page of this document may be used to register for one six-month, AAAHC Institute for Quality Improvement benchmarking study. Please visit www.aaahc.org/institute for more information.

Throughout your term of accreditation, AAAHC will communicate announcements via e-mail to the primary contact for your organization. Please be sure to notify us (notifyeast@aaahc.org) should this individual or his/her contact information change.

If you have questions or comments about the accreditation process, please contact AAAHC Accreditation Services at 847.853.6060. We look forward to continuing to partner with you to deliver safe, high-quality health care.

nch
Northwest Community Healthcare
800 W. Central Road
Arlington Heights, IL 60005 USA

60 YEARS
Celebrating 60 Years
of Exceptional Care
Close to Home

February 26, 2019

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

Re: No Adverse Actions / Authorized Access to Information

Dear Ms. Avery,

As President of Northwest Community Healthcare, I hereby certify that no adverse action has been taken against Northwest Community Hospital or Northwest Community Healthcare, directly or indirectly, within three years prior to the filing of this application. For the purpose of this letter, the term "adverse action" has the meaning given to it in the Illinois Administrative Code, Title 77, Section 1130.

I hereby authorize the Health Facilities and Services Review Board and IDPH to access any documentation which it finds necessary to verify any Information submitted, including but not limited to: official records of IDPH or other State agencies and the records of nationally recognized accreditation organizations.

If you have any questions, please call Brad Buxton, Vice President Strategy and Business Development at 847-618-5020.

Sincerely,

Stephen Scogna
President & CEO
Northwest Community Healthcare

Cc: Brad Buxton, NCH
Mary Dano, NCH

Attachment 11

Purpose of the Project

Northwest Community Hospital has a long history of serving the northwest suburbs, since its establishment in 1959. In order to remain an independent hospital, it has maintained an excellent reputation for high quality, cost effective care. While providing a large volume of inpatient services, it has also transitioned care to the outpatient setting, both at the main hospital campus in Arlington Heights, and at 11 outpatient centers at locations up to 20 miles from the main hospital. Medical care is provided by NCH employed physician members of the Northwest Community Health Services (NCHS).

The proposed outpatient care center, a joint venture development by Northwest Community Hospital through its affiliation with MPG NCH Buffalo Grove JV, LLC, is a further extension of outpatient health care.

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

Northwest Community Health Services (NCHS) has grown from a complement of 31 employed physicians in 2010 to 155 physicians in 2017. 66 are primary care physicians, 37 are specialists; the remaining 54 are either hospital based or contracted (hospitalists, pathologists, radiologists, emergency care physicians). These 103 primary care and specialty physicians provide staffing at the hospital and outpatient centers on a rotational basis. The rate of growth of these outpatient practices is accelerating. In 2011, NCHMG added 840 new patients per month. By 2017, this growth rate had almost tripled to a level of over 2300 new patients per month. In order to keep up with the increased demand for care, NCHS is planning to continue expansion of the practices by adding primary care and specialty physicians. Demand for specialty visits is significant. During the past year, outpatient growth in oncology was 14%; 18% in cardiovascular, 10% in orthopedics, 12% in neuroscience, and 9% in digestive disorders.

An increasing part of the demand for these services comes from north suburban areas including Buffalo Grove, Wheeling, Northbrook, Arlington Heights, Deerfield and Palatine. These are the communities that will be primarily served by the proposed new ambulatory care center in Buffalo Grove. The expansion of physician practice offices responds to the increasing demand and growing need for NCH physicians in this geographic area.

The project will replace the small and outdated building housing physician offices on the site (125 Lake Cook Road) and the existing urgent care center which NCH operates at 15 S. McHenry Road. Urgent care visits at the center increased from 20,640 in 2016 to 22,957 last year. In addition to the to these visits, there was in 2017 a volume of about 23,700 additional services – x-ray, ancillary tests, immunizations, physicals, workers comp injury care, and other miscellaneous services, not counting over 117,000 lab draws and point of service testing. Physical therapy visits numbered about 7,500.

The building will also accommodate the relocation of NCH physicians officed at 1450 Busch parkway in Buffalo Grove. Primary and specialty office visits at Busch Parkway numbered 45,056 in 2016, 44,483 in 2017 and 45,563 in 2018. There were approximately 67,700 tests and procedures done at that site last year.

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

The table on the next page shows the zip codes in the primary and secondary service areas for the proposed ambulatory care center. For this purpose, the service area is based on the immediate care center visit distribution. 78% of total visits to physicians at the outpatient care center will be drawn from 7 zip codes in the secondary service area. The total population of these zip codes is 273,196. These 7 zip codes define the Planning Area for this project.

The remaining 22% of visits will be drawn from more than 20 zip codes in the secondary service area. The population of this secondary service area is 650,867.

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

NCH's existing immediate care center at 15 S. McHenry Road is out of capacity. Waiting times have increased and patients occasionally leave without being seen due to high volume at concentrated times. The ICC at the proposed immediate care center will have 7 rooms for seeing patients, significantly expanding the capacity of the existing urgent care center.

There is a need for more NCH physicians in the 7 zip code Planning Area to serve existing NCH patients residing in the area. That is a current issue, and will be exacerbated with the planned retirement over the next five years of 35 of the 155 physician members of NCHMG. The establishment of an outpatient care center with offices for primary care and specialty care physicians brings outpatient services closer to NCH patients residing in the area. This center also supports the physician practices and facilitates and improves access to care by providing diagnostic and treatment services in an outpatient setting. Convenient and accessible outpatient care has been shown to prevent inpatient hospitalizations through early detection and treatment. That is expected as a result of this project.

Finally, charge rates at the outpatient care center will be ambulatory rates, which are about 30% lower than outpatient rates charged at the hospital campus. This is very beneficial to patients who are increasingly responsible for a higher percentage of payment for care. The lower charges are attributed to the lower cost setting at the ambulatory care center compared to the hospital campus.

4. Cite the sources of the documentation.

- Northwest Community Hospital Annual Hospital Questionnaire
- Sg2 Analytics
- Northwest Community Hospital medical records
- Zipcode.com, population by zip code
- Northwest Community Health Services (NCHS) records

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

The new NCH Buffalo Grove Outpatient Care Center will offer all ambulatory services at professional rates versus current hospital outpatient rates, providing better access and affordability to the community. Other positive impacts on improving health care delivery and the health status and well being of the planning area's population are covered in #3 above.

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

Objectives of the project are as follows:

a. Open the new facility for patient service by March 1, 2022.
b. Accommodate 180,000 outpatient visits to physicians officed at the center in year 2024, two years after project completion.
c. Accommodate 26,300 visits at the expanded immediate care center in the project in year 2024.
d. Offer full service ambulatory care – physician office visits, immediate care, full service ambulatory imaging, a lab draw station for some point of care testing on site, and physical therapy.
e. Offer occupational health programs for local businesses.

Table: Patient Origin, based on visits to the existing Immidiate Care Center at 15 S. McHenry Road, year 2018

Zip Code	Community	Population	2018 ICC visits at 15 S. McHenry	% distribution	Cumulative distribution
Primary Service Area					
60089	Buffalo Grove	40,433	8,994	32.3	32.3
60090	Wheeling	39,010	5,176	18.6	50.9
60004	Arlington Heights	49,810	3,695	13.3	64.2
60074	Palatine	40,008	1,675	6.0	70.2
60067	Palatine	38,973	838	3.2	73.4
60015	Deerfield	25,900	680	3.0	76.4
60062	Northbrook	39,062	530	1.9	78.3
Total Primary Service Area		273,196	21,786	78.3	78.3
Secondary Service Area					
60047	Lake Zurich	41,498	1,783	6.4	84.7
60061	Vernon Hills	26,610	680	2.4	87.1
60070	Prospect Heights	14,908	450	1.6	88.7
60056	Mount Prospect	54,486	387	1.4	90.1
	Other in SSA	513,365	2,767	9.9	100.0
Total Secondary Service Area		650,867	6,067	21.7	100.0
Total Service Areas		924,063	27,853	100.0	100.0

Attachment 12

Alternatives

Several options were considered before the decision was made to pursue the development of an outpatient care center at 15 S McHenry Road. The current site is owned by Northwest Community Hospital, and contains two buildings: an immediate care center at 15 S McHenry Rd and an adjacent medical office building at 125 Lake Cook Road.

1. Modernize and expand the existing buildings at the site to accommodate the growth of physician practices and consolidate offices from another Lake County location.

2. Expand the outpatient care center at 1450 Busch Parkway, Buffalo Grove.

3. Build the outpatient care center at another site, with size and program components similar to the proposed project.

4. Build the ambulatory care center project with Northwest Community Hospital as sole developer and owner, without a joint venture partner involved in funding the capital project.

5. Do nothing.

<u>Alternative 1: Modernize and expand the existing buildings at the site to accommodate the growth of physician practices and consolidate offices from another Lake County location.</u>

The two current buildings at 15 S McHenry Road and 125 Lake Cook Road house an immediate care center and physician offices/exam rooms, respectively. The total combined space is about 44,000 sq ft. These buildings are not large enough to accommodate increased demand for outpatient physician offices and accommodate the desired relocation of services from another NCH outpatient facility in Buffalo Grove. The buildings are adjacent to one another. An addition to connect the two for integrated outpatient service delivery was considered. However, the building floor plans are not set up to support a well-organized care system for outpatient visits and urgent care.

The two facilities at 15 S McHenry and 125 Lake Cook Road, are not cost effective, requiring separate HVAC and other utility services, duplicate staffing, and are unable to achieve necessary sharing of equipment and operational synergies. The buildings are 40 years old, and lack modern infrastructure to support cost effective operations. Modernizing the current buildings would require significant upgrades to the roofs, HVAC, and exterior parking and pedestrian areas.

The cost to modernize and expand the current facilities is estimated in excess of $35,000,000. This amount exceeds the capital cost of the other options, independent of the lease associated with the preferred option.

This alternative was rejected because of the high costs of renovation and additions, and the inability with these investments to achieve an efficient layout of services and cost effective operations.

Alternative 2: Expand the facility at Busch Parkway, and relocate functions from 15 S. McHenry Road and 125 Lake Cook Road to that facility.

Northwest Community Hospital has leased medical professional office space at another location in Buffalo Grove, 1450 Busch Parkway. It is not cost effective to be operating two outpatient centers within 3 miles of each other in the same community. The lease at the Busch Parkway site is up for renewal. There is not capacity to add offices and exam rooms at the current location on Busch Parkway for the growing volume of NCH physicians serving the area.

A cost estimate was not developed for this option, because there is not commercial space available to the current center for lease. This option was rejected because there is no opportunity to take over adjacent space in order to enlarge the facility.

Alternative 3: Build an outpatient care center on another site, with size and program components similar to the proposed project.

Several other locations in Buffalo Grove and immediate surrounding areas in Wheeling were considered in the pre-planning stage. There were a limited number of sites that have the capacity needed to accommodate the plan to consolidate services at the 15 S McHenry Road 125 Lake Cook Road and the Busch Parkway sites. No existing buildings were found, so any viable locations meant new construction would be necessary. Because Northwest Community Hospital owns the property housing 15 S McHenry and 125 Lake Cook Road, the added purchase price of an alternative parcel in this area drove the cost above the cost of the planned new facility.

The cost of other plans added between $5 and $8 million to those alternatives.

Alternative 4 Build an ambulatory care center with Northwest Community Hospital as the sole developer and owner, without a joint venture partner involved in funding the capital project.

For the proposed project, the joint venture partner brings a significant capital investment to accomplish the project. Without the partner, NCH's additional capital requirement would exceed $20,000,000. NCH's future programmatic plans and facility projects require significant capital investment. The benefit of involving a business partner to share in the cost of the ambulatory care center project preserves NCH capital for other necessary projects. The option of NCH funding the full capital cost of was rejected, due to the higher capital commitment associated with such an approach.

Alternative 5: Build a larger facility than the proposed 70,600 sq ft building.

Consideration was given to building a facility for a larger complement of physician offices for primary care and specialists at the site. However, the current project is sized to accommodate market need in the area for NCH affiliated physicians. Based on planning in support of the project, no additional diagnostic or treatment services are needed in the area at this time. A larger facility with an expanded immediate care center and additional physician offices and exam rooms would add between $3 to $10 million in capital cost. This option was rejected as not being as efficient as the proposed project.

Alternative 6: Do nothing

The current facilities at 15 S McHenry and 125 Lake Cook Road are in need of major utility system upgrades, and are not amenable to an architectural solution that brings the two buildings into a cohesive modern health care facility. More capacity is needed to meet increasing demand for NCH ambulatory services in the north suburbs. The current center at Busch Parkway is out of capacity, and nearing the end of its lease. The project utilizes valuable land owned by Northwest Community Hospital as an ongoing presence in this vibrant area north of the main hospital campus in Arlington Heights. The option of doing nothing is not viable, due to the need to anticipate the end of the lease at Busch Parkway beyond a current short term extension, and the growing demand for more space for NCH physician related practices.

As a result, the preferred option was selected as the replacement of the two current buildings at 15 S McHenry and 125 Lake Cook Road with a modern, expanded building accommodating physician offices and an immediate care center.

1110.234 Project Size, Utilization and Unfinished / Shelled Space

SIZE OF THE PROJECT

The project is new construction of a four story ambulatory care building with 70,600 building square feet. Departmental gross sq ft (dgsf) totals 68,030 sq ft. The distribution of space is shown on the table below. All services for which there are space standards meet those standards.

There is no shelled space in the proposed project.

Department/Service	Proposed DGSF	State Standard (dgsf)	Difference	Met Standard?
Imaging				
CT Scan	1,030	1,800	770	Yes
MRI	1,133	1,800	667	Yes
X-ray (2)	1,660	2 x 1300 = 2600	940	Yes
Ultrasound	633	900	267	Yes
Mammography (2)	1,350	2 x 900 = 1800	450	Yes
Bone densitometry	675	NA		
Physical Therapy	3,935	NA		
Lab / draw station	1,089	NA		
Immediate Care Center				
exam rooms	5,185	9 x 800 = 7200	2,015	Yes
Clinic exam rooms	39,600	90 x 800 = 72,000	32,400	Yes
Other space				
Building services	2,245	NA		
Common circulation	4,825	NA		
Waiting, reg, restrms	2,375	NA		
Admin, staff areas	2,295	NA		
Total dgsf	68,030			

PROJECT SERVICES UTILIZATION

The Outpatient Care Center will house exam rooms in support of the primary care and specialty physician practices, an immediate care center, imaging, lab draw and some point of service testing, cardiology, physical therapy, and cardiac rehab. Most of these services are currently in place at the facility being replaced and expanded at the site, 15 S. McHenry Road.

Volumes for visits to the immediate care center are projected from the visit volumes at the current center. Volume projections for other services are based on the experience at similar NCH centers at Buffalo Grove and Mt Prospect. Physician office visits are projected based on the historic volumes at 1450 Busch Parkway, in anticipation of the relocation of those offices to this site. There will also be weekly rotations of specialists and primary care physicians from the main campus in Arlington Heights.

For those services for which there are utilization standards, the table shows those standards. CON minimum standards apply only when more than one unit is proposed. For the Outpatient Care Center, there are 2 x-ray and 2 mammography units. All other imaging modalities have only one unit.

		Historic			Projections			
Department / Service	# units	2016	2017	2018	2023	2024	State Standard	Met Standard
Imaging								
CT scan	1	1,817	1,908	2,076	6,000	6,000	7,000 visits	Yes
MRI	1	1,750	1,852	1,811	2,400	4,600	2,500 proced	Yes
X-ray	2	9,937	9,855	9,730	11,500	12,000	8,000 proced	Yes
Ultrasound	1	1,553	1,793	1,703	2,100	2,300	3,100 proced	Yes
Mammography	2	6,542	6,121	6,843	7,400	7,700	5,000 visits	Yes
Bone densitometry	1	989	1,071	1,196	1,800	1,900	--	NA
Physical Therapy	1	7,018	7,237	7,508	8,500	9,000	--	NA
lab draws/POS test	1	94,199	111,572	117,614	125,000	130,000	--	NA
Immediate Care								
examinations	9	20,640	21,500	22,957	26,000	26,300	2,000 visits	Yes
Clinic exam rooms	90	45,056	44,483	45,563	170,000	180,000	2,000 visits	Yes

Attachment 15

1110.270 Clinical Service Areas other than Categories of Service

The Ambulatory Care Center contains several clinical programs that are not categories of service:

Diagnostic Imaging
Physical Therapy
Lab / draw station

Other services to be offered in the Outpatient Care Center (OCC) are not considered "clinical services," consistent with previously reviewed permit applications. These include immediate care and exam rooms for physicians with offices at the OCC.

1. Service to Planning Area Residents

For the OCC, the Planning Area is defined (Purpose of the Project section) as 7 zip codes, with a resident population of 273,196. The Planning Area is the source of 78% of visits to the OCC. As a result, it can be stated that more than 50% of OCC patients reside in the Planning Area. The majority of these patients are already patients of NCH primary care and specialty physicians. Because the clinical services delivered at the OCC are provided and ordered by NCH physicians who will be officed at the OCC, more than 50% of all clinical services will be for residents of the Planning Area.

The remaining 22% of patients reside more than 20 zip codes that comprise the secondary service area. This area has a resident population of 650,867.

2. Service Demand

Many of the projected utilization volumes for clinical services are driven by the projected number of visits to physicians officed at the OCC. The model for primary care and specialty physicians to be located at the OCC is based on the practices at 1450 Busch Parkway (Buffalo Grove) and in Mt. Prospect. At Buffalo Grove, a physician sees an average of 18 – 20 patients per day, or an estimated 4500 visits per year. Based on this experienced rate, the 40 - 45 FTE physicians at the OCC are expected to accommodate 180,000 annual visits in year 2024, two years after project completion. The physicians at 15 S. McHenry will be relocated from the existing leased outpatient care facility at 1450 Busch Parkway, and from the main NCH campus in Arlington Heights and other ambulatory care office locations.

This volume is in addition to the projected utilization of the immediate care center. The ICC volumes at the OCC are based on the utilization of NCH's current immediate care center at the site, which is being replaced. Volumes have been increasing at the ICC by about 5% per year. The projected volume of 26,300 visits in year 2024 is based on a conservative 3% annual increase from the current level.

Projected utilization of the individual clinical services and equipment modalities are based on the actual utilization of those services at various NCH outpatient centers.

The projected 9,000 physical therapy visits are based on a similarly sized operation in Mt Prospect. At Mt Prospect there were 163 appoints in an average week, for a total of 8,476 PT visits for the year.

3. Impact of the project on other area providers

The majority of projected patients that will receive service at the ACC are currently patients at Northwest Community Hospital or NCH outpatient centers. The proposed ACC brings these services closer to their homes in the 7 zip code Planning Area and surrounding zip codes. As a result it is not expected that there will be disruption of other physician existing office practices or other provider's immediate care center volumes.

4. Utilization

The following volumes are anticipated in year 2024 at the Outpatient Care Center for clinical service areas other than categories of service. All are consistent with State utilization standards, as shown in the table in the Project Services Utilization section, Attachment 15.

Imaging		
CT scan	6,000 visits	
MRI	4,600 procedures	
X-ray	12,000 procedures	(2 units)
Ultrasound	2,300 visits	
Mammography	7,700 visits	(2 units)
Bone densitometry	1,900 procedures	
Physical Therapy	9,000 visits	
Lab / draw station	130,000 tests	
Other non-clinical services		
Immediate Care	26,300 visits	
Clinic office	180,000 visits	

Attachment 30

1110.270 - Clinical Services Other than Categories of Service

Service	# Existing	# Pproposed
	Key Rooms	Key Rooms
CT Scanner	0	1
MRI	0	1
X-Ray	0	2
Ultrasound	0	1
Mammography	0	2
Bone Densitometry	0	1
Physical Therapy	0	1

CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

Northwest Community Healthcare and Subsidiaries
Years Ended September 30, 2018 and 2017
With Reports of Independent Auditors

Ernst & Young LLP

EY
Building a better
working world

Attachment 34

Northwest Community Healthcare and Subsidiaries

Consolidated Financial Statements and Supplementary Information

Years Ended September 30, 2018 and 2017

Contents

Building a better working world

Ernst & Young LLP
155 North Wacker Drive
Chicago, IL 60606-1787

Tel: +1 312 879 2000
Fax: +1 312 879 4000
ey.com

Report of Independent Auditors

The Audit and Compliance Committee and the Board of Directors
Northwest Community Healthcare and Subsidiaries

We have audited the accompanying consolidated financial statements of Northwest Community Healthcare and Subsidiaries, which comprise the consolidated balance sheets as of September 30, 2018 and 2017, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Attachment 34

Building a better
working world

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Northwest Community Healthcare and Subsidiaries at September 30, 2018 and 2017, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

January 22, 2019

Northwest Community Healthcare and Subsidiaries

Consolidated Balance Sheets

	September 30 2018	September 30 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 29,145,972	$ 30,872,468
Patient accounts receivable, less allowances for uncollectible accounts (September 30, 2018 – $14,448,000; September 30, 2017 – $11,857,000)	74,277,214	78,956,735
Other receivables	20,978,015	13,082,337
Prepaid expenses and other	16,215,759	15,259,715
Total current assets	140,616,960	138,171,255
Assets limited as to use, at fair value:		
Investments restricted under bond financings	–	12,643,063
Internally designated for capital replacement	436,279,164	414,933,564
Internally designated for insurance	29,088,302	26,509,978
Internally designated for deferred compensation	5,497,181	4,995,701
Internally designated for endowment	1,200,000	1,200,000
Externally designated for endowment and other	2,168,613	2,013,503
	474,233,260	462,295,809
Property and equipment, at cost:		
Land and land improvements	23,416,153	23,111,095
Buildings	366,803,116	359,186,859
Fixed equipment and leasehold improvements	240,741,704	235,772,502
Major movable equipment	249,569,708	207,901,114
Construction-in-progress	19,519,032	5,818,749
	900,049,713	831,790,319
Less accumulated depreciation	(476,740,903)	(413,854,558)
	423,308,810	417,935,761
Reinsurance receivable	7,528,058	10,063,686
Other long-term assets	14,112,636	11,986,504
Total assets	$ 1,059,799,724	$ 1,040,453,015

	September 30 2018	2017
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 23,715,894**	$ 21,854,024
Accrued expenses and other	**57,175,395**	46,255,456
Current maturities of long-term debt obligations	**7,600,000**	7,315,000
Due to third-party payors	**47,289,831**	51,231,663
Total current liabilities	**135,781,120**	126,656,143
Long-term debt obligations, less current maturities:		
Series 2008B bonds	**26,785,000**	28,510,000
Series 2008C bonds	**26,785,000**	28,510,000
Series 2011 bonds	**39,500,000**	41,500,000
Series 2016 bonds	**134,540,000**	136,690,000
Series 2016 bonds premium	**18,534,690**	19,473,155
Bond issuance costs	**(2,385,200)**	(2,507,318)
	243,759,490	252,175,837
Asset retirement obligation	**844,429**	823,833
Other long-term liabilities	**4,920,667**	1,642,470
Reserve for self-insurance	**45,916,813**	48,212,056
Pension obligation liability	**1,809,617**	1,291,023
Total noncurrent liabilities	**297,251,016**	304,145,219
Total liabilities	**433,032,136**	430,801,362
Net assets:		
Unrestricted	**617,284,606**	604,691,582
Temporarily restricted	**8,026,438**	3,513,527
Permanently restricted	**1,456,544**	1,446,544
Total net assets	**626,767,588**	609,651,653
Total liabilities and net assets	**$ 1,059,799,724**	$ 1,040,453,015

See accompanying notes.

Northwest Community Healthcare and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

	For the Year Ended September 30	
	2018	2017
Revenue		
Net patient service revenue (net of contractual allowances)	$ 612,088,468	$ 547,092,483
Provision for uncollectible accounts	(25,296,331)	(19,814,503)
Net patient service revenue after provision for uncollectible accounts	586,792,137	527,277,980
Other operating revenue	36,926,417	38,752,455
Total revenue	623,718,554	566,030,435
Expenses		
Salaries and employee benefits	340,765,945	310,249,679
Supplies and other	126,607,248	116,095,310
Professional fees and purchased services	93,815,120	99,052,512
Depreciation and amortization	37,076,874	38,958,606
Illinois hospital assessment	20,362,276	19,714,947
Interest	7,807,604	7,422,887
Total expenses	626,435,067	591,493,941
Operating loss	(2,716,513)	(25,463,506)
Nonoperating revenue (expenses)		
Net investment income	27,342,338	43,563,363
Other	(16,302,799)	(816,691)
Net nonoperating revenue (expenses)	11,039,539	42,746,672
Excess of revenue over expenses	$ 8,323,026	$ 17,283,166

See accompanying notes.

Northwest Community Healthcare and Subsidiaries

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

	For the Year Ended September 30 2018	2017
Unrestricted net assets		
Excess of revenue over expenses	**$ 8,323,026**	$ 17,283,166
Pension-related changes other than net periodic pension cost	**2,268,171**	(6,831,319)
Net assets released from restrictions used for:		
Purchase of property and equipment	**879,917**	493,135
Capital contributions by noncontrolling interests and other	**1,121,910**	3,340,536
Increase in unrestricted net assets	**12,593,024**	14,285,518
Temporarily restricted net assets		
Contributions and other	**6,749,706**	1,772,046
Investment income	**150,110**	211,700
Net assets released from restrictions used for:		
Purchase of property and equipment	**(879,917)**	(493,135)
Operations	**(1,506,988)**	(5,119,333)
Other	**–**	(471,108)
Increase (decrease) in temporarily restricted net assets	**4,512,911**	(4,099,830)
Permanently restricted net assets		
Contributions	**10,000**	5,000
Other	**–**	471,108
Increase in permanently restricted net assets	**10,000**	476,108
Increase in net assets	**17,115,935**	10,661,796
Net assets at beginning of period	**609,651,653**	598,989,857
Net assets at end of period	**$ 626,767,588**	$ 609,651,653

See accompanying notes.

Northwest Community Healthcare and Subsidiaries

Consolidated Statements of Cash Flows

	For the Twelve Months Ended September 30	
	2018	2017
Operating activities		
Change in net assets	$ 17,115,935	$ 10,661,796
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Pension-related changes other than net periodic pension cost	(2,268,171)	6,831,319
Restricted contributions	(4,167,564)	(1,777,046)
Depreciation and amortization	37,076,874	38,958,606
Provision for uncollectible accounts	25,296,331	19,814,503
Gain on disposal of fixed assets	(191,343)	(196,948)
Unrealized losses (gains) on investments	16,237,125	(26,446,923)
Changes in other assets and liabilities:		
Accounts receivable, other receivables, due to third-party payors and due to affiliates	(32,454,320)	(11,964,157)
Accounts payable and accrued expenses	12,781,809	1,303,608
Investments	(28,174,576)	8,678,259
Other assets and liabilities	3,365,885	(9,611,584)
Net cash provided by operating activities	44,617,985	36,251,433
Investing activities		
Property and equipment additions, net	(42,258,580)	(19,815,890)
Net cash used in investing activities	(42,258,580)	(19,815,890)
Financing activities		
Payments on long-term obligations	(7,315,000)	(7,010,000)
Amortization of bonds premium	(938,465)	(938,465)
Restricted contributions	4,167,564	1,777,046
Net cash used in financing activities	(4,085,901)	(6,171,419)
Net (decrease) increase in cash and cash equivalents	(1,726,496)	10,264,124
Cash and cash equivalents at beginning of period	30,872,468	20,608,344
Cash and cash equivalents at end of period	$ 29,145,972	$ 30,872,468
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 8,575,418	$ 8,364,826

See accompanying notes.

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1. Organization and Nature of Operations

Northwest Community Healthcare and Subsidiaries (Healthcare), a not-for-profit entity, was established to own, operate, control, and otherwise coordinate the delivery of healthcare within the service area of Northwest Community Hospital (the Hospital), and coordinate the activities of the various corporations affiliated with Healthcare. Subsidiaries of Healthcare include the Hospital, Northwest Community Hospital Foundation (the Foundation), Central Insurance Company, Ltd. (CICL), and Northwest Community Healthcare PHO, LLC (PHO). The Hospital, Foundation, and PHO are tax-exempt organizations under Section 501c(3) of the Internal Revenue Code (the Code). Healthcare's other subsidiaries include Northwest Community Health Services, Inc. (Health Services), NPC-CyberKnife, LLC (CyberKnife), Northwest Community Day Surgery Center II, LLC (DSC-II), Northwest Endo Center LLC, Northwest Community Foot and Ankle Center, LLC, and EnVision Medical Imaging, LLC, which are taxable entities.

The Hospital, located in Arlington Heights, Illinois, is a 496-bed acute care facility providing inpatient, outpatient, and emergency care services primarily to residents of Arlington Heights and the surrounding communities. Northwest Community Physicians Association, LLC (NCPA) is an inactive, not-for-profit subsidiary of the Hospital.

CICL is a captive insurance company established January 1, 2013, to provide general and professional liability coverage and workers' compensation coverage for the risks of Healthcare. CICL is a foreign corporation organized in the Cayman Islands that does not tax its activities.

Health Services owns and operates physician practices within the Hospital's geographic area. The NCH Medical Group (NCHMG) multi-specialty physician practice (that was established in 2010) has offices in Arlington Heights, Buffalo Grove, Mt. Prospect, Lake Zurich, Palatine, and Schaumburg, Illinois.

CyberKnife was formed in June 2006 for the purpose of purchasing and owning a stereotactic radiosurgery system and leasing it to the Hospital. CyberKnife is a limited liability corporation that is owned by Healthcare (74% at September 30, 2018 and 2017) and physician investors (26% at September 30, 2018 and 2017). Healthcare consolidates CyberKnife, as Healthcare owns a majority of the units outstanding.

DSC-II was formed in 2014 for the purpose of owning and operating an ambulatory surgery center. DSC-II is a limited liability company that is owned by Healthcare (51.75% and 53.5% at September 30, 2018 and 2017, respectively) and physician investors (48.25% and 46.5% at September 30, 2018 and 2017, respectively). Healthcare consolidates DSC-II, as Healthcare owns a majority of the units outstanding.

1. Organization and Nature of Operations (continued)

Northwest Endo Center, LLC (Endo) was established in December 2015 and began operations in March 2017. Endo is a limited liability corporation that is owned by Health Services (51% at September 30, 2018 and 2017) and physician investors (49% at September 30, 2018 and 2017). Health Services consolidates Endo because it owns a controlling interest.

Northwest Community Foot and Ankle Center, LLC (Foot) was established and began operations in July 2017. Foot is a limited liability corporation that is owned by Health Services (51% at September 30, 2018 and 2017) and physician investors (49% at September 30, 2018 and 2017). Health Services consolidates Foot because it owns a controlling interest.

EnVision Medical Imaging, LLC (EnVision) was established and began operations in July 2018. EnVision is a limited liability corporation that is owned by Health Services (51% at September 30, 2018) and physician investors (49% at September 30, 2018). Health Services consolidates EnVision because it owns a controlling interest.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Healthcare, the Hospital, the Foundation, Health Services, CyberKnife, DSC-II, and CICL. Endo, Foot and EnVision are consolidated in Health Services operations. NCPA had no financial transactions during 2018 and 2017, and did not hold any assets or liabilities as of September 30, 2018 and 2017. Significant intercompany transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the amounts disclosed in the notes to the consolidated financial statements at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Although estimates are considered by management to be fairly stated at the time the estimates are made, actual results could differ.

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid short-term investments with original maturities of three months or less from date of purchase.

Patient Accounts Receivable

Healthcare evaluates the collectability of its accounts receivable based on the length of time the receivable is outstanding, payor class, and the anticipated future collectible amounts based on historical experience. Accounts receivable are charged to the allowance for uncollectible accounts when they are deemed uncollectible.

Inventories

Inventories are priced at the lower of cost, determined by the first-in, first-out method, or market.

Investments

Healthcare has designated all of its investments as trading. Investments in equity and debt securities, and mutual funds with readily determinable fair values are reported at fair value based on quoted market prices. Alternative investments, primarily limited partnerships that invest in hedge funds, are reported using the equity method of accounting based on information provided by the partnership. All other investment income (loss), realized gains (losses), and changes in unrealized gains (losses) are reported as nonoperating revenue (expense).

Property and Equipment

Property and equipment acquisitions are recorded at cost. Healthcare uses the straight-line method of computing depreciation for property and equipment. Depreciation expense was approximately $37,077,000 and $38,959,000 for the years ended September 30, 2018 and 2017, respectively.

2. Summary of Significant Accounting Policies (continued)

Deferred Financing and Other Costs

Underwriting fees and other costs related to the issuance of the Series 2016, Series 2011, and Series 2008 bonds, which are included in long-term debt, are deferred and amortized on a straight-line basis over the life of the related debt using methods that approximate the effective interest method. Bond issuance amortization expense was approximately $122,000 and $151,000 for the years ended September 30, 2018 and 2017, respectively.

General and Professional Liability Insurance

The provision for general and professional liability claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported, which are included in long-term liabilities.

Reinsurance Receivable

Reinsurance receivable is recognized in a manner consistent with the liabilities relating to the underlying reinsured contracts.

Goodwill and Intangible Assets

Goodwill has been recorded as the excess of the purchase price over the fair market value of the assets purchased primarily related to physician practice acquisitions. Healthcare has goodwill of $8,790,000 and $8,891,000 as of September 30, 2018 and 2017, respectively. Healthcare performed a qualitative assessment of goodwill for the organization as a whole and determined that no impairment existed as of September 30, 2018 and 2017.

Asset Retirement Obligation

Healthcare records the fair value of legal obligations associated with long-lived asset retirements in accordance with ASC 410-20, *Asset Retirement and Environmental Obligations – Asset Retirement Obligations*. The asset retirement obligation (ARO) is primarily for future asbestos remediation, but also includes certain types of environmental issues that are legally required to be remediated upon an asset's retirement, as well as contractually required asset obligations. The

2. Summary of Significant Accounting Policies (continued)

asset retirement obligation is accreted to the present value of the liability each year. Accretion expense of $20,000 and $14,000 was recorded for the year ended September 30, 2018 and 2017, respectively, and is included in interest expense. The ARO liability was $844,000 and $824,000 as of September 30, 2018 and 2017, respectively.

Asset Impairment

Healthcare considers whether indicators of impairment are present, and performs the necessary test to determine if the carrying value of an asset is appropriate. Impairment write-downs are recognized in operating income at the time the impairment is identified. There was no impairment of assets in 2018 and 2017.

Contributions and Restricted Net Assets

Unconditional promises to give cash and other assets to Healthcare are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the conditions have been met.

Donor-restricted contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets to a specific time period or purpose. Permanently restricted net assets are those that the donor stipulates must be maintained by Healthcare in perpetuity. Permanently restricted net assets increase when Healthcare receives contributions for which donor-imposed restrictions limiting the organization's use of an asset or its economic benefits neither expire with the passage of time nor can be removed by the organization meeting certain requirements.

Substantially all restricted contributions benefiting Healthcare are initially received by the Foundation. When a donor restriction is met, the Foundation transfers the temporarily restricted gift to the donor-designated entity, at which time the related net assets are released from restriction in the consolidated financial statements.

Patient Service Revenue

Healthcare has agreements with third-party payors that provide for payments to Healthcare at amounts different from its established rates. Payment arrangements include prospectively determined rates, discounted charges, and per diem payments. Patient service revenue is reported

2. Summary of Significant Accounting Policies (continued)

at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated adjustments under reimbursement agreements with third-party payors, certain of which are subject to audit by administering agencies. These adjustments are accrued on an estimated basis, and are adjusted in future periods.

Other Operating Revenue and Other Nonoperating Income (Expense)

Other operating revenue is derived primarily from non-direct patient care sources such as wellness center fees, rental and management fees, PHO premium revenue, and cafeteria sales.

Other nonoperating income (expense) includes the gain (loss) on disposal of fixed assets and the minority share of net income. In addition, an adjustment recorded in the current year related to 2016 is reflected in other nonoperating income (expense).

Charity Care and Community Benefit

The policy of Healthcare is to treat patients in immediate need of medical services without regard to their ability to pay for such services. Healthcare maintains records to identify and monitor the level of charity care provided. These records include the amount of estimated costs for services rendered and supplies furnished under its charity care policy. The estimated difference between the cost of services provided to Medicare and Medicaid patients and the reimbursement from these governmental programs is also monitored. Healthcare operates or funds two primary care clinics, a mobile dental clinic, and a community center serving low-income families in its service area. In addition, Healthcare provides community benefits in the form of health and wellness education, translation services, maternal/child classes, paramedic training, health screenings, support groups, physician referral, and other social services.

Healthcare policies have been established that define charity care and provide guidelines for assessing a patient's ability to pay. Evaluation procedures for charity care qualification have been established for those situations when previously unknown financial circumstances are revealed, or when incurred charges are significant when compared to the individual patient's income/or net assets. In addition to providing traditional charity care services, Healthcare's financial assistance policy offers discounted services to uninsured patients who do not otherwise qualify for charity. The payments expected from patients are based on rates negotiated with managed care plans, with discounts determined on a sliding scale tied to the federal poverty level.

2. Summary of Significant Accounting Policies (continued)

The cost to provide charity care using Healthcare's cost-to-charge ratio was $9,460,000 and $9,939,000 for 2018 and 2017, respectively. The ratio of costs to charges is calculated based on the Hospital's most recently filed Medicare cost report at the time the financial statements are issued.

Healthcare is compliant with provisions of the Patient Protection and Affordable Care Act that require, among other things, that hospital organizations establish a financial assistance policy and a policy relating to emergency medical care. In addition, recent policy guidelines issued by the Internal Revenue Service (IRS) under Section 501(c) have been implemented by Healthcare relating to financing assistance and patient billing requirements.

Excess of Revenue Over Expenses

The consolidated statements of operations and changes in net assets include excess of revenue over expenses. Changes in unrestricted net assets, which are excluded from excess of revenue over expenses, include net assets released from restrictions used for the purchase of property and equipment, noncontrolling investments changes, and pension-related charges other than net periodic pension cost.

Income Taxes

Healthcare, the Hospital, and the Foundation have been determined to qualify as exempt from federal income tax on related income under Section 501(a) as organizations described in Section 501(c)(3) of the Code. Most of the income received by these organizations is exempt from taxation as income related to the mission of the organizations. Accordingly, there is no material provision for income tax for these entities.

PHO and NCPA (inactive) are single-member limited liability companies and are classified as disregarded entities under the Code.

CyberKnife, DSC-II, Endo, Foot and EnVision are limited liability companies with multiple members and are treated as partnerships under the Code. As such, income taxes are paid directly by the members.

Health Services is taxed as a corporation. The deferred tax benefit for net operating loss carryforwards of $35,876,000 at September 30, 2018 is fully reserved. There is no current provision for income taxes.

2. Summary of Significant Accounting Policies (continued)

CICL is incorporated under the laws of the Cayman Islands. Presently, there is no taxation imposed by the government of the Cayman Islands. If any form of taxation were to be enacted, CICL has been granted an exemption from incorporation to April 30, 2033, by the government of the Cayman Islands. Additionally, CICL is not engaged in the trade or business in any country other than the Cayman Islands. Therefore, CICL's operations do not make it liable for taxation in any other country. Accordingly, no income tax provision has been recorded related to CICL and its operations.

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation. Those reclassifications had no impact on net assets or excess of revenue over expenses as previously reported.

New Accounting Pronouncements

In March 2017, the Financial Accounting Standards Board (FASB) issued guidance related to the presentation of net periodic pension cost. This new guidance requires that the service cost component be reported in the same line item as compensation costs arising from services rendered by the pertinent employees during the period. The other components of net pension benefit costs are required to be presented separately from the service cost component and outside a subtotal of income from operations. This new guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Healthcare is evaluating the effect this guidance will have on its consolidated financial statements.

In November 2016, the FASB issued guidance related to the statements of cash flow. The guidance will require restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This guidance is effective for the fiscal years and interim periods within those fiscal years beginning after December 15, 2018. Healthcare is evaluating the effect this guidance will have on its consolidated financial statements.

In August 2016, the FASB issued guidance related to the presentation of financial statements of not-for-profit entities. The guidance will require net assets to be categorized either as net assets with donor restrictions or net assets without donor restrictions rather than the currently required three classes of net assets. The guidance also requires additional quantitative and qualitative

2. Summary of Significant Accounting Policies (continued)

disclosures and expenses to be disclosed by both their natural and functional classifications. This guidance is effective for fiscal years beginning after December 15, 2017, but for interim periods beginning after December 15, 2018. Healthcare is evaluating the effect this guidance will have on its consolidated financial statements; however, the guidance is not expected to have an effect on revenues in excess of expenses on the consolidated statements of operations and changes in net assets.

In February 2016, the FASB issued guidance related to lease accounting. The guidance will require leases that are currently classified as operating leases under current guidance to be recognized on the balance sheet as lease assets and liabilities by lessees. This new guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2018. Healthcare is evaluating the effect this guidance will have on its consolidated financial statements.

In January 2016, the FASB issued guidance requiring financial instruments accounted for on the equity method to be measured at fair value, with changes in fair value recognized in net income. This new guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2018. Healthcare is evaluating the effect this guidance will have on its consolidated financial statements.

In May 2014, the FASB issued guidance related to recognizing revenue from contracts with customers. The guidance outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance, and requires significantly expanded disclosures about revenue recognition. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The requirements of the guidance will result in changes to the presentation and disclosure of revenue from services to patients. Currently, a significant portion of Healthcare's provision for uncollectible accounts relates to uninsured patients as well as deductibles and co-pays due from patients with insurance. Under the new guidance, the uncollectible amounts due from patients will generally be reported as a direct reduction to net patient service revenue and will result in a significant reduction in the amounts presented separately as provision for uncollectible accounts.

2. Summary of Significant Accounting Policies (continued)

Although the adoption of the new guidance will have a significant impact on the amounts presented in certain categories of Healthcare's consolidated statements of operations and changes in net assets, it is not expected to materially impact Healthcare's financial position, results of operations or cash flows. Effective October 1, 2018, Healthcare adopted this guidance using the modified retrospective method. There was no material transition adjustment recorded.

3. Net Patient Service Revenue

The Hospital's net patient service revenue accounted for approximately 82% and 84% of Healthcare's consolidated net patient service revenue in 2018 and 2017, respectively. In 2018, approximately 40% of the Hospital's net patient service revenue was derived from Medicare, and approximately 59% of the Hospital's net patient service revenue was derived from Medicaid, Blue Cross, and commercial managed care programs, which provide for payments to the Hospital at amounts different from its established rates. In 2017, approximately 39% of the Hospital's net patient service revenue was derived from Medicare, and approximately 60% of the Hospital's net patient service revenue was derived from Medicaid, Blue Cross, and commercial managed care programs, which provide for payments to the Hospital at amounts different from its established rates. Reimbursement under these programs is based on a specific amount per case, or a contracted price, as defined, for rendering services to program beneficiaries.

Healthcare net patient service revenue consisted of the following for the years ended September 30, (in thousands):

	2018	2017
Medicare	**$ 243,425**	$ 214,979
Medicaid	**61,030**	53,695
Managed care	**298,088**	266,640
Self-pay	**3,841**	5,527
Commercial	**5,704**	6,252
Net patient service revenue (net of contractual allowances)	**612,088**	547,093
Provision for uncollectible accounts	**25,296**	19,815
Net patient service revenue after provision for uncollectible accounts	**$ 586,792**	$ 527,278

3. Net Patient Service Revenue (continued)

Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements. The Hospital recorded contractual allowances in the current period representing the difference between charges for services rendered and the expected payments under these programs, and adjusts them in future periods as final settlements through cost reports or other means are determined.

Adjustments arising from reimbursement arrangements with third-party payors are accrued for on an estimated basis in the period in which the services are rendered. Estimates for cost report settlements and contractual allowances can differ from actual reimbursement based on the results of subsequent reviews and cost report audits. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2015. During the year ended September 30, 2018, no material changes in estimates related to the settlement of cost reports were recognized in net patient service revenue for the Hospital.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change. Governmental agencies routinely conduct random regulatory investigations and compliance audits of healthcare organizations. During the last few years, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Healthcare believes that it is in compliance with applicable laws and regulations, and is not aware of any other pending or threatened investigations involving allegations of potential wrongdoing.

4. Uncollectible Accounts

Healthcare analyzes the allowance for uncollectible accounts monthly using a hindsight calculation that utilizes write-off data for all payor classes during the latest 18-month period, with write-off activity to estimate the allowance for uncollectible accounts at a point in time. The rates used in the computation of the allowance for uncollectible accounts change each month given changes in trends from these analyses or policy changes. Significant changes in payor mix, business office operations, general economic conditions, and healthcare coverage provided by federal or state governments or private insurers may have a significant impact on Healthcare's estimates, and significantly affect its liquidity, results of operations, and cash flows.

4. Uncollectible Accounts (continued)

Healthcare's estimate of the allowance for uncollectible accounts and recoveries of accounts previously written off determines its provision for uncollectible accounts recorded during the period. Healthcare records the provision for uncollectible accounts at the time the services are provided for uninsured patients, since historical experience shows that the significant majority of uninsured balances will not be collected. Healthcare also supplements its analysis by monitoring self-pay utilization. Healthcare records the provision for uncollectible accounts related to self-pay after insurance accounts at the time the insurance payment has been received. Healthcare also records a provision for uncollectible accounts related to uninsured accounts to record the net self-pay accounts receivable at the estimated amounts expected to be collected.

Healthcare manages the receivables by regularly reviewing its accounts and contracts, and by providing appropriate allowances for contractual discounts and uncollectible amounts. Healthcare typically writes off uncollected accounts receivable 120 days subsequent to the account becoming full patient responsibility. Healthcare uses sophisticated software to estimate reserve percentages, including those percentages applied to uninsured accounts and self-pay after insurance/Medicare accounts, and to account for pricing changes and for the impact of its uninsured discount policy.

Healthcare classifies accounts pending Medicaid approval as Medicaid in its accounts receivable analysis. Reserves for Medicaid receivables are based on hindsight analysis, which takes into account the approval percentage for Medicaid pending accounts when establishing reserves for Medicaid receivable balances. Supplemental calculations are also performed on current Medicaid receivables to establish reserves considered to be appropriate.

Healthcare serves certain patients whose medical care costs are not paid at established rates. These patients include those sponsored under government programs such as Medicare and Medicaid, those sponsored under private contractual agreements, charity patients, and other uninsured patients who have limited ability to pay.

Patient service revenue is reported at estimated net realizable amounts for services rendered. Healthcare recognizes patient service revenue associated with patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, revenue is recognized on the basis of discounted rates in accordance with Healthcare's policy. Estimates of contractual allowances under managed care health plans are based upon the payment terms specified in the related contractual agreements.

4. Uncollectible Accounts (continued)

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the period from these major payor sources for the years ended September 30, was as follows (in thousands):

	Third-Party Payors	Self-Pay	Total All Payors
Fiscal year ended:			
2018	$ 608,247	$ 3,841	$ 612,088
2017	541,565	5,527	547,092

The allowance for uncollectible accounts was $14,448,000 and $11,857,000 as of September 30, 2018 and 2017, respectively. These balances as a percent of accounts receivable, net of contractual adjustments, were 13.3% and 11.4% at September 30, 2018 and 2017, respectively. Healthcare's combined allowance for uncollectible accounts, uninsured discounts, and charity care covered approximately 86% of combined uninsured and self-pays after insurance accounts receivable at both September 30, 2018 and 2017.

The increase in the allowance for uncollectible accounts during the year ended September 30, 2018, was primarily due to the increase in Medicaid pending accounts, as well as continued increases in bad debt write offs due to high deductible plans and increased co-insurance.

A summary of Healthcare's allowance for uncollectible accounts activity during the fiscal years ended September 30 is as follows (in thousands):

	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Accounts Written Off, Net of Recoveries and Other	Balance at End of Year
Allowance for doubtful accounts:				
2018	$ 11,857	$ 25,296	$ (22,705)	$ 14,448
2017	9,442	19,815	(17,400)	11,857

5. Concentrations of Credit Risk

Healthcare grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables, net of reserves for contractual allowances, charity care, and uncollectible accounts, at September 30, was as follows:

	2018	2017
Medicare	**36%**	37%
Medicaid	**12**	10
Managed care	**39**	40
Other third-party payors	**10**	11
Self-pay patients	**3**	2
	100%	100%

6. Investments

The composition of investments restricted under bond financings and assets limited as to use at September 30 was as follows (in thousands):

	2018	2017
Assets limited as to use:		
Investments restricted under bond financings:		
Cash and cash equivalents	$ –	$ 12,643
	–	12,643
Internally designated for capital replacement:		
Cash and cash equivalents	–	837
Fund of funds	**84,722**	78,468
Mutual funds	**351,557**	335,629
	436,279	414,934
Internally designated for insurance:		
Mutual funds	**29,088**	26,510
Internally designated for deferred compensation:		
Mutual funds	**5,497**	4,996
Internally and externally designated for endowment and other:		
Mutual funds	**3,369**	3,213
Total assets limited as to use	**$ 474,233**	$ 462,296

6. Investments (continued)

The composition and presentation of investment income are as follows for the years ended September 30 (in thousands):

	2018	2017
Interest and dividends	$ **12,101**	$ 7,523
Realized gains on investments	**34,886**	12,235
Change in net unrealized gains and losses on investments	**(16,237)**	26,447
Investment fees	**(2,222)**	(766)
	$ **28,528**	$ 45,439
Reported as:		
Other operating revenue	$ **1,036**	$ 1,664
Net investment income	**27,342**	43,563
Temporarily restricted investment income	**150**	212
	$ **28,528**	$ 45,439

7. Fair Value Measurements

All investments in marketable securities are reported at fair value as defined in ASC 820, *Fair Value Measurement.*

ASC 820-10-50-2 establishes a three-level valuation hierarchy. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instruments.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

7. Fair Value Measurements (continued)

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The following table presents the financial instruments carried at fair value, except certain alternative investments (which are reported on the equity method of accounting), as of September 30, 2018, by caption on the consolidated balance sheet by the valuation hierarchy defined above (in thousands):

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 29,146	$ –	$ –	$ 29,146
Internally designated for capital replacement:				
Mutual funds:				
U.S. equity	149,986	–	–	149,986
Fixed income	201,571	–	–	201,571
	351,557	–	–	351,557
Internally designated for insurance:				
Mutual funds:				
U.S. equity	5,848	–	–	5,848
International equity	3,117	–	–	3,117
Fixed income	20,123	–	–	20,123
	29,088	–	–	29,088
Internally designated for deferred compensation:				
Mutual funds	5,497	–	–	5,497
Internally and externally designated for endowment:				
Mutual funds:				
U.S. equity	1,152	–	–	1,152
International equity	938	–	–	938
Fixed income	1,279	–	–	1,279
	3,369	–	–	3,369
Assets at fair value	$ 418,657	$ –	$ –	$ 418,657

7. Fair Value Measurements (continued)

The following table presents the financial instruments carried at fair value, except certain alternative investments (which are reported on the equity method of accounting), as of September 30, 2017, by caption on the consolidated balance sheet by the valuation hierarchy defined above (in thousands):

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 30,872	$ –	$ –	$ 30,872
Investments restricted under bond financings:				
Cash and cash equivalents	12,643	–	–	12,643
Internally designated for capital replacement:				
Cash and cash equivalents	837	–	–	837
Mutual funds:				
U.S. equity	210,744	–	–	210,744
Fixed income	124,885	–	–	124,885
	335,629	–	–	335,629
Internally designated for insurance:				
Mutual funds:				
U.S. equity	5,304	–	–	5,304
International equity	3,181	–	–	3,181
Fixed income	18,025	–	–	18,025
	26,510	–	–	26,510
Internally designated for deferred compensation:				
Mutual funds	4,996	–	–	4,996
Internally and externally designated for endowment:				
Mutual funds:				
U.S. equity	1,410	–	–	1,410
International equity	653	–	–	653
Fixed income	1,150	–	–	1,150
	3,213	–	–	3,213
Assets at fair value	$ 414,700	$ –	$ –	$ 414,700

7. Fair Value Measurements (continued)

The fair value of Level 1 investments is based on quoted market prices and is valued on a daily basis. Level 2 pricing is based on the custodian's pricing methodologies that are based on institutional bid evaluations. Institutional bid evaluations are estimated prices computed by pricing vendors. These prices are determined using observable inputs for similar securities as of the measurement date. Redemption frequency is monthly.

The carrying value of cash and cash equivalents, prepaid expenses, accounts receivable, and accounts payable, accrued expenses and due to third-party payors approximates fair value because of the short maturity of those assets and liabilities.

The estimated fair value of long-term debt (including current portion), based on quoted market prices for the same or similar issues, was $237,804,000 and $255,886,000 at September 30, 2018 and 2017, respectively. The estimated fair value of long-term debt was provided by a third-party service and was based on pricing of similar debt issues. Based on these inputs, the fair value disclosure is considered a Level 2 fair value measurement.

Healthcare's investments are exposed to various kinds and levels of risk. Mutual funds that include equity securities expose Healthcare to market risk, performance risk, and liquidity risk. Market risk is the risk associated with major movements of the equity markets. Performance risk is the risk associated with a company's operating performance. Mutual funds that include fixed income securities expose Healthcare to interest rate risk, credit risk, and liquidity risk. As interest rates change, the values of many fixed income securities are affected, including those with fixed interest rates. Credit risk is the risk that the obligor of the security will not fulfill its obligations. Liquidity risk is affected by the willingness of market participants to buy and sell particular securities, and tends to be higher for equities related to small capitalization companies. Due to the volatility in the capital markets, there is a reasonable possibility of subsequent changes in fair value, resulting in additional gains and losses in the near term.

8. Long-Term Obligations

Healthcare's long-term debt is issued pursuant to an amended and restated master trust indenture dated June 15, 2016. The master trust indenture establishes an "Obligated Group," consisting of the Hospital and Healthcare. All members of the Obligated Group are jointly and severally obligated to pay all debt under the master trust indenture and are required to maintain their status as tax-exempt, not-for-profit health care providers.

All obligations issued under the master trust indenture are secured by a security interest in the receivables of the Obligated Group as defined in the master trust indenture.

Under the terms of the master trust indenture and reimbursement agreements obtained in relation to the Series 2011 debt, the Obligated Group must meet certain financial covenants, including minimum debt service coverage levels. As of September 30, 2018, the Obligated Group was in compliance with these covenants.

Bond interest expense during 2018 and 2017 was $7,637,000 and $7,191,000, respectively. Including financing fees and investment fees, total interest expense was $7,808,000 and $7,423,000 for 2018 and 2017, respectively. No interest was capitalized for the years ended September 30, 2018 and 2017.

Series 2016A Bonds

In June 2016, the Illinois Finance Authority (IFA) issued $136,690,000 of fixed interest rate bonds that bear coupon interest at rates ranging from 4.00% to 5.00% annually, which were sold at a premium of $20,646,000. These bonds were used to refund the majority of the 2008A variable rate demand revenue bonds. The remaining 2008A bonds were fully paid off as of July 1, 2018. The bonds are payable annually with interest payments twice a year. The bond premium balance was $18,535,000 and $19,473,000 at September 30, 2018 and 2017, respectively.

Series 2011 Bonds

Pursuant to the Bond Supplemental Master Indenture dated December 1, 2011, the IFA issued $53,100,000 of variable rate demand revenue bonds (the Series 2011 debt) on behalf of the Hospital. The proceeds were used to currently refund the Series 2002B debt. The bonds were initially purchased by a bank for an initial term of ten years, and bear interest at a variable rate

8. Long-Term Obligations (continued)

based on a percentage of the London Interbank Offered Rate (LIBOR) plus an agreed-upon spread. Effective December 1, 2021, the bonds will be payable on demand. The bonds have a final maturity date of July 1, 2032. The average interest rate during fiscal 2018 and 2017 was 2.70% and 2.06%, respectively.

Series 2008A Bonds

In September 2008, the IFA issued $154,765,000 of revenue bonds (the Series 2008A debt) on behalf of the Hospital to fund certain capital projects. Most of these bonds were refunded by the Series 2016A bonds. The remaining 2008A bonds were paid off on July 1, 2018. These bonds accrued interest at fixed rates ranging from 4.38% to 5.50% annually.

Series 2008B and Series 2008C Bonds

In October 2008, the IFA issued $86,820,000 of variable rate demand revenue bonds (the Series 2008B/C debt) on behalf of the Hospital. The proceeds were used to refinance a taxable bank loan originally obtained to refund the Obligated Group's Series 2002A debt. The bonds are payable in varying installments through July 1, 2032, and bear interest at a variable rate not to exceed 12%. The average interest rate during fiscal 2018 and 2017 was 1.30% and 0.76%, respectively.

The direct pay letter of credit securing the Series 2008 B/C debt was replaced on February 17, 2016, with irrevocable transferable letters of credit that expire on October 5, 2020. The letters of credit provide a commitment to provide funds for the purchase of Series 2008 B/C bonds that may be tendered pursuant to an optional or a mandatory tender and that have not been remarketed. Such advances convert to term loans, with principal payments payable no earlier than a year and a day from the date of the advance.

Unamortized underwriting fees and other costs related to the issuance of debt of $2,385,000 and $2,507,000 are included in long-term debt at September 30, 2018 and 2017, respectively.

8. Long-Term Obligations (continued)

The future principal payments on the bonds are as follows (in thousands):

	Series 2008B/C	Series 2011	Series 2016	Total
Year ending September 30:				
2019	$ 3,450	$ 2,000	$ 2,150	$ 7,600
2020	3,460	2,200	2,265	7,925
2021	3,580	2,300	2,390	8,270
2022	3,700	2,400	2,530	8,630
2023	3,840	2,500	2,655	8,995
Thereafter	38,990	30,100	124,700	193,790
Total principal payments	$ 57,020	$ 41,500	$ 136,690	$ 235,210

9. Restricted Net Assets

Restricted net assets are available for the following purposes at September 30 (in thousands):

	2018	2017
Temporarily restricted:		
Specific hospital programs	$ **1,159**	$ 188
Other special uses	**235**	122
Behavioral/Mental Health	**36**	29
Nursing education	**997**	613
Women's services	**1,306**	877
Community services	**41**	102
Cancer services	**2,074**	1,327
Pediatrics	**72**	42
Cardiac services	**2,106**	214
	$ **8,026**	$ 3,514
Permanently restricted:		
Youth treatment center	$ **347**	$ 347
Nursing education	**885**	875
Endowment – general	**224**	224
	$ **1,456**	$ 1,446

9. Restricted Net Assets (continued)

Healthcare's endowment consists of individual donor-restricted funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the donor-imposed restrictions.

Healthcare has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), as adopted by the state of Illinois, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Healthcare classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the directions of the applicable donor gift instrument at the time the accumulation is added to the fund.

Any remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the donor intent or, where silent, standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Healthcare considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The purposes of Healthcare and the endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments

Healthcare has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that must be held in perpetuity. Under the investment policy, endowment assets are invested in a manner that is intended to produce a real return, net of inflation, of at least 5% over the long term. Actual returns in any given year may vary from this amount.

9. Restricted Net Assets (continued)

To satisfy its long-term rate-of-return objectives, Healthcare 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). Healthcare targets a diversified asset allocation that places a greater emphasis on equity-based and alternative investments to achieve its long-term objective within prudent risk constraints.

Healthcare has a policy of appropriating for distribution each year 4% of the average of the most recent 12 quarters' endowment fund balance. In establishing this policy, Healthcare considered the long-term expected return on its endowment. Accordingly, over the long term, Healthcare expects to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

The changes in restricted net assets are summarized below (in thousands):

	Temporarily Restricted	Permanently Restricted	Total
Restricted net assets, September 30, 2016	$ 7,613	$ 971	$ 8,584
Contributions	1,772	5	1,777
Investment loss	212	–	212
Appropriation for expenditure	(5,612)	–	(5,612)
Other	(471)	471	–
Restricted net assets, September 30, 2017	3,514	1,447	4,961
Contributions and other	**6,750**	**10**	**6,760**
Investment gain	**150**	–	**150**
Appropriation for expenditure	**(2,388)**	–	**(2,388)**
Restricted net assets, September 30, 2018	**$ 8,026**	**$ 1,457**	**$ 9,483**

10. Insurance Programs

Healthcare is a defendant in certain lawsuits, and may be subject to additional claims alleging professional liability. Effective November 1, 1978, Healthcare began insuring basic professional and general liability coverage, subject to a nominal deductible, through the Chicago Hospital Risk Pooling Program (CHRPP). CHRPP was a self-insured trust established under the Illinois Religious and Charitable Risk Pooling Trust Act of 1977.

10. Insurance Programs (continued)

As of December 31, 2010, CHRPP discontinued the issuance of professional and general liability coverage and commenced a voluntary runoff of its claim portfolio effective January 1, 2011. As of that date, Healthcare established a self-insured retention program in which it retained the risk for all claims with individual values under $4,000,000. An additional "buffer" self-insured retention existed for the first claim that exceeds $4,000,000. As of January 1, 2013, this was revised and Healthcare retains $1,000,000 for each claim with an aggregate of $3,000,000 for all claims. Healthcare obtains commercial insurance on a claims-made basis for claims exceeding the self-insured retention.

On January 1, 2013, Healthcare incorporated a related captive insurance company in the Cayman Islands. The newly formed company provides medical professional and general liability coverage for the risks of Healthcare, which was previously self-insured. In addition, the new company is providing prospective coverage for the employed physicians who were previously covered by NCHCI.

Healthcare's self-insurance and tail liabilities as of September 30, 2018 and 2017, of $43,531,000 and $46,184,000, respectively, are reported on the accompanying consolidated balance sheets on an undiscounted basis for the captive organization and discounted basis for the Hospital. The Hospital tail liability is determined using discount rate of 3% for 2018 and 2017. The undiscounted gross self-insurance and tail liabilities were $44,525,000 and $47,668,000 at September 30, 2018 and 2017, respectively. Provisions for professional and general liability risks are based on an actuarial estimate of losses using actual loss data adjusted for industry trends and current conditions. The provision for estimated self-insured claims includes estimates of ultimate costs for both reported claims and claims incurred but not reported. A reinsurance receivable of $7,528,000 and $10,064,000 was recorded at September 30, 2018 and 2017, respectively.

As of April 1, 2015, Healthcare also established a self-insured retention program through the related captive insurance company for its workers' compensation risks. This had also previously been with CHRPP. Healthcare retains risk for the first $450,000 of each claim. Healthcare also retains risk of $100,000 for the first claim that exceeds the $450,000 limit. Commercial insurance has been obtained on a claims-made basis for claims exceeding the self-insured retention. Healthcare's workers' compensation liabilities as of September 30, 2018 and 2017, of $2,759,000 and $2,226,000, respectively, are reported on the accompanying consolidated balance sheets on an undiscounted basis. Of this amount, as of September 30, 2018 and 2017, $223,000 and $198,000, respectively, was recorded in current liabilities.

10. Insurance Programs (continued)

Actuarial estimates are subject to uncertainty from various sources, including changes in claim reporting patterns, claim settlement patterns, judicial decisions, legislation, and economic conditions. The actual claim payments could be materially different from the estimate. In the opinion of management, although certain of these claims could potentially exceed Healthcare's coverage, the final premiums and costs, and the ultimate disposition of claims covered under the self-insured program, will not have a material adverse effect on the consolidated financial position of Healthcare.

11. Commitments

Healthcare leases space under operating lease agreements. There are no long-term equipment leases. Total expense recognized for operating lease agreements during fiscal 2018 and 2017 was approximately $7,029,000 and $5,219,000, respectively.

As of September 30, 2018, Healthcare is required to make the following future minimum payments under the non-cancelable lease agreements (in thousands):

2019	$ 3,846
2020	2,613
2021	2,377
2022	2,026
2023	1,808
Thereafter	5,516
	$ 18,186

12. Employee Retirement Plans

Substantially all employees of Healthcare participate in one of two retirement plans. The Northwest Community Hospital Employees' Retirement Plan (the Plan) is a trusted, non-contributory, defined benefit plan. The Northwest Community Healthcare Employees' Retirement Plan (the DC Plan) is a defined contribution 401K plan.

12. Employee Retirement Plans (continued)

Defined Benefit Plan

During fiscal 2010, the Hospital elected to freeze benefit accruals for all participants in the Plan. An amendment to the Plan eliminated all future benefit accruals, including participants' credited service, final average earnings, and final average compensation amounts used to calculate Plan benefits. A September 30 measurement date was utilized for 2018 and 2017.

The Plan's actuarial losses (gains) included in unrestricted net assets during 2018 and 2017 were $(2,268,000) and $6,831,000, respectively.

The status of the Plan at September 30, and for the years then ended, is as follows (in thousands):

	2018	2017
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 163,901	$ 168,637
Interest cost	5,377	5,069
Actuarial loss	(4,009)	5,420
Settlements	(14,579)	(13,091)
Benefits paid	(2,350)	(2,134)
Projected benefit obligation at end of year	148,340	163,901
Change in plan assets:		
Fair value of plan assets at beginning of year	162,610	171,443
Actual gain on plan assets	849	5,592
Employer contributions	–	800
Settlements	(14,579)	(13,091)
Benefits paid	(2,350)	(2,134)
Fair value of plan assets at end of year	146,530	162,610
Funded status as of measurement date	(1,810)	(1,291)
Unrestricted net assets:		
Adjustment to unrestricted net assets	(58,824)	(61,092)
Components of unrestricted net assets:		
Unrecognized net actuarial loss	58,824	61,092
Net amount recognized at end of year	$ (1,810)	$ (1,291)

12. Employee Retirement Plans (continued)

Net periodic pension (benefit) cost for all of the Plan's participants consists of the following for the years ended September 30 (in thousands):

	2018	2017
Interest cost on projected benefit obligation	$ 5,377	$ 5,069
Expected return on plan assets	(11,693)	(13,048)
Net amortization and deferral	1,475	1,281
Settlement charge	5,778	4,765
Other	1,850	–
Net periodic pension cost (benefit)	$ 2,787	$ (1,933)

The accumulated benefit obligation for the Plan was approximately $148,340,000 and $163,901,000 at September 30, 2018 and 2017, respectively. Since the plan is frozen and there are no projected salary increases, accumulated and projected benefit obligations are the same.

Weighted-average assumptions used to determine benefit obligations at the measurement date are as follows:

	2018	2017
Discount rate	4.0%	3.3%

Weighted-average assumptions used to determine net periodic pension cost for the years ended September 30 are as follows:

	2018	2017
Discount rate	3.3%	2.9%
Expected long-term rate of return on plan assets	6.7	8.0

The expected long-term rate of return on plan assets was developed using expected investment returns of the Plan's investment portfolio. The portfolio's actual annual rate of return has averaged 9.2% since its inception in 2009.

12. Employee Retirement Plans (continued)

The Plan's weighted-average asset allocations at September 30, by asset category, are as follows:

	2018		2017	
	Target	Actual	Target	Actual
Asset category				
Equity securities	15%	11%	29%	27%
Fixed income securities	75	73	59	60
Alternative investments	10	16	12	13
	100%	100%	100%	100%

The Plan exists to provide retirement benefits for covered employees consistent with the long-term interests of the Plan's participants and their beneficiaries. The Plan's investment objectives may include, but are not limited to, the following: maintaining a portfolio of assets of appropriate liquidity and diversification which generate investment returns that, together with future contributions, are sufficient to maintain or improve the Plan's funding level; limiting the increase or variability of future contributions; and earning a rate of return in excess of a customized index.

There are no minimum employer contributions expected for 2019.

The following are the Plan's financial instruments at September 30, 2018, measured at fair value on a recurring basis by the valuation hierarchy defined in Note 7 (in thousands):

	Level 1	Level 2	Level 3	Total
Cash and money market funds	$ 8,126	$ –	$ –	$ 8,126
U.S. government and agency obligations	–	19,822	–	19,822
Mutual funds:				
U.S. equity	8,719	–	–	8,719
International equity	7,563	–	–	7,563
Fixed income	80,576	–	–	80,576
High-yield bonds	3,301	–	–	3,301
Emerging markets debt	2,187	–	–	2,187
Hedge fund of funds	–	–	16,236	16,236
	$ 110,472	$ 19,822	$ 16,236	$ 146,530

12. Employee Retirement Plans (continued)

The following are the Plan's financial instruments at September 30, 2017, measured at fair value on a recurring basis by the valuation hierarchy defined in Note 7 (in thousands):

	Level 1	Level 2	Level 3	Total
Cash and money market funds	$ 118	$ –	$ –	$ 118
U.S. government and agency obligations	–	17,672	–	17,672
Mutual funds:				
U.S. equity	27,682	–	–	27,682
International equity	16,235	–	–	16,235
Fixed income	71,842	–	–	71,842
High-yield bonds	4,340	–	–	4,340
Emerging markets debt	2,883	–	–	2,883
Hedge fund of funds	–	–	21,838	21,838
	$ 123,100	$ 17,672	$ 21,838	$ 162,610

Fair value methodologies for Level 1 and Level 2 are consistent with the inputs described in Note 7. Fair value measurements for Level 3 represent the Plan's ownership interests in the net asset value of a limited partnership investing in hedge funds for which active markets do not exist (alternative investments). The fair values of the alternative investments that do not have readily determinable fair values are determined by the general partner or fund manager taking into consideration, among other things, the cost of the securities or other investments, prices of recent significant transfers of like assets, and subsequent developments concerning the companies or other assets to which the alternative investments relate.

There is inherent uncertainty in such valuations, and the estimated fair values may differ from the values that would have been used had a ready market for these investments existed. The Plan's alternative investments also have liquidity restrictions and can be divested only at specified times based on terms in the partnership agreements.

The Plan's investment assets are exposed to the same kinds and levels of risk as described in Note 7.

12. Employee Retirement Plans (continued)

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets (in thousands):

	Hedge Fund of Funds
Value at September 30, 2016	$ 20,081
Unrealized gain	1,757
Sales	–
Purchases	–
Value at September 30, 2017	21,838
Unrealized gain	**1,898**
Sales	**(7,500)**
Purchases	**–**
Value at September 30, 2018	**$ 16,236**

The following benefit payments, which reflect expected future services, as appropriate, are expected to be paid (in thousands):

	Pension Benefits
2019	$ 17,961
2020	16,301
2021	15,274
2022	13,990
2023	13,079
2024 to 2028	50,483

12. Employee Retirement Plans (continued)

Defined Contribution (DC) 401K Plan

In addition to the frozen plan, as of January 1, 2005, substantially all current and new employees are eligible for a defined contribution 401K Plan. Total DC employer expense was approximately $8,297,000 and $7,677,000 in 2018 and 2017, respectively, and is included in salaries and employee benefits expense. Healthcare matches employee contributions at a discretionary percentage per pay period.

Healthcare also sponsors two supplemental executive retirement plans. One plan had only one remaining participant who was fully vested and paid out in fiscal 2017. The total liability for these plans is $2,302,000 and $1,642,000 for the years ended September 30, 2018 and 2017, respectively, and is included in pension obligation liability. The related expense of $700,904 and $527,000 for 2018 and 2017, respectively, is recorded in salaries and employee benefits expense.

Healthcare also offers an Executive and Physician Income Deferral Plan (457B) which is 100% employee funded. All funds are transferred to a third-party investment firm in the name of the respective participant and no balances are reflected in Healthcare's financial statements. Healthcare had offered a physician deferred compensation program (now frozen) in which all 15 participants had vested. All funds have been moved to a third-party investment firm. The balance was $5,497,000 and $4,996,000 as of September 30, 2018 and 2017, respectively. The asset is presented separately in assets limited as to use and the liability is included in accrued expenses and other.

13. Functional Expenses

Healthcare provides general healthcare services to residents within its geographic location. Expenses related to providing these services are approximately as follows for the years ended September 30 (in thousands):

	2018	2017
Healthcare services	$ **446,660**	$ 415,228
General and administrative	**178,983**	175,382
Fundraising	**792**	884
	$ **626,435**	$ 591,494

14. Illinois Hospital Assessment Program

In December 2008, the Illinois Hospital Assessment Program (HAP) was approved by the Federal Centers for Medicare and Medicaid Services. In June 2014, the Hospital was notified of revised inpatient and outpatient assessment amounts. In fiscal years 2018 and 2017, the Hospital was subject to and paid all assessments.

Under HAP, Illinois receives additional federal Medicaid funds for the state's healthcare system administered by the Illinois Department of Healthcare and Family Services. HAP includes both a payment to the Hospital from the state and an assessment against the Hospital, which is paid to the state in the same year.

The Hospital recognized the following amounts in the years ended September 30 (in thousands):

	2018	2017
HAP revenue in net patient service revenue	$ 23,689	$ 23,730
HAP assessment in operating expense	20,362	19,715
Net benefit from HAP	$ 3,327	$ 4,015

15. Subsequent Events

Healthcare evaluated events and transactions occurring subsequent to September 30, 2018, through January 22, 2019, the issuance date of these consolidated financial statements. During this period, it is management's determination that there were no other subsequent events requiring recognition that have not been recorded in the consolidated financial statements, and no subsequent events requiring disclosure in the consolidated financial statements.

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Report of Independent Auditors on Supplementary Information

The Audit and Compliance Committee and the Board of Directors
Northwest Community Healthcare and Subsidiaries

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements of Northwest Community Healthcare and Subsidiaries. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements themselves in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Ernst + Young LLP

January 22, 2019

Supplementary Information

Northwest Community Healthcare and Subsidiaries

Details of Consolidated Balance Sheet

September 30, 2018 (Unaudited)

	Northwest Community Healthcare	Northwest Community Hospital	NWC Hospital Foundation	NWC Day Surgery Center II	NPC-CyberKnife, LLC	NWC Healthcare PHO, LLC	NWC Health Services & Subsidiaries	Central Insurance Company, LLC	Consolidating Eliminations	Total
Assets										
Current assets:										
Cash and cash equivalents	$ 56,373	$ 15,315,826	$ 4,430,098	$ 76,800	$ 109,755	$ 1,821,848	$ 6,462,142	$ 873,130	$ –	$ 29,145,972
Patient accounts receivable, less allowance for uncollectible accounts $10,734,000	18,792	56,508,910	–	1,984,599	–	–	15,764,913	–	–	74,277,214
Other receivables	124,311	14,734,641	1,138,209	–	–	8,805,939	782,224	5,435,194	(10,042,503)	20,978,015
Prepaid expenses and other	1,028,081	13,194,190	12,450	512,313	–	–	1,465,920	2,805	–	16,215,759
Due from affiliates	–	14,769,238	186,796	–	560,986	–	318,371	111,461	(15,946,852)	–
Total current assets	1,227,557	114,522,805	5,767,553	2,573,712	670,741	10,627,787	24,793,570	6,422,590	(25,989,355)	140,616,960
Assets limited as to use, at fair value:										
Investments restricted under bond financing	–	–	–	–	–	–	–	–	–	–
Internally designated for capital replacement	436,279,164	–	–	–	–	–	–	–	–	436,279,164
Internally designated for insurance	–	–	–	–	–	–	–	29,088,302	–	29,088,302
Internally designated for deferred comp	–	–	–	–	–	–	5,497,181	–	–	5,497,181
Internally designated for endowment	–	–	1,200,000	–	–	–	–	–	–	1,200,000
Externally designated for endowment and other	–	–	2,168,613	–	–	–	–	–	–	2,168,613
	436,279,164	–	3,368,613	–	–	–	5,497,181	29,088,302	–	474,233,260
Property and equipment, at cost:										
Land and land improvements	8,547,268	14,868,885	–	–	–	–	–	–	–	23,416,153
Buildings	51,984,413	314,818,703	–	–	–	–	–	–	–	366,803,116
Fixed equipment and leasehold improvements	15,814,330	218,812,045	–	–	–	–	6,115,329	–	–	240,741,704
Major movable equipment	1,193,165	230,280,363	–	4,810,980	3,555,000	–	9,730,200	–	–	249,569,708
Construction-in-progress	–	17,053,173	–	11,527	–	–	2,454,332	–	–	19,519,032
	77,539,176	795,833,169	–	4,822,507	3,555,000	–	18,299,861	–	–	900,049,713
Less accumulated depreciation	(46,362,970)	(417,837,572)	–	(3,209,137)	(3,555,000)	–	(5,776,224)	–	–	(476,740,903)
	31,176,206	377,995,597	–	1,613,370	–	–	12,523,637	–	–	423,308,810
Interest in net assets of Foundation	–	9,482,983	–	–	–	–	–	–	(9,482,983)	–
Reinsurance receivable	–	2,721,404	–	–	–	–	–	4,806,654	–	7,528,058
Other long-term assets	(3,071,014)	4,015,000	2,097,422	3,071,014	–	–	8,000,214	–	–	14,112,636
Investment in subsidiaries	70,169,525	–	–	–	–	–	–	–	(70,169,525)	–
	67,098,511	16,219,387	2,097,422	3,071,014	–	–	8,000,214	4,806,654	(79,652,508)	21,640,694
Total assets	$ 535,781,438	$ 508,737,789	$ 11,233,588	$ 7,258,096	$ 670,741	$ 10,627,787	$ 50,814,602	$ 40,317,546	$ (105,641,863)	$ 1,059,799,724

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Attachment 34

Northwest Community Healthcare and Subsidiaries

Details of Consolidated Balance Sheet (continued)

September 30, 2018 (Unaudited)

	Northwest Community Healthcare	Northwest Community Hospital	NWC Hospital Foundation	NWC Day Surgery Center	NPC-CyberKnife, LLC	NWC Healthcare PHO, LLC	NWC Health Services & Subsidiaries	NCH Central Insurance	Consolidating Eliminations	Total
Liabilities and net assets										
Current liabilities:										
Accounts payable	$ 253,027	$ 20,512,237	$ 5,763	$ 474,065	$ –	$ 2,544	$ 2,468,258	$ –	$ –	$ 23,715,894
Accrued expenses and other	1,019,619	38,184,890	67,994	613,763	121,870	2,267,144	19,781,201	5,011,417	(9,892,503)	57,175,395
Current maturities of long-term debt obligations	–	7,600,000	–	–	–	–	–	–	–	7,600,000
Due to third-party payors	–	46,567,107	–	–	–	–	722,724	–	–	47,289,831
Due to affiliates	4,269,957	859,244	–	2,238,586	–	6,151,824	2,427,243	–	(15,946,854)	–
Total current liabilities	5,542,603	113,723,478	73,757	3,326,414	121,870	8,421,512	25,399,426	5,011,417	(25,839,357)	135,781,120
Long-term obligations, less current maturities:										
Series 2008B bonds	–	26,785,000	–	–	–	–	–	–	–	26,785,000
Series 2008C bonds	–	26,785,000	–	–	–	–	–	–	–	26,785,000
Series 2011 bonds	–	39,500,000	–	–	–	–	–	–	–	39,500,000
Series 2016 bonds	–	134,540,000	–	–	–	–	–	–	–	134,540,000
Series 2016 bonds premium	–	18,534,690	–	–	–	–	–	–	–	18,534,690
Bond issuance costs	–	(2,385,200)	–	–	–	–	–	–	–	(2,385,200)
	–	243,759,490	–	–	–	–	–	–	–	243,759,490
Asset retirement obligation	–	844,429	–	–	–	–	–	–	–	844,429
Other long-term liabilities	–	4,920,667	–	–	–	–	–	–	–	4,920,667
Reserve for self-insurance	–	10,880,684	–	–	–	–	–	35,186,129	(150,000)	45,916,813
Pension obligation liability	–	1,809,617	–	–	–	–	–	–	–	1,809,617
Total noncurrent liabilities	–	262,214,887	–	–	–	–	–	35,186,129	(150,000)	297,251,016
Total liabilities	5,542,603	375,938,365	73,757	3,326,414	121,870	8,421,512	25,399,426	40,197,546	(25,989,357)	433,032,136
Net assets:										
Unrestricted	530,238,835	125,934,662	1,676,849	3,931,682	548,871	2,206,275	22,796,956	120,000	(70,169,524)	617,284,606
Temporarily restricted	–	8,026,438	8,026,438	–	–	–	–	–	(8,026,438)	8,026,438
Permanently restricted	–	1,456,544	1,456,544	–	–	–	–	–	(1,456,544)	1,456,544
Total net assets	530,238,835	135,417,644	11,159,831	3,931,682	548,871	2,206,275	22,796,956	120,000	(79,652,506)	626,767,588
Total liabilities and net assets	$ 535,781,438	$ 511,356,009	$ 11,233,588	$ 7,258,096	$ 670,741	$ 10,627,787	$ 48,196,382	$ 40,317,546	$ (105,641,863)	$ 1,059,799,724

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Attachment 34

Northwest Community Healthcare and Subsidiaries

Details of Consolidated Statement of Operations and Changes in Net Assets

Year Ended September 30, 2018 (Unaudited)

	Northwest Community Healthcare	Northwest Community Hospital	NWC Hospital Foundation	NWC Day Surgery Center II	NPC-CyberKnife, LLC	NWC Healthcare PHO, LLC	NWC Health Services & Subsidiaries	NCH Central Insurance	Consolidating Eliminations	Total
Revenue										
Net patient service revenue	$ 148,325	$ 501,833,214	$ –	$ 14,242,806	$ –	$ –	$ 95,864,123	$ –	$ –	$ 612,088,468
Provision for uncollectible accounts	(932)	(21,936,649)	–	(358,906)	–	–	(2,999,844)	–	–	(25,296,331)
	147,393	479,896,565	–	13,883,900	–	–	92,864,279	–	–	586,792,137
Other operating revenue	10,128,418	9,292,348	411,570	10,205	684,000	22,834,686	7,421,467	10,830,169	(24,686,446)	36,926,417
Total revenue	10,275,811	489,188,913	411,570	13,894,105	684,000	22,834,686	100,285,746	10,830,169	(24,686,446)	623,718,554
Expenses										
Salaries and employee benefits	2,844,555	242,292,062	615,544	4,805,027	5,832	931,940	90,840,591	–	(1,569,606)	340,765,945
Supplies and other	2,070,066	104,163,774	118,856	6,915,658	–	27,120	18,754,644	10,472,518	(15,915,388)	126,607,248
Professional fees and purchased services	2,496,035	59,864,326	57,088	1,224,379	303,024	20,164,584	16,094,695	357,651	(6,746,662)	93,815,120
Depreciation and amortization	2,036,043	33,211,158	–	83,976	–	–	1,745,697	–	–	37,076,874
Illinois hospital assessment	–	20,362,276	–	–	–	–	–	–	–	20,362,276
Interest	–	7,807,604	–	–	–	–	–	–	–	7,807,604
Total expenses	9,446,699	467,701,200	791,488	13,029,040	308,856	21,123,644	127,435,627	10,830,169	(24,231,656)	626,435,067
Operating income (loss)	829,112	21,487,713	(379,918)	865,065	375,144	1,711,042	(27,149,881)	–	(454,790)	(2,716,513)
Nonoperating revenue (expenses)										
Net investment income	27,206,738	–	135,600	–	–	–	–	–	–	27,342,338
Other	–	(15,225,938)	–	178,545	–	–	(564,545)	–	(690,861)	(16,302,799)
Net nonoperating revenue (expenses)	27,206,738	(15,225,938)	135,600	178,545	–	–	(564,545)	–	(690,861)	11,039,539
Excess (deficit) of revenue over expenses	$ 28,035,850	$ 6,261,775	$ (244,318)	$ 1,043,610	$ 375,144	$ 1,711,042	$ (27,714,426)	$ –	$ (1,145,651)	$ 8,323,026

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Attachment 34

Northwest Community Healthcare and Subsidiaries

Details of Consolidated Statement of Operations and Changes in Net Assets (continued)

Year Ended September 30, 2018 (Unaudited)

	Northwest Community Healthcare	Northwest Community Hospital	NWC Hospital Foundation	NWC Day Surgery Center II	NPC-CyberKnife, LLC	NWC Healthcare PHO, LLC	NWC Health Services & Subsidiaries	NCH Central Insurance	Consolidating Eliminations	Total
Unrestricted net assets										
Excess (deficit) of revenue over expenses	$ 28,035,850	$ 6,261,775	$ (244,318)	$ 1,043,610	$ 375,144	$ 1,711,042	$ (27,714,426)	$ –	$ (1,145,651)	$ 8,323,026
Transfers (to) from affiliates	–	(68,000,000)	–	–	–	–	68,000,000	–	–	–
Pension-related changes other than net periodic pension cost	–	2,268,171	–	–	–	–	–	–	–	2,268,171
Net assets released from restrictions used for:										
Purchase of property and equipment or operations	–	879,917	–	–	–	–	–	–	–	879,917
Other	–	2,592,142	(2,592,142)	–	–	–	–	–	–	–
Capital contributions by noncontrolling interests and other	–	–	–	28,900	–	–	1,732,694	–	(639,684)	1,121,910
Distribution to Endo Center investors	–	–	–	–	–	–	(799,139)	–	799,139	–
Distribution to CyberKnife investors	–	–	–	–	(370,446)	–	–	–	370,446	–
Distribution to DSC-II investors	–	–	–	(688,001)	–	–	–	–	688,001	–
Increase (decrease) in unrestricted net assets	28,035,850	(55,997,995)	(2,836,460)	384,509	4,698	1,711,042	41,219,129	–	72,251	12,593,024
Temporarily restricted net assets										
Contributions	–	–	6,749,706	–	–	–	–	–	–	6,749,706
Investment income	–	–	150,110	–	–	–	–	–	–	150,110
Net assets released from restrictions used for:										
Purchase of property and equipment	–	(879,917)	(879,917)	–	–	–	–	–	879,917	(879,917)
Operations	–	(1,413,435)	(1,506,988)	–	–	–	–	–	1,413,435	(1,506,988)
Change in interest in net assets of Foundation	–	6,806,263	–	–	–	–	–	–	(6,806,263)	–
Increase in temporarily restricted net assets	–	4,512,911	4,512,911	–	–	–	–	–	(4,512,911)	4,512,911
Permanently restricted net assets										
Contributions	–	–	10,000	–	–	–	–	–	–	10,000
Change in interest in net assets of Foundation	–	10,000	–	–	–	–	–	–	(10,000)	–
Increase in permanently restricted net assets	–	10,000	10,000	–	–	–	–	–	(10,000)	10,000
Increase (decrease) in net assets	28,035,850	(51,475,084)	1,686,451	384,509	4,698	1,711,042	41,219,129	–	(4,450,660)	17,115,935
Net assets at beginning of period	502,202,985	186,892,728	9,473,380	3,547,173	544,173	495,233	(18,422,173)	120,000	(75,201,846)	609,651,653
Net assets at end of period	$ 530,238,835	$ 135,417,644	$ 11,159,831	$ 3,931,682	$ 548,871	$ 2,206,275	$ 22,796,956	$ 120,000	$ (79,652,506)	$ 626,767,588

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Illinois Finance Authority Northwest Community Hospital; Hospital

Credit Profile		
Illinois Finance Authority (Northwest Community Hospital) ICR		
Long Term Rating	A/Stable	Affirmed

Rationale

S&P Global Ratings has affirmed its 'A' long-term rating on the Illinois Finance Authority's series 2016A revenue refunding bonds, which were issued for Northwest Community Hospital (NCH). At the same time, S&P Global Ratings has affirmed its 'A' issuer credit rating (ICR) on NCH. The ICR reflects our view of NCH's credit quality without regard to any specific debt issue. The outlook is stable.

S&P Global Ratings also rates the authority's series 2008B and 2008C bonds 'A+/A-1' based on a letter of credit from JPMorgan Chase Bank N.A. that expires on Oct. 5, 2020. The long- and short-term components of the dual rating reflect our assessment of the bank's credit quality.

The ratings reflect our view of NCH's financial profile, highlighted by stable unrestricted reserves and sound maximum annual debt service (MADS) coverage, and unrestricted reserves to debt that are near medians at the rating level. The financial profile further reflects our opinion that the hospital's net operating income will continue to incrementally recover and stabilize, as it has through Aug. 31, 2018, following an operating loss in fiscal 2017. The rating also reflects our view of an enterprise profile highlighted by a solid inpatient market share in a small but demographically favorable suburban geography 25 miles northwest of downtown Chicago. The enterprise profile also reflects our view of NCH's respectable service and payer mix, despite its location in the competitive, increasingly system-driven Chicagoland market and modest softening of some volume metrics. While management has pursued a strategy of maintaining overall independence while nurturing service-specific affiliations, which to date is working well for NCH, the larger market continues to consolidate.

The 'A' rating reflects our view of NCH's:

- Strong balance sheet with respectable unrestricted reserves combined with adequate cash to debt, moderate leverage, and no additional debt plans;
- Strong business position with solid inpatient market share in a demographically strong, though small, 12-ZIP-code service area; and
- Solid management team that has developed a broad strategy to attract and increasingly align physicians to NCH and to expand overall business as measured by relatively stable inpatient admissions and overall equivalent inpatient admissions.

Partially offsetting the above strengths, in our view, are NCH's competitive market and a recent history of operating losses.

Revenue of the NCH obligated group secures the series 2008B, 2008C, and 2016A bonds. We base our 'A' rating on our view of the hospital's group credit profile (GCP; i.e., the system as a whole) and the obligated group's core status. Accordingly, we rate the bonds at the level of the GCP. The obligated group includes the hospital and the parent company. Non-obligated entities include a small foundation, a day surgery center, a captive insurance company, and a physician corporation. The obligated group constitutes about 81% of revenue and 92% of total assets. However, this analysis and all the figures cited in this report reflect the entire system.

Capital expenditures should remain manageable given NCH's new capital additions a few years ago and its relatively low average age of plant. Moreover, the hospital is not contemplating additional debt. It is not party to any swap transactions.

Outlook

The stable outlook reflects our opinion of NCH's strong enterprise profile, our view that the hospital's overall financial profile will continue stabilizing and improving as management implements revenue enhancements and cost-containment efforts, and our view that its initiatives to increase patient volumes will further translate into improved and sustainable operating margins and MADS coverage that are comparable with rating medians.

Upside scenario

While we don't expect this, we could raise the rating if NCH maintains MADS coverage above 5.0x, combined with improved and sustained operating performance, including income statement metrics that reflect a trend of positive operating results that are in-line with 'A+' medians without any balance-sheet deterioration.

Downside scenario

A downgrade or negative outlook is possible if NCH cannot achieve positive levels of profitability and sustained MADS coverage of at or near 3.5x over the two-year outlook period. We would also view a decline in unrestricted reserves, without commensurate improvement elsewhere, negatively. In addition, we would view failure to maintain a positive volume trend as adding additional risk, given the broader regional competition in the market.

Enterprise Profile: Strong

Economic fundamentals

NCH is a 386-staffed-bed acute-care provider in Arlington Heights, 25 miles northwest of Chicago. The primary service area (PSA) also includes the cities of Rolling Meadows, Mount Prospect, and Palatine. The combined PSA population is approximately 238,000. Management expects modest population growth in the service area over the next five years.

Market position

Although the area is very competitive, market share in the hospital's core primary market is strong, in our view, at 55% in fiscal 2017, but down from a high of 59% a few years ago. Advocate affiliates (Lutheran General Hospital and Good Shepherd), and Alexian Brothers Medical Center and St. Alexius Medical Center (both part of Ascension Health) draw a combined share of approximately one-fifth of the market.

After a very strong turnaround in inpatient admissions in fiscal 2015, reflecting physician recruitment efforts and on-going service line enhancements, several volume and revenue cycle metrics had either flattened or declined modestly in FY 2017, with improvement in FY 2018. Management has a number of strategies to regain the momentum in volume, including the expansion of a new rehabilitation unit in fiscal 2018, continued physician recruitment, gastrointestinal (GI) center growth, reference lab, and ambulatory care expansion.

NCH's service area results in a payer mix we consider strong and stable, with a relative balance of governmental and non-governmental. Based on fiscal 2017 data, 49% of revenue was derived from Medicare and Medicaid with non-governmental comprising the balance and Blue Cross Blue Shield comprising the largest commercial insurance share with 28%.

Management

NCH has stabilized the management team with the CEO arriving in 2012, the COO in 2014, and the CEO in 2015. A new position was created with the responsibility of managing insurer relations, strategy, and population health management. Under the current management team, NCH has developed an ongoing strategic planning process and a series of initiatives that embrace the organization's desire to remain independent, while also recognizing that the hospital is in a competitive market. As a result, a number of linkages with other organizations have been developed through Illinois Health Providers to counter the size and marketing clout of many of the larger systems in the broader market. However, rating maintenance will depend on continued cost cutting, enhanced revenue-cycle performance, and on the success of strategic growth initiatives leading to what management projects will be an improved financial and operating profile.

Management continues to seek newly recruited physicians, who are more loyal to NCH, to boost key service-line revenues, including cardiovascular services and neurosurgery. Management employs 187 physicians (including hospital-based) as of Aug. 31, 2018, up from 103 at the end of fiscal 2013, and plans to increase the number to 200--with about 60% primary care and the balance specialists and hospitalists--in the next few years.

Financial Profile: Strong

Financial performance

In fiscal 2017 (fiscal year-ended Sept. 30), NCH had an operating loss of $28.4 million (1.6% excess operating margin). The loss was attributed to legacy accounts receivable related to the Epic electronic health record installation with a total impact of $8 million. This coincided with unbudgeted expenses related to a Huron engagement related to the revenue cycle and higher-than-expected supplies, pharmaceuticals, and service-related costs.

Through the 11 months of fiscal 2018 ended Aug. 31, operations rebounded with excess operating margin improving to 4.4% and more in-line with the hospital's performance in fiscal 2015 and 2016. The improved margins are a result of continued growth in volumes and reduced operating expenses after a material increase in fiscal 2017.

While MADS coverage declined to 1.9x in fiscal 2017, year-to-date fiscal 2018 MADS coverage is 3.8x, which is in-line with the median at the rating level and comparable with prior years, with 3.7x in fiscal 2016 and 3.5x in fiscal 2015.

Liquidity and financial flexibility

NCH's balance-sheet measures remain strong, in our opinion, with solid unrestricted reserves reflecting a core strength of its financial profile, giving management some flexibility in its strategic plan development and its long-term debt policy. For audited fiscal year-end 2017, unrestricted cash and investments were, in our opinion, respectable at $445 million (equal to 295 days' cash on hand and 177% of long-term debt as calculated by S&P Global Ratings). Management's goal is to reach 300 days' cash on hand by fiscal year-end, which we view as optimistic and not necessarily sustainable without required improvements in operating performance. The long-term debt-to-capitalization ratio remains sound and manageable for the rating, and in-line with current rating medians. In addition, NCH's overall average age of plant year to date is moderate at 11.1 years, and also in line with medians.

NCH's overall investment allocation is conservative, with 35% of unrestricted reserves either in cash or fixed-income instruments. Equities equal 47% of unrestricted reserves, with 18% in alternative investments. Overall liquidity is sound with 82% of unrestricted reserves available within seven days. While the hospital has a defined benefit plan, which can add risk, it is fully funded at 102%, which we view favorably.

Debt and contingent liabilities

After capital spending reached a high of $72.9 million in fiscal 2015 due to the Epic installation, expenditures declined to $18.3 million in fiscal 2016 and $19.8 million in fiscal 2017, which is lower than historical spending, according to management. Management reports that capital spending for fiscal 2018 will be about $32 million and about $40 million in fiscal 2019. Over the longer term, expected projects include expansion of the rehabilitation program and a number of ambulatory care centers. In our view, the capital program is affordable at the current rating if management's expectations for operating margin recovery and incremental improvement from there can be achieved and maintained.

NCH is party to $43.4 million series 2011 bonds directly held by JP Morgan Chase Bank. Financial covenants under the direct-purchase deal that could cause acceleration after a 60-day cure period include falling below 100 days' cash on hand or a decline in the SP Global Ratings rating to 'BBB+' or lower. However, given the strength of NCH's unrestricted reserves, there are no credit risks.

Northwest Community Healthcare & Affiliates Selected Financial Statistics

		Fiscal year ended Sept. 30			
	11 months interim ended Aug. 31, 2018	2017	2016	2015	Median Stand-alone 'A' rated hospitals 2017
Enterprise profile					
PSA population	N.A.	238,196	238,669	239,839	MNR
PSA market share %	N.A.	54.8	52.0	52.0	MNR
Inpatient admissions	20,286	19,004	18,276	18,306	MNR
Equivalent inpatient admissions	43,410	42,050	41,288	44,919	MNR
Emergency visits	75,551	74,893	74,776	75,617	MNR
Inpatient surgeries	4,286	4,228	4,138	4,164	MNR
Outpatient surgeries	4,414	4,503	4,693	4,381	MNR
Medicare case mix index	1.6493	1.6394	1.6527	1.6301	MNR
FTE employees	2,745	2,694	2,618	2,560	MNR
Active physicians	1,064	1,007	991	1,049	MNR

Northwest Community Healthcare & Affiliates Selected Financial Statistics (cont.)

	11 months interim ended Aug. 31, 2018	Fiscal year ended Sept. 30 2017	2016	2015	Median Stand-alone 'A' rated hospitals 2017
Top 10 physicians admissions %	N.A.	N.A.	N.A.	N.A.	MNR
Based on net/gross revenues	Net	Net	Net	Net	MNR
Medicare %	41.3	39.5	35.9	34.7	MNR
Medicaid %	9.4	9.5	7.8	6.8	MNR
Commercial/Blues %	49.1	50.0	55.7	58.2	MNR
Financial profile					
Financial performance					
Net patient revenue ($000s)	537,496	527,278	526,531	496,757	418,910
Total operating revenue ($000s)	572,843	563,096	558,455	518,123	MNR
Total operating expenses ($000s)	575,344	591,495	558,748	518,356	MNR
Operating income ($000s)	(2,501)	(28,399)	(293)	(233)	MNR
Operating margin (%)	(0.44)	(5.04)	(0.05)	(0.04)	1.40
Net nonoperating income ($000s)	28,876	19,233	24,309	24,076	MNR
Excess income ($000s)	26,375	(9,166)	24,016	23,843	MNR
Excess margin (%)	4.38	(1.57)	4.12	4.40	4.10
Operating EBIDA margin (%)	7.33	3.19	8.83	8.97	8.00
EBIDA margin (%)	11.77	6.39	12.63	13.02	11.70
Net available for debt service ($000s)	70,840	37,216	73,624	70,568	47,676
Maximum annual debt service ($000s)	20,166	20,166	20,166	20,166	MNR
Maximum annual debt service coverage (x)	3.83	1.85	3.65	3.50	3.80
Operating lease-adjusted coverage (x)	3.25	1.67	3.11	3.01	3.10
Liquidity and financial flexibility					
Unrestricted reserves ($000s)	464,047	445,806	414,504	386,340	303,424
Unrestricted days' cash on hand	288.4	294.5	292.1	293.2	240.50
Unrestricted reserves/total long-term debt (%)	190.3	176.8	159.3	153.1	221.60
Unrestricted reserves/contingent liabilities (%)	471.0	452.5	399.5	355.1	470.70
Average age of plant (years)	11.1	10.6	9.5	9.7	11.10
Capital expenditures/depreciation and amortization (%)	99.8	50.9	44.7	194.7	121.60
Debt and liabilities					
Total long-term debt ($000s)	243,826	252,176	260,285	252,325	MNR
Long-term debt/capitalization (%)	27.8	29.4	30.6	31.1	26.40
Contingent liabilities ($000s)	98,520	98,520	103,760	108,810	MNR
Contingent liabilities/total long-term debt (%)	40.4	39.1	39.9	43.1	36.20
Debt burden (%)	3.07	3.46	3.46	3.72	2.70
Defined benefit plan funded status (%)	N.A.	99.21	101.66	90.12	88.00

Northwest Community Healthcare & Affiliates Selected Financial Statistics (cont.)

		Fiscal year ended Sept. 30			
	11 months interim ended Aug. 31, 2018	2017	2016	2015	Median Stand-alone 'A' rated hospitals 2017
Pro forma ratios					
Unrestricted reserves ($000s)	N.A.	N.A.	N.A.	N.A.	MNR
Total long-term debt ($000s)	N.A.	N.A.	N.A.	N.A.	MNR
Unrestricted days' cash on hand	N.A.	N.A.	N.A.	N.A.	MNR
Unrestricted reserves/total long-term debt (%)	N.A.	N.A.	N.A.	N.A.	MNR
Long-term debt/capitalization (%)	N.A.	N.A.	N.A.	N.A.	MNR
Risk based capital ratio (%)	N.A.	N.A.	N.A.	N.A.	MNR
Total net special funding ($000s)	2,300	6,515	9,930	6,832	MNR

N/A--Not applicable. N.A.--Not available. MNR--Median not reported. Inpatient admissions exclude normal newborn, psychiatric, rehabilitation, and long-term care facility admissions.

Credit Snapshot

- Organization description: Northwest Community Health System is in Arlington Heights, Ill., about 25 miles northwest of Chicago. The system includes a 386-staffed-bed, acute-care hospital.
- Security pledge: Gross revenues of the obligated group.
- Group rating methodology: Core.

Ratings Detail (As Of November 8, 2018)

Illinois Finance Authority, Illinois

Northwest Comnty Hosp, Illinois

Illinois Finance Authority (Northwest Community Hospital), series 2008A

Long Term Rating	A/Stable	Affirmed

MOODY'S
INVESTORS SERVICE

7 World Trade Center
250 Greenwich Street
New York 10007
www.moodys.com

January 15, 2019

Mr. John Skeans
Chief Financial Officer
Northwest Community Hospital
800 West Central Road
Arlington Heights, IL 60005

Dear Mr. Skeans:

We wish to inform you that on January 11, 2019, Moody's Investors Service affirmed the A2 long term underlying rating of Northwest Community Hospital. The outlook remains **negative**.

Credit ratings issued by Moody's Investors Service, Inc. and its affiliates ("Moody's") are Moody's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities and are not statements of current or historical fact. Moody's credit ratings address credit risk only and do not address any other risk, including but not limited to: liquidity risk, market value risk, or price volatility.

This letter uses capitalized terms and rating symbols that are defined or referenced either in *Moody's Definitions and Symbols Guide* or *MIS Code of Professional Conduct* as of the date of this letter, both published on www.moodys.com. The Credit Ratings will be publicly disseminated by Moody's through normal print and electronic media as well as in response to verbal requests to Moody's Rating Desk. Moody's related research and analyses will also be published on www.moodys.com and may be further distributed as otherwise agreed in writing with us.

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Moody's has not consented and will not consent to being named as an expert under applicable securities laws, such as section 7 of the Securities Act of 1933. The assignment of a rating does not create a fiduciary relationship between Moody's and you or between Moody's and other recipients of a Credit Rating. Moody's Credit Ratings are not and do not provide investment advice or recommendations to purchase, sell or hold particular securities. Moody's issues Credit Ratings with the expectation and understanding that each investor will make its own evaluation of each security that is under consideration for purchase, sale or holding.

Moody's adopts all necessary measures so that the information it uses in assigning a Credit Rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently validate or verify information received in the rating process. Moody's expects and is relying upon you possessing all legal rights

January 15, 2019

Mr. John Skeans
Chief Financial Officer
Northwest Community Hospital
800 West Central Road
Arlington Heights, IL 60005

and required consents to disclose the information to Moody's, and that such information is not subject to any restrictions that would prevent use by Moody's for its ratings process. In assigning the Credit Ratings, Moody's has relied upon the truth, accuracy, and completeness of the information supplied by you or on your behalf to Moody's. Moody's expects that you will, and is relying upon you to, on an ongoing basis, promptly provide Moody's with all information necessary in order for Moody's to accurately and timely monitor the Credit Ratings, including current financial and statistical information.

Under no circumstances shall Moody's have any liability (whether in contract, tort or otherwise) to any person or entity for any loss, injury or damage or cost caused by, resulting from, or relating to, in whole or in part, directly or indirectly, any action or error (negligent or otherwise) on the part of, or other circumstance or contingency within or outside the control of, Moody's or any of its or its affiliates' directors, officers, employees or agents in connection with the Credit Ratings. **ALL INFORMATION, INCLUDING THE CREDIT RATING, ANY FEEDBACK OR OTHER COMMUNICATION RELATING THERETO IS PROVIDED "AS IS" WITHOUT REPRESENTATION OR WARRANTY OF ANY KIND. MOODY'S MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH INFORMATION.**

Any non-public information discussed with or revealed to you must be kept confidential and only disclosed either (i) to your legal counsel acting in their capacity as such; (ii) to your other authorized agents acting in their capacity as such with a need to know that have entered into non-disclosure agreements with Moody's in the form provided by Moody's and (iii) as required by applicable law or regulation. You agree to cause your employees, affiliates, agents and advisors to keep non-public information confidential.

If there is a conflict between the terms of this rating letter and any related Moody's rating application, the terms of the executed rating application will govern and supercede this rating letter.

Should you have any questions regarding the above, please do not hesitate to contact the analyst assigned to this transaction, Diana Lee at 212-553-4747.

Sincerely,
Moody's Investors Service Inc
Moody's Investors Service Inc.

February 26, 2019

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

Re: NCH Buffalo Grove Outpatient Care Center

Dear Ms. Avery

On behalf of the joint venture, NCH 15 S. McHenry Road, LLC is the operating entity for the NCH Buffalo Grove Outpatient Care Center proposed at 15 S. McHenry Road, Buffalo Grove, IL. As part of the financial arrangement for the project, NCH 15 S. McHenry Road, LLC will take out a bank loan of up to $21,750,000 for site, core and shell related costs. The parties within the joint venture have longstanding relationships with numerous lenders and intends to run a competitive bidding process for the project. The loan will be at the best terms available in the market, offering the lowest net cost.

If you have any questions, please contact me, acting as agent for NCH S. McHenry Road, LLC at 847-897-7305.

Sincerely,

Paul Kopecki
MedProperties Group
40 Skokie Boulevard Suite 410
Northbrook, IL 60062

Notary

2/26/19

VLAD MILRUD
OFFICIAL SEAL
Notary Public, State of Illinois
My Commission Expires
June 18, 2019

LAKE FOREST BANK
& TRUST COMPANY®

February 26, 2019

Matt,

Lake Forest Bank & Trust, N.A. has a sincere interest to lend on your proposed development to be located at 15 S. McHenry Road in Buffalo Grove, Illinois. It is our understanding that the medical office building will be occupied by Northwest Community Hospital and consists of roughly 70,600 square feet. Based on similar transactions we have completed with MedProperties or its affiliates and joint ventures, we would anticipate a 75%-80% advance rate on total project costs. The Bank's anticipated interest will be approximately 30 Day Libor plus 250 basis points and the loans repayment schedule shall contain 18-24 months of interest only payments.

We look forward to bidding on the debt assignment and continuing our relationship.

Please do not hesitate to call me should you have further questions at 847-295-4270.

Sincerely,

Brad M. Bremen
Executive Vice President
Email: bbremen@lakeforestbank.com
Phone: 847.295.4270

Project Costs and Sources of Funds

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

Project Costs and Sources of Funds			
USE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Preplanning Costs	13,000	87,000	100,000
Site Survey and Soil Investigation	0	0	0
Site Preparation	0	0	0
Off Site Work	0	0	0
New Construction Contracts	1,636,248	11,969,752	13,606,000
Modernization Contracts	0	0	0
Contingencies	163,624	1,196,976	1,360,600
Architectural/Engineering Fees	90,000	660,000	750,000
Consulting and Other Fees	125,000	857,000	1,000,000
Movable or Other Equipment (not in construction contracts)	5,140,000	1,084,129	6,224,129
Bond Issuance Expense (project related)	0	0	0
Net Interest Expense During Construction (project related)	100,000	400,000	500,000
Fair Market Value of Leased Space or Equipment	3,679,100	26,980,263	30,659,363
Other Costs To Be Capitalized	463,225	2,624,938	3,088,163
Acquisition of Building or Other Property (excluding land)	0	0	0
TOTAL USES OF FUNDS			57,288,255
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities	585,467	4,293,425	4,878892
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages	7,145,630	14,604,370	21,750,000
Leases (fair market value)	3,679,100	26,980,263	30,659,363
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	11,410,197	45,878,058	57,288,255

Project Costs and Sources of Funds

The following information provides detail regarding cost line items for the Project Costs and Sources of Funds table:

Preplanning Costs

Costs include joint venture structuring, legal, space planning and interior A/E related pre-construction fees. Core and shell pre-planning costs are included in the fair market value of the lease.

$100,000 of which $13,000 is assigned to Clinical

Site Survey and Soil Investigation

This line item is included in the fair market value of leased space.

Site Preparation

This line item is included in the fair market value of leased space.

Off Site Work

This line item is included in the fair market value of leased space.

New Construction contracts

Construction of a 4 story, 70,600 building gross sq ft facility. Costs included in the fair market value of the lease are: core and shell costs including general conditions, masonry, steel, carpentry/wood/plastics, thermal and moisture protection, doors and windows, mechanical, electrical and plumbing, fire alarm system. Balance of cost listed is interior buildout by tenant.

A tenant improvement allowance of approximately $6,000,000 will be provided, but is not deducted from the construction contract amount since the amount reflects the cost of the interior buildout.

$13,606,000, of which $1,636,248 is clinical.

Modernization contracts

Not Applicable

Contingencies

$1,360,600, of which $163,624 is clinical.

Architect/Engineering fees

This work includes preparation of interior buildout: schematic design, design development, construction documents, bidding and negotiation services, presentations at client and public meetings, and project management services. Core and shell A/E fees are included in the fair market value of the lease.

$750,000, of which 90,000 is clinical.

Consulting and other fees

Certificate of need consulting / filing fees, commissioning consultant, lender fees, regulatory and permit fees, utilities during construction and builder's risk policy. Core and shell consulting and other fees are included in the fair market value of the lease.

$1,000,000, of which $125,000 is allocated to clinical.

Moveable or other Equipment

The total equipment budget is $6.224,129. Most of the clinical medical equipment is located in the imaging center:

MRI, including installation and shielding	$1,800,000
CT scanner, installation with shielding	1,600,000
Radiology / x-ray	320,000
Mammography	340,000
DEXA bone densitometry	120,000
Ultrasound (2 units)	160,000
TOTAL	$4,340,000

Additional equipment bringing the total to $6,224,129 includes audiology testing, EKG, gym therapy, POC/lab, and equipment supporting the exam rooms in the ICC and the physician office clinic areas.

$6,224,129, of which $5,140,000 is Clinical

Bond Issuance Expense

Not Applicable

Net Interest Expense During Construction

$500,000 of which $100,000 in interest is assigned to Clinical.

Fair Market Value of Leased Space

Northwest Community Hospital is leasing the entire building. The estimated fair market value of the leased space is $30,659,363, over the 15 year term of the lease.

Of the $30,659,363, 3,679,100 is assigned to the clinical component of the project.

Other Costs to be Capitalized

This line item refers to the cost of IT / Telecommunications -- computers, switch and cabling as well as FF&E including furniture, art and interior / exterior building signage.

IT is $1,852,898

Furnishings is estimated at $1,235,265, and includes: tables, chairs, conference rooms, staff lounge, waiting areas, desks and work stations, artwork, interior and exterior signage.

$3,088,163 of which $463,225 is Clinical

C. Reasonableness of Project and Related Costs

COST AND SQUARE FOOT BY DEPARTMENT

	A	B	C	D	E	F	G	H	
Department	Cost / Sq Ft		DGSF			DGSF	Const $	Mod $	Total Cost
	New	Mod	New	Circ %	Mod	Circ %	(A x C)	(B x E)	(G + H)
REVIEWABLE									
Imaging	$159.76		6481				1,035,382		1,035,382
Physical Therapy	$150.00		3935				590,250		590,250
Lab	$160.00		1089				174,240		174,240
Total clinical services	$156.44		11505				1,799,872		1,799,872
NON-REVIEWABLE									
Immediate Care Center	$210.00		5185				1,088,850		1,088,850
Clinic exam rooms	$235.34		39600				9,319,628		9,319,628
Building services	$225.00		2245				505,125		505,125
Common circulation	$225.00		4825				1,085,625		1,085,625
Waiting/reg/restrooms	$250.00		2375				593,750		593,750
Admin/staff areas	$250.00		2295				573,750		573,750
Total non-clinical areas	$232.94		56525				13,166,728		13,166,728
TOTAL PROJECT	$220.00		68,030				14,966,600		14,966,600

Note: Cost figures are construction and contingency.
Construction: $13,606,000; contingency: $1,360,600

X. Charity Care Information

NCH CHARITY CARE			
	2015	2016	2017
Net Patient Revenue	$ 453,365,540	$ 446,706,777	$ 441,882,223
Amount of Charity Care (charges)	$ 48,610,524	$ 36,931,355	$ 40,349,457
Cost of Charity Care	$ 13,533,660	$ 8,952,160	$ 9,631,874

Attachment 38

ORIGINAL

March 6, 2019

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

RECEIVED

MAR 08 2019

HEALTH FACILITIES & SERVICES REVIEW BOARD

Re: Permit Application
NCH Buffalo Grove Outpatient Care Center

Dear Ms Avery

On behalf of Northwest Community Hospital, Northwest Community Healthcare and MPG NCH Buffalo Grove JV, LLC, I am pleased to submit an original and one copy of the permit application for development of an outpatient care center in Buffalo Grove. Also enclosed is a check for the $2,500 made payable to the Illinois Department of Public Health as the initial payment toward the application fee.

We look forward to review of the project by the Illinois Health Facilities and Services Review Board.

Sincerely,

Ralph M Weber

Ralph M. Weber
CON consultant
920 Hoffman Lane
Riverwoods, IL 60015

Cc: Rich Casey, Vice President, Hospital Operations, Northwest Community Hospital
Brad Buxton