

**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.

RECEIVED

SEP 27 2019

Facility/Project Identification

Facility Name: Palos Health Mokena Medical Office Building		
Street Address: Southwest corner of Route 30 and S. Owens Rd.		
City and Zip Code: Mokena, IL 60448		
County: Will County	Health Service Area: HSA-9	Health Planning Area: A-13

HEALTH FACILITIES &
SERVICES REVIEW BOARD**Applicant(s)** [Provide for each applicant (refer to Part 1130.220)]

Exact Legal Name: The St. George Corporation
Street Address: 12251 South 80 th Avenue
City and Zip Code: Palos Heights, Illinois 60463
Name of Registered Agent: Leona Gibbons
Registered Agent Street Address: 12251 South 80 th Avenue
Registered Agent City and Zip Code: Palos Heights, Illinois 60463
Name of Chief Executive Officer: Terrence Moisan, M.D.
CEO Street Address: 12251 South 80 th Avenue
CEO City and Zip Code: Palos Heights, Illinois 60463
CEO Telephone Number: 708-923-4000

Type of Ownership of Applicants

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

☐ Corporations and limited liability companies must provide an **Illinois certificate of good standing**.
☐ Partnerships must provide the name of the state in which 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: Kara Friedman
Title: Attorney
Company Name: Polsinelli PC
Address: 150 North Riverside Plaza, Suite 300, Chicago, IL 60606
Telephone Number: 312-873-3639
E-mail Address: kfriedman@polsinelli.com
Fax Number:

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

Name: Timothy J. Brosnan
Title: Vice President, Planning and Community Relations
Company Name: Palos Community Hospital
Address: 12251 South 80 th Avenue, Palos Heights, Illinois 60463
Telephone Number: 708-923-5003
E-mail Address: tbrosnan@paloshealth.com
Fax Number:

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD APPLICATION FOR PERMIT

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

Exact Legal Name: Palos Community Hospital	
Street Address: 12251 South 80 th Avenue	
City and Zip Code: Palos Heights, Illinois 60463	
Name of Registered Agent: Leona Gibbons	
Registered Agent Street Address: 12251 South 80 th Avenue	
Registered Agent City and Zip Code: Palos Heights, Illinois 60463	
Name of Chief Executive Officer: Terrence Moisan, M.D.	
CEO Street Address: 12251 South 80 th Avenue	
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<input type="checkbox"/> Other	
<ul style="list-style-type: none"> ○ Corporations and limited liability companies must provide an Illinois certificate of good standing. ○ Partnerships must provide the name of the state in which they are organized and the name and address of each partner specifying whether each is a general or limited partner. 	
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Telephone Number: 708-923-5003
E-mail Address: tbrosnan@paloshealth.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: Timothy J. Brosnan
Title: Vice President, Planning and Community Relations
Company Name: Palos Community Hospital
Address: 12251 South 80 th Avenue, Palos Heights, Illinois 60463
Telephone Number: 708-923-5003
E-mail Address: tbrosnan@paloshealth.com
Fax Number:

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Palos Community Hospital
Address of Site Owner: 12251 South 80 th Avenue, Palos Heights, Illinois 60463
Street Address or Legal Description of the Site: See Attachment 2 for Legal Description of Site
Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statements, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease, or a lease.
APPEND DOCUMENTATION AS ATTACHMENT 2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Operating Identity/Licensee

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

Exact Legal Name: Palos Community Hospital			
Address: 12251 South 80 th Avenue, Palos Heights, Illinois 60463			
<input checked="" type="checkbox"/>	Non-profit Corporation	<input type="checkbox"/>	Partnership
<input type="checkbox"/>	For-profit Corporation	<input type="checkbox"/>	Governmental
<input type="checkbox"/>	Limited Liability Company	<input type="checkbox"/>	Sole Proprietorship
		<input type="checkbox"/>	Other
<ul style="list-style-type: none"> ○ Corporations and limited liability companies must provide an Illinois Certificate of Good Standing. ○ Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner. ○ Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership. 			
APPEND DOCUMENTATION AS ATTACHMENT 3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

Organizational Relationships

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

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

Flood Plain Requirements

[Refer to application instructions.]

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

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

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

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

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

DESCRIPTION OF PROJECT**1. Project Classification**

[Check those applicable - refer to Part 1110.20 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.

The St. George Corporation and Palos Community Hospital (the "Applicants") seek authority to construct a medical office building on the southwest corner of Route 30 and S. Owens Rd. to accommodate physician medical offices and exam rooms (the "Project"). The project site is currently undeveloped farm land. The total project cost is expected to be \$29,658,300 and will be funded with cash and cash equivalents.

The Project does not have an inpatient component nor does it establish any category of service. Further, no hospital functions will be operated within the building. However, the Project requires an expenditure in excess of the capital expenditure threshold. As such, it is classified as non-substantive.

The project will include new construction of 48,000 gross square feet of non-reviewable space.

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	\$0	\$25,000	\$25,000
Site Survey and Soil Investigation	\$0	\$5,000	\$5,000
Site Preparation	\$0	\$545,000	\$545,000
Off Site Work	\$0	\$0	\$0
New Construction Contracts	\$0	\$22,480,000	\$22,480,000
Modernization Contracts	\$0	\$0	\$0
Contingencies	\$0	\$1,073,300	\$1,073,000
Architectural/Engineering Fees	\$0	\$1,544,500	\$1,544,500
Consulting and Other Fees	\$0	\$50,000	\$50,000
Movable or Other Equipment (not in construction contracts)	\$0	\$3,895,500	\$3,895,500
Bond Issuance Expense (project related)	\$0	\$0	\$0
Net Interest Expense During Construction (project related)	\$0	\$0	\$0
Fair Market Value of Leased Space or Equipment	\$0	\$0	\$0
Other Costs To Be Capitalized	\$0	\$40,000	\$40,000
Acquisition of Building or Other Property (excluding land)	\$0	\$0	\$0
TOTAL USES OF FUNDS	\$0	\$29,658,300	\$29,658,300
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$0	\$29,658,300	\$29,658,300
Pledges	\$0	\$0	\$0
Gifts and Bequests	\$0	\$0	\$0
Bond Issues (project related)	\$0	\$0	\$0
Mortgages	\$0	\$0	\$0
Leases (fair market value)	\$0	\$0	\$0
Governmental Appropriations	\$0	\$0	\$0
Grants	\$0	\$0	\$0
Other Funds and Sources	\$0	\$0	\$0
TOTAL SOURCES OF FUNDS	\$0	\$29,658,300	\$29,658,300
NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT 7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

Related Project Costs

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

Land acquisition is related to project <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Purchase Price: \$ _____ Fair Market Value: \$ _____
The project involves the establishment of a new facility or a new category of service <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If yes, provide the dollar amount of all non-capitalized operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100. Estimated start-up costs and operating deficit cost is \$ _____.

Project Status and Completion Schedules

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

Indicate the stage of the project's architectural drawings:

- | | |
|---|--|
| <input type="checkbox"/> None or not applicable | <input type="checkbox"/> Preliminary |
| <input checked="" type="checkbox"/> Schematics | <input type="checkbox"/> Final Working |

Anticipated project completion date (refer to Part 1130.140): January 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.**

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

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

Facility Bed Capacity and Utilization

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert 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: Palos Community Hospital			CITY: Palos Heights		
REPORTING PERIOD DATES: From: 1/1/18 to: 12/31/18					
Category of Service	Authorized Beds	Admissions	Patient Days	Bed Changes	Proposed Beds
Medical/Surgical	306	15,369	70,876	n/a	306
Obstetrics	28	663	1,559	n/a	28
Pediatrics	15	5	12	n/a	15
Intensive Care	36	1,800	7,181	n/a	36
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness	40	1,336	5,250	n/a	40
Neonatal Intensive Care					
General Long Term Care					
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify))					
TOTALS:	425	19,173	84,878	n/a	410

CERTIFICATION

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

- in the case of a corporation, any two of its officers or members of its Board of Directors;
- in the case of a limited liability company, any two of its managers or members (or the sole 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 for Permit is filed on the behalf of The St. George Corporation *
in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the permit application fee required for this application is sent herewith or will be paid upon request.


SIGNATURE

Terrence Moisan, MD
PRINTED NAME

President
PRINTED TITLE



SIGNATURE

Donald Dixon
PRINTED NAME

Corporate Secretary
PRINTED TITLE

Notarization:

Subscribed and sworn to before me
this 19 day of SEPTEMBER, 2019


Signature of Notary

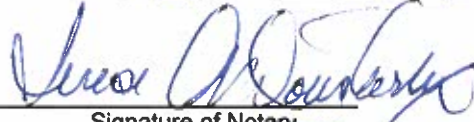
Seal

OFFICIAL SEAL
TERESE A DOUGHERTY
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES 01/23/22

*Insert EXACT legal name of the applicant

Notarization:

Subscribed and sworn to before me
this 19 day of SEPTEMBER, 2019


Signature of Notary

Seal

OFFICIAL SEAL
TERESE A DOUGHERTY
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES 01/23/22

CERTIFICATION

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

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SIGNATURE

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PRINTED NAME

President
PRINTED TITLE


SIGNATURE

Donald Dixon
PRINTED NAME

Corporate Secretary
PRINTED TITLE


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this 19 day of SEPTEMBER, 2019


Signature of Notary

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SECTION II. DISCONTINUATION (not applicable)

This Section is applicable to the discontinuation of a health care facility maintained by a State agency.

NOTE: If the project is solely for discontinuation and if there is no project cost, the remaining Sections of the application are not applicable.

Criterion 1110.290 – Discontinuation (State-Owned Facilities and All Relocations)

READ THE REVIEW CRITERION and provide the following information:

GENERAL INFORMATION REQUIREMENTS

1. Identify the categories of service and the number of beds, if any that is to be discontinued.
2. Identify all of the other clinical services that are to be discontinued.
3. Provide the anticipated date of discontinuation for each identified service or for the entire facility.
4. Provide the anticipated use of the physical plant and equipment after the discontinuation occurs.
5. Provide the anticipated disposition and location of all medical records pertaining to the services being discontinued and the length of time the records will be maintained.
6. For applications involving the discontinuation of an entire facility, certification by an authorized representative that all questionnaires and data required by HFSRB or DPH (e.g., annual questionnaires, capital expenditures surveys, etc.) will be provided through the date of discontinuation, and that the required information will be submitted no later than 90 days following the date of discontinuation.

REASONS FOR DISCONTINUATION

The applicant shall state the reasons for the discontinuation and provide data that verifies the need for the proposed action. See criterion 1110.290(b) for examples.

IMPACT ON ACCESS

1. Document whether or not the discontinuation of each service or of the entire facility will have an adverse effect upon access to care for residents of the facility's market area.
2. Document that a written request for an impact statement was received by all existing or approved health care facilities (that provide the same services as those being discontinued) located within 45 minutes travel time of the applicant facility.

APPEND DOCUMENTATION AS ATTACHMENT 10, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

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.

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)

Provide the following information:

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

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

ASSURANCES: (Not Applicable)

Submit the following:

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

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

SECTION V. SERVICE SPECIFIC REVIEW CRITERIA (not applicable)

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.

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 (Not Applicable)

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 (Not Applicable)

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

E. Total Effect of the Project on Capital Costs (Not Applicable)

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)

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		
ATTACHMENT NO.		PAGES
1	Applicant Identification including Certificate of Good Standing	27-28
2	Site Ownership	29-40
3	Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.	41-42
4	Organizational Relationships (Organizational Chart) Certificate of Good Standing Etc.	43
5	Flood Plain Requirements	44-45
6	Historic Preservation Act Requirements	46
7	Project and Sources of Funds Itemization	47
8	Financial Commitment Document if required	48
9	Cost Space Requirements	49
10	Discontinuation	50
11	Background of the Applicant	51-53
12	Purpose of the Project	54-56
13	Alternatives to the Project	57
14	Size of the Project	58
15	Project Service Utilization	59
16	Unfinished or Shell Space	60
17	Assurances for Unfinished/Shell Space	60
	Service Specific:	
18	Medical Surgical Pediatrics, Obstetrics, ICU	61
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30	Clinical Service Areas Other than Categories of Service	61
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	Financial and Economic Feasibility:	
33	Availability of Funds	62-101
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36	Economic Feasibility	103-107
37	Safety Net Impact Statement	108
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File Number

2564-757-2



To all to whom these Presents Shall Come, Greeting:

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

PALOS COMMUNITY HOSPITAL, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON MAY 02, 1938, 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 12TH day of SEPTEMBER A.D. 2019 .

Jesse White

SECRETARY OF STATE

Authentication #: 1925502626 verifiable until 09/12/2020
Authenticate at: <http://www.cyberdriveillinois.com>

File Number

6114-192-8



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

THE ST. GEORGE CORPORATION, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JULY 10, 2000, 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 12TH day of SEPTEMBER A.D. 2019 .

Jesse White

SECRETARY OF STATE

Authentication #: 1925502608 verifiable until 09/12/2020
Authenticate at: <http://www.cyberdriveillinois.com>

Site Ownership

Attached are copies of warranty deeds showing Palos Community Hospital has control of the site.

At some point there may be a reorganization through which The St. George Corporation receives the deeds. This is for disclosure purposes only.

UNOFFICIAL COPY

WARRANTY DEED

Statutory (Illinois)

Chicago Title

R2017011868**KAREN A. STUKEL
WILL COUNTY RECORDER
RECORDED ON****02/07/2017 9:43:22 AM****RECORDING FEES: 40.75****IL RENTAL HSNL: 9.00****CONSIDERATION: 1,261,000.00****WILL COUNTY TAX:****IL STATE TAX:****PAGES: 6****ETS**

8983353-06 (2 of 2)

THE GRANTOR, SIX PACK, L.L.C., an Indiana limited liability company, for and in consideration of TEN and no/100ths (\$10.00) Dollars and other good and valuable consideration in hand paid, CONVEYS and WARRANTS to GRANTEE, PALOS COMMUNITY HOSPITAL, an Illinois not-for-profit corporation, the following described Real Estate situated in the County of Will, in the State of Illinois, to-wit:

SEE LEGAL DESCRIPTION & PERMITTED EXCEPTIONS
ATTACHED HERETO AS EXHIBITS "A" AND "B"
AND MADE A PART HEREOF

hereby releasing and waiving all rights under and by virtue of the Homestead Exemption Laws of the State of Illinois.

Property Index Numbers: 09-19-400-032-0000

Property Address: Vacant land at Owens and Route 30, Mokena, Illinois 60448

DATED this 16th day of December, 2016.

SIX PACK, L.L.C, an Indiana corporation

By: David Goich

David Goich, Managing Member

1006 col

UNOFFICIAL COPY

State of ILLINOIS)
) SS
 County of ~~COOK~~VILL)

I, the undersigned, a Notary Public in and for said County, the State aforesaid, DO HEREBY CERTIFY that David Goich, the managing member of Six Pack, L.L.C., an Indiana limited liability company, personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person, and acknowledged that he signed, sealed and delivered the said instrument as his free and voluntary act, and the free and voluntary act of said company, for the uses and purposes therein set forth.

Given under my hand and official seal this 16 day of December, 2016.



Katherine M. Orseno
 NOTARY PUBLIC

This instrument prepared by:
 Joey Waldman,
 Fisher Cohen Waldman Shapiro, LLP
 1247 Waukegan Road, Suite 100
 Glenview, Illinois 60025

After recording, please mail to:
 Stephen L. Ruff, Jr.
 200 North LaSalle Street, Suite 2020
 Chicago, Illinois 60601

GRANTEE'S ADDRESS

Mail Subsequent Tax Bills to:
 Palos Community Hospital
 12251 South 80th Avenue
 Palos Heights, Illinois 60463
 Attn: General Counsel

**Exempt under provisions of Paragraph (b)
 Section 4, Real Estate Transfer Act**

Dated: 12/16/, 2016

By: D & Goich

EXHIBIT "A"**LEGAL DESCRIPTION**

THAT PART OF THE WEST HALF OF THE SOUTHEAST QUARTER OF SECTION 19, TOWNSHIP 35 NORTH, RANGE 12, EAST OF THE THIRD PRINCIPAL MERIDIAN, LYING SOUTHERLY OF U.S. ROUTE 30 AND LYING WESTERLY OF THE WESTERLY RIGHT-OF-WAY LINE OF OWENS ROAD AS DESCRIBED ON THE PLAT OF DEDICATION RECORDED ON JUNE 12, 1996 AS DOCUMENT NO. R96-52058; ALSO EXCEPTING THEREFROM ANY PART THEREOF LYING WITHIN THE PARCEL OF LAND DESCRIBED IN THE INDENTURE RECORDED ON SEPTEMBER 15, 1998, AS DOCUMENT NO R98-108708; DESCRIBED AS FOLLOWS:: THAT PART OF THE WEST 1/2 OF THE SOUTHEAST 1/4 OF SECTION 19, TOWNSHIP 35 NORTH, RANGE 12 EAST OF THE THIRD PRINCIPAL MERIDIAN DESCRIBED AS FOLLOWS:: COMMENCING AT THE SOUTHEAST 1/4 CORNER OF SECTION 19; THENCE NORTH 00 DEGREES 02 MINUTES 35 SECONDS EAST 1481.21 FEET TO THE POINT OF BEGINNING; THENCE ALONG THE LAST DESCRIBED COURSE 294.74 FEET; THENCE SOUTH 89 DEGREES 57 MINUTES 25 SECONDS EAST 79.06 FEET; THENCE SOUTH 38 DEGREES 41 MINUTES 04 SECONDS EAST 117.89 FEET; THENCE ALONG A CURVE CONVEX TO THE NORTHWEST HAVING A RADIUS OF 515.00 FEET AND AN ARC LENGTH OF 256.54 FEET TO THE POINT OF BEGINNING, ALL IN WILL COUNTY, ILLINOIS, ALSO EXCEPTING THEREFROM ANY PART THEREOF LYING WITHIN THE PARCEL OF LAND DESCRIBED IN THE DEED RECORDED ON FEBRUARY 23, 2010 AS DOCUMENT NO. R2010020293; AND DESCRIBED AS FOLLOWS: THAT PART OF THE SOUTHEAST 1/4 OF SECTION 19, TOWNSHIP 35 NORTH, RANGE 12 EAST OF THE THIRD PRINCIPAL MERIDIAN, DESCRIBED AS FOLLOWS:: COMMENCING AT THE SOUTHWEST CORNER OF SAID SOUTHEAST 1/4; THENCE NORTH 00 DEGREES, 02 MINUTES, 35 SECONDS EAST ON THE WEST LINE OF SAID SOUTHEAST 1/4 2350.55 FEET TO THE SOUTH RIGHT OF WAY LINE OF ROUTE 30 AS DEDICATED BY DOCUMENT 343004; THENCE SOUTH 75 DEGREES, 27 MINUTES 44 SECONDS EAST, ON SAID RIGHT OF WAY LINE, 608.88 FEET TO THE WEST RIGHT OF WAY LINE OF OWENS ROAD AS DEDICATED BY DOCUMENT NO. R98-52058 AND TO THE POINT OF BEGINNING; THENCE SOUTH 14 DEGREES 35 MINUTES, 25 SECONDS WEST, ON SAID WEST RIGHT OF WAY LINE, 128.13 FEET TO A POINT OF CURVATURE; THENCE SOUTHWESTERLY ON SAID WEST RIGHT OF WAY LINE AND ON A 430.00 FOOT RADIUS CURVE CONCAVE NORTHWESTERLY, 343.16 FEET, THE CHORD OF SAID CURVE BEARS SOUTH 37 DEGREES, 27 MINUTES 10 SECONDS WEST, 334.13 FEET ON SAID WEST RIGHT OF WAY LINE, TO A POINT OF TANGENCY; THENCE SOUTH 60 DEGREES, 18 MINUTES, 56 SECONDS WEST, ON SAID WEST RIGHT OF WAY LINE, 19.03 FEET; THENCE NORTH 16 DEGREES, 53 MINUTES, 10 SECONDS WEST, 183.00 FEET; THENCE NORTH 14 DEGREES, 35 MINUTES, 22 SECONDS EAST, 293.00 FEET TO THE SOUTH RIGHT OF WAY LINE OF SAID U. S. ROUTE 30; THENCE SOUTH 75 DEGREES 27 MINUTES, 44 SECONDS EAST, ON SAID SOUTH RIGHT OF WAY LINE, 239.00 FEET TO THE POINT OF BEGINNING, IN COOK COUNTY, ILLINOIS, ALSO EXCEPTING PROPERTY TAKEN BY CONDEMNATION IN THE CIRCUIT COURT OF WILL COUNTY, UNDER CASE NUMBER 10ED115, ALL IN WILL COUNTY, ILLINOIS.

COMMONLY KNOWN AS: VACANT LAND AT OWENS AND ROUTE 30, MOKENA, ILLINOIS

PROPERTY INDEX NUMBER: 09-19-400-032-0000

EXHIBIT B**Permitted Exceptions**

Grantee is taking title to the real estate subject to the following:

1. General real estate taxes for 2016 and subsequent years;
2. Rights of the public, the State of Illinois and the Municipality in and to that part of the land, if any, taken or used for road purposes;
3. Terms, provisions and conditions of Annexation Agreement recorded December 2, 1994 as Document 94108571;
4. Rights of the Municipality, the State of Illinois, the public and adjoining owners in and to vacated street;
5. Rights of way for drainage tiles, ditches, feeders, laterals and underground pipes, if any and
6. Rights of the public and quasi-public utilities, if any, in said vacated street for maintenance therein of poles, conduits, sewers and other facilities.

PLAT ACT AFFIDAVIT

STATE OF ILLINOIS

Escrow No.: 2010999012381ncf

COUNTY OF COOK WILL

David G. Dich of 1544 Janice Lane Munster, IN. 46321

The undersigned being the sole member of Six Pack, LLC, an Indiana limited liability company being duly sworn on oath, states that it, is the owner of the property commonly known as the vacant land at Owens and Route 30, Mokena, Illinois. That the attached deed is not in violation of 765 ILCS 205/1 for one of the following reasons:

- ① Said Act is not applicable as the grantors own no adjoining property to the premises described in said deed;
- OR -
2. The division or subdivision of the land into parcels or tracts of five (5) acres or more in size which does not involve any new streets or easements of access.
 3. The divisions of lots or blocks of less than one (1) acre in any recorded subdivision which does not involve any new streets or easements of access.
 4. The sale or exchange of parcels of land between owners of adjoining and contiguous land.
 5. The conveyance of parcels of land or interests therein for use as right of way for railroads or other public utility facilities, which does not involve any new streets or easement of access.
 6. The conveyance of land owned by a railroad or other public utility which does not involve any new streets or easements of access.
 7. The conveyance of land for highway or other public purposes or grants or conveyances relating to the dedication of land for public use or instruments relating to the vacation of land impressed with a public use.
 8. Conveyances made to correct descriptions in prior conveyances.
 9. The sale or exchange of parcels or tracts of land existing on the date of the amendatory Act into no more than two (2) parts and not involving any new streets or easements of access.

CIRCLE NUMBER ABOVE WHICH IS APPLICABLE TO ATTACHED DEED.

Affiant further states that it makes this affidavit for the purpose of inducing the Recorder of Deeds of Cook County, Illinois, to accept the attached deed for recording.

IN WITNESS WHEREOF, the undersigned have executed this document on the date(s) set forth below.

Six Pack, LLC, an Indiana limited liability company

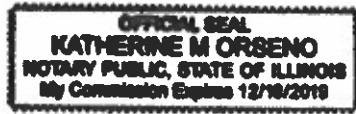
By: D G Dich

Its: Managing Member

UNOFFICIAL COPY

PLAT ACT AFFIDAVIT
(continued)

STATE OF ILLINOIS

COUNTY OF ~~COOK~~
WILLSubscribed and sworn to before me this 16th day of December, 2016

Notary Public



THIS INSTRUMENT PREPARED BY:

1 of 1
 Marcia Owens,
 Hamilton Thies & Lorch LLP
 200 S. Wacker Drive, Suite 3800
 Chicago, IL 60606

R2016104557
KAREN A. STUKEL
WILL COUNTY RECORDER
RECORDED ON
12/29/2016 9:57:47 AM
RECORDING FEES: 39.75
IL RENTAL HSNL: 9.00
CONSIDERATION: 900000.00
WILL COUNTY TAX: 0.00
IL STATE TAX: 0.00
PAGES: 5
LEH

UPON RECORDING RETURN TO:

8983353-1 D6
 Stephen L. Ruff, Jr.
 Ruff, Freud Breems & Nelson, Ltd.
 200 North LaSalle Street, Suite 2020
 Chicago, IL 60601

SPECIAL WARRANTY DEED

THIS SPECIAL WARRANTY DEED is made as of December 16 2016, from TIPOTA LLC, an Illinois limited liability company ("Grantor"), having an address of 515 N. State Street, Suite 2660, Chicago, Illinois 60654, to PALOS COMMUNITY HOSPITAL, an Illinois not for profit corporation ("Grantee"), having an address of 12251 South 80th Avenue, Palos Heights, Illinois 60463.

Grantor, for and in consideration of the sum of Ten and No/100 Dollars (\$10.00) paid to Grantor and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, has GRANTED, BARGAINED, SOLD AND CONVEYED and does hereby GRANT, BARGAIN, SELL AND CONVEY unto Grantee, all of Grantor's interest in the real property located in Will County, Illinois, and being more particularly described on Exhibit A attached hereto (the "Property").

This conveyance is made and accepted subject (1) real estate taxes not yet due and payable; (2) general and special assessments payable after the date hereof; (3) liens, claims, easements, covenants, restrictions, encumbrances, and other matters of record; (4) zoning and other laws, ordinances, and regulations; (5) rights of tenants in possession as tenants only; and (6) those matters set forth in Exhibit B attached hereto and made a part hereof (collectively, the "Permitted Exceptions").

TO HAVE AND TO HOLD the Property, subject to the Permitted Exceptions, unto Grantee and Grantee's successors and assigns in fee simple forever; and, subject to the Permitted Exceptions, Grantor does hereby warrant the title to the Property and will defend the title to the Property against the lawful claims of every person claiming by, through, or under Grantor, but not otherwise.

HTL 00155999

IN WITNESS WHEREOF, Grantor has executed this Deed as of the day and year first above written.

GRANTOR:

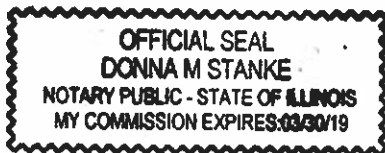
TIPOTA LLC,
an Illinois limited liability company

By: 
Chris G. Sotos, Manager

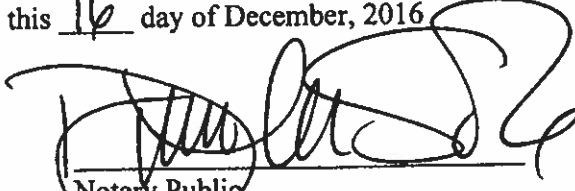
STATE OF ILLINOIS }
 } ss.
COUNTY OF COOK }

I, the undersigned, a Notary Public, in and for the County and State aforesaid, DO HEREBY CERTIFY, that Chris G. Sotos, personally known to me to be the Manager of TIPOTA LLC, an Illinois limited liability company, and personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that as such Manager, he signed and delivered the said instrument, as his free and voluntary act, and as the free and voluntary act and deed of said limited liability company, for the uses and purposes therein set forth.

Given under my hand and official seal, this 16 day of December, 2016



My Commission Expires:


Notary Public

Send subsequent tax bills to:

Palos Community Hospital
12251 South 80th Avenue
Palos Heights, IL 60463

This transaction is exempt under the provisions of paragraph (b) 35 ILCS 200/31-45, the Real Estate Transfer Tax Law.



Attorney
Date: December 16, 2016

Exhibit "A" to Deed – Legal Description

THAT PART OF THE SOUTHEAST 1/4 OF SECTION 19, TOWNSHIP 35 NORTH, RANGE 12, EAST OF THE THIRD PRINCIPAL MERIDIAN, DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHWEST CORNER OF SAID SOUTHEAST 1/4; THENCE NORTH 00 DEGREES 02 MINUTES 35 SECONDS EAST, ON THE WEST LINE OF SAID SOUTHEAST 1/4, 2350.55 FEET TO THE SOUTH RIGHT OF WAY LINE OF ROUTE 30 AS DEDICATED BY DOCUMENT NO. 343004; THENCE SOUTH 75 DEGREES 27 MINUTES 44 SECONDS EAST, ON SAID SOUTH RIGHT OF WAY LINE, 608.88 FEET TO THE WEST RIGHT OF WAY LINE OF OWENS ROAD AS DEDICATED BY DOCUMENT NO. R96-52058 AND TO THE POINT OF BEGINNING; THENCE SOUTH 14 DEGREES 35 MINUTES 25 SECONDS WEST, ON SAID WEST RIGHT OF WAY LINE, 128.13 FEET TO A POINT OF CURVATURE; THENCE SOUTHWESTERLY ON SAID WEST RIGHT OF WAY LINE AND ON A 430.00 FOOT RADIUS CURVE CONCAVE NORTHWESTERLY, 343.16 FEET, THE CHORD OF SAID CURVE BEARS SOUTH 37 DEGREES 27 MINUTES 10 SECONDS WEST, 334.13 FEET ON SAID WEST RIGHT OF WAY LINE, TO A POINT OF TANGENCY; THENCE SOUTH 60 DEGREES 18 MINUTES 56 SECONDS WEST, ON SAID WEST RIGHT OF WAY LINE, 19.03 FEET; THENCE NORTH 16 DEGREES 53 MINUTES 10 SECONDS WEST, 183.00 FEET; THENCE NORTH 14 DEGREES 35 MINUTES 22 SECONDS EAST, 293.00 FEET TO THE SOUTH RIGHT OF WAY LINE OF SAID U.S. ROUTE 30; THENCE SOUTH 75 DEGREES 27 MINUTES 44 SECONDS EAST, ON SAID SOUTH RIGHT OF WAY LINE, 239.00 FEET TO THE POINT OF BEGINNING, IN WILL COUNTY, ILLINOIS

EXCEPT THEREFROM THAT PART OF THE LAND CONVEYED TO THE PEOPLE OF THE STATE OF ILLINOIS DEPARTMENT OF TRANSPORTATION RECORDED AUGUST 9, 2010 AS DOCUMENT R2010-80511 AND DESCRIBED AS FOLLOWS:

THAT PART OF THE SOUTHEAST 1/4 OF SECTION 19, TOWNSHIP 35 NORTH, RANGE 12 EAST OF THE THIRD PRINCIPAL MERIDIAN, IN WILL COUNTY, ILLINOIS, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHWEST CORNER OF SAID SOUTHEAST 1/4; THENCE NORTH 01 DEGREES 41 MINUTES 25 SECONDS WEST (BEARING AS REFERENCE TO THE ILLINOIS STATE PLANE COORDINATE SYSTEM EASTERN ZONE NORTH AMERICAN DATUM OF 1983 (2007), ALONG THE WEST LINE OF SAID SOUTHEAST 1/4, 2303.84 FEET; THENCE SOUTH 77 DEGREES 12 MINUTES 18 SECONDS EAST, 358.81 FEET TO THE WEST LINE OF PARCEL OF LAND CONVEYED BY DOCUMENT NO. R2005-086121 AND THE POINT OF BEGINNING; THENCE CONTINUING SOUTH 77 DEGREES 12 MINUTES 18 SECONDS EAST, 239.00 FEET, TO THE WEST RIGHT OF WAY LINE OF OWNS ROAD AS DEDICATED BY DOCUMENT NO. R96-052058; THENCE NORTH 12 DEGREES 54 MINUTES 02 SECONDS EAST, ALONG SAID WEST RIGHT OF WAY LINE, 45.00 FEET TO THE SOUTH RIGHT OF WAY LINE OF ROUTE 30 AS DEDICATED BY DOCUMENT NO. 343004; THENCE NORTH 77 DEGREES 12 MINUTES 18 SECONDS WEST, ALONG SAID SOUTH RIGHT OF WAY LINE, 239.00 FEET, TO THE WEST LINE OF SAID DOCUMENT NO. R2005-086121; THENCE SOUTH 12 DEGREES 53 MINUTES 57 SECONDS WEST, ALONG SAID WEST LINE, 45.00 TO THE POINT OF BEGINNING

Property Address: SWC Owens & Route 30, Mokena, Illinois 60448

Permanent Index Number: 19-09-19-400-033-0000

Exhibit "B" to Deed – Permitted Encumbrances

1. GENERAL REAL ESTATE TAXES, NOT YET DUE, FOR 2016 AND SUBSEQUENT YEARS.
2. DEDICATION FOR A PUBLIC HIGHWAY BY JAMES W. OWEN AND OTHERS TO THE PEOPLE OF THE STATE OF ILLINOIS RECORDED SEPTEMBER 28, 1922 AS DOCUMENT 343004 OF THAT PART OF THE LAND FALLING IN THE FOLLOWING DESCRIBED TRACT OF LAND:

PART OF THE SOUTH 1/2 OF SECTION 19, TOWNSHIP 35 NORTH, RANGE 12 EAST OF THE THIRD PRINCIPAL MERIDIAN IN WILL COUNTY, ILLINOIS; BEING ALL THAT PROPERTY LYING BETWEEN THE BOUNDARY OF THE PRESENT HIGHWAY AND A LINE RUNNING PARALLEL WITH AND 30 FEET TO THE RIGHT OF THE CENTER OF CONSTRUCTION OF ROUTE 22, OF THE STATE WIDE SYSTEM OF DURABLE HARD-SURFACED ROADS, WHICH SAID CENTER LINE IS DESCRIBED AS FOLLOWS: TO WIT:

BEGINNING AT A POINT WHERE THE WEST LINE OF SAID SECTION 19 CROSSES THE AFORESAID CENTER LINE AT CONSTRUCTION STATION 263-75; THENCE SOUTH 80 DEGREES 07 MINUTES EAST 66.6 FEET ALONG SAID CENTER LINE TO A POINT AT CONSTRUCTION STATION 264-41.6; THENCE SOUTH 79 DEGREES 56 MINUTES EAST 2,452.8 FEET ALONG SAID CENTER LINE TO A POINT AT CONSTRUCTION STATION 288-94.4; THENCE SOUTH 78 DEGREES 53 MINUTES EAST 1,915.5 FEET ALONG SAID CENTER LINE TO A POINT AT CONSTRUCTION STATION 308-09.8; THENCE SOUTH 77 DEGREES 52 MINUTES EAST 834.1 FEET TO A POINT AT CONSTRUCTION STATION 316-43.9 WHICH POINT IS THE POINT OF BEGINNING OF A CURVE TO THE LEFT HAVING A RADIUS OF 5,729.6 FEET; THENCE 136.1 FEET ALONG SAID CURVE TO A POINT AT CONSTRUCTION STATION 317-80 AS PER MAPS OF SAID STATE WIDE SYSTEM OF DURABLE HARD-SURFACED ROADS ON FILE IN THE DEPARTMENT OF PUBLIC WORKS AND BUILDINGS OF THE STATE OF ILLINOIS DIVISION OF HIGHWAYS

3. RIGHTS OF THE PUBLIC, THE STATE OF ILLINOIS AND THE MUNICIPALITY IN AND TO THAT PART OF THE LAND, IF ANY, TAKEN OR USED FOR ROAD PURPOSES.
4. RIGHTS OF WAY FOR DRAINAGE TILES, DITCHES, FEEDERS, LATERALS AND UNDERGROUND PIPES, IF ANY.
5. EXISTING UNRECORDED LEASES AND ALL RIGHTS THEREUNDER OF THE LESSEES AND OF ANY PERSON OR PARTY CLAIMING BY, THROUGH OR UNDER THE LESSEES.
6. TERMS, PROVISIONS AND CONDITIONS OF ANNEXATION AGREEMENT RECORDED DECEMBER 2, 1994 AS DOCUMENT 94 108571.

UNOFFICIAL COPY

PLAT ACT AFFIDAVIT

STATE OF ILLINOIS

} SS

COUNTY OF COOK

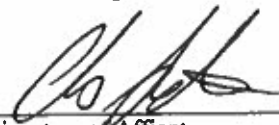
FILE NO.

Chris Sotos of 515 N State Street Chicago IL 60654

being duly sworn on oath, states that the attached deed is not in violation of 765 ILCS 205/1 for one of the following reasons:

1. The sale or exchange is of an entire tract of land not being a part of a larger tract of land.
2. The division or subdivision of the land into parcels or tracts of five acres or more of size which does not involve any new streets or easements of access
3. The division is of lots or blocks of less than one acre in any recorded subdivision which does not involve any new streets or easements of access.
4. The sale or exchange of parcels of land is between owners of adjoining and contiguous land.
5. The conveyance is of parcels of land or interests therein for use as right of way for railroads or other public utility facilities, which does not involve any new streets or easement of access.
6. The conveyance is of land owned by a railroad or other public utility which does not involve any new streets or easements of access.
7. The conveyance is of land for highway or other public purposes or grants or conveyances relating to the dedication of land for public use or instruments relating to the vacation of land impressed with a public use.
8. The conveyance is made to correct descriptions in prior conveyances.
9. The sale or exchange is of parcels or tracts of land following the division into no more than two parts of a particular parcel or tract of land existing on July 17, 1959, and not involving any new streets or easements of access.
10. The sale is of a single lot of less than five acres from a larger tract, the dimensions and configurations of said larger tract having been determined by the dimensions and configurations of said larger tract on October 1, 1973, and no sale prior to this sale, or any lot or lots from said larger tract having taken place since October 1, 1973, and a survey of said single lot having been made by a registered land surveyor.

AFFIANT further states that he/she makes this affidavit for the purpose of inducing the Recorder of Will County, Illinois, to accept the attached deed for recording.


Signature of Affiant

SUBSCRIBED AND SWORN TO BEFORE ME

this 16 day of December, 2016.


Notary Public



File Number

2564-757-2



To all to whom these Presents Shall Come, Greeting:

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

PALOS COMMUNITY HOSPITAL, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON MAY 02, 1938, 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 12TH
day of SEPTEMBER A.D. 2019 .***

Jesse White

SECRETARY OF STATE

Authentication #: 1925502626 verifiable until 09/12/2020
Authenticate at: <http://www.cyberdriveillinois.com>

File Number

6114-192-8



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

THE ST. GEORGE CORPORATION, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JULY 10, 2000, 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.



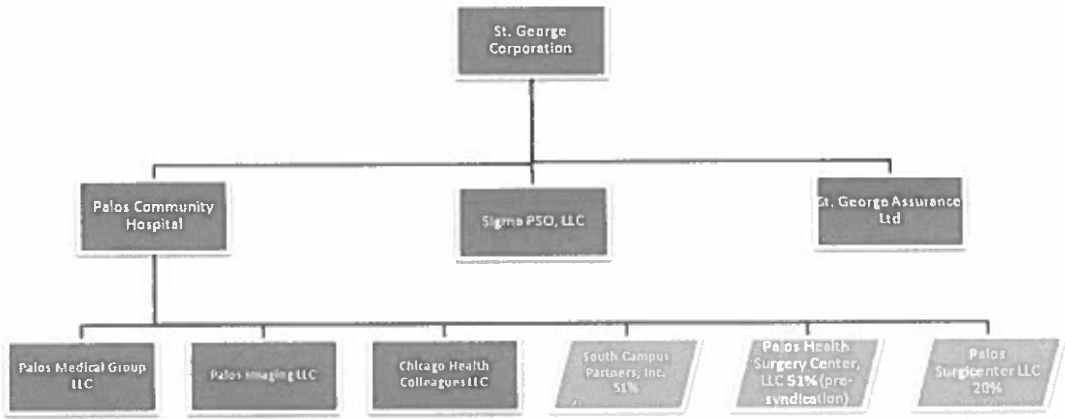
***In Testimony Whereof, I hereto set
my hand and cause to be affixed the Great Seal of
the State of Illinois, this 12TH
day of SEPTEMBER A.D. 2019 .***

Jesse White

SECRETARY OF STATE

Authentication #: 1925502608 verifiable until 09/12/2020
Authenticate at: <http://www.cyberdriveillinois.com>

St. George Corporation Entity Chart



Flood Plain Requirements

The site of the proposed project complies with the requirements of Illinois Executive Order #2005-5. The project site is at the southwest corner of Route 30 and S. Owens Rd. Mokena, Illinois 60448. Please see the attached Flood Plain Insurance Rate Map (FIRM) documenting that the project site is not located in a Special Flood Hazard Area.

Historic Resources Preservation Act Requirements

The Applicants have requested a Historic Preservation Act determination from the Illinois Historic Preservation Agency. Documentation that no historic, architectural or archaeological sites exist within the project site will be submitted under separate cover upon receipt.

Project Costs			
Use of Funds	Reviewable	Non-Reviewable	Total
Preplanning Costs	\$0	\$25,000	\$25,000
Site Survey and Soil Investigation	\$0	\$5,000	\$5,000
Site Preparation	\$0	\$545,000	\$545,000
Off Site Work	\$0	\$0	\$0
New Construction Costs	\$0	\$22,480,000	\$22,480,000
Modernization Contracts	\$0	\$0	\$0
Contingencies	\$0	\$1,073,300	\$1,073,300
Architectural/Engineering Fees	\$0	\$1,544,500	\$1,544,500
Consulting and Other Fees	\$0	\$50,000	\$50,000
Movable and Other Equipment (not in construction contracts)	\$0	\$3,895,500	\$3,895,500
CT	\$0	\$2,000,000	\$2,000,000
X-Ray	\$0	\$450,000	\$450,000
Exam Rooms	\$0	\$675,000	\$675,000
Procedure Rooms	\$0	\$350,000	\$350,000
Support Rooms	\$0	\$25,000	\$25,000
Lab	\$0	\$225,000	\$225,000
Shipping and Installation	\$0	\$74,500	\$74,500
Furniture	\$0	\$96,000	\$96,000
Bond Issuance Expense (Project related)	\$0	\$0	\$0
Net Interest Expense During Construction (Project related)	\$0	\$0	\$0
Fair Market Value of Leased Space or Equipment	\$0	\$0	\$0
Other Costs to be Capitalized	\$0	\$40,000	\$40,000
Builder's Risk Insurance	\$0	\$40,000	\$40,000
Acquisition of Building or Other Property (Excluding land)	\$0	\$0	\$0
Total Uses of Funds	\$0	\$29,658,300	\$29,658,300

Active CON Permits

The Applicants do not have any active permits.

Cost Space Requirements

The Applicants propose to build a medical office building. The following is a list of equipment and construction costs by department.

		Gross Square Feet		Amount of Proposed Total Gross Square Feet That is:			
Dept. / Area (list below)	Cost	Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
Reviewable							
Total Reviewable	\$0	0	0	0	0	0	0
Non-Reviewable							
Physician Offices	\$23,289,600		36,000	36,000			
Lobby/Public Areas	\$5,123,760		9,600	9,600			
Stairwells	\$1,244,940		2,400	2,400			
Total Non-Reviewable	\$29,658,300	0	48,000	48,000	0	0	0

Section 1110.130 Discontinuation

The applicant does not propose the discontinuation of a health care facility or a category of service. Therefore this section is not applicable.

Richard Sewell
 Vice Chair
 Illinois Health Facilities and Services Review Board
 525 West Jefferson Street, 2nd Floor
 Springfield, Illinois 62761


RE: Attachment 11 - Background of Applicant

Dear Vice Chair Sewell:

The following information addresses the four points of the subject criterion 1110.230:

1. The health care facilities owned or operated by the Applicants include:
Palos Community Hospital
 License Identification Number: 0003210
2. Proof of current licensure and accreditation is attached.
3. There have been no adverse actions taken against the health care facilities owned or operated by the applicant during the three years prior to the filing of this application.
4. This letter serves as authorization permitting the State Board and Agency access to information in order to verify any documentation or information submitted in response to the requirements of this subsection or to obtain any documentation or information which the State Board or Agency finds pertinent to this subsection.

Sincerely,

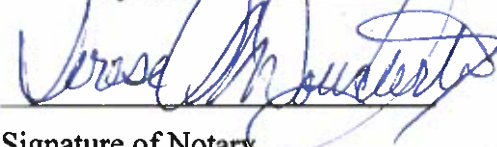

 Terrence Moisan, MD
 Palos Community Hospital

Attachments

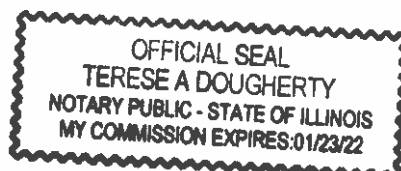
Notarization:

Subscribed and sworn to before


me this 19 day of SEPTEMBER, 2019


 Signature of Notary

seal



Attachment-11

 Illinois Department of PUBLIC HEALTH		HF116937
LICENSE, PERMIT, CERTIFICATION, REGISTRATION		
<small>The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.</small>		
Nirav D. Shah, M.D.,J.D. Director		<small>Issued under the authority of the Illinois Department of Public Health</small>
<small>EXPIRATION DATE</small> 12/31/2019	<small>CATEGORY</small> General Hospital	<small>ID NUMBER</small> 0003210
Effective: 01/01/2019		
Palos Community Hospital 12251 S 80th Ave Palos Heights, IL 60463		
<small>The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. 648240 5M 5/18</small>		

← DISPLAY THIS PART IN A
CONSPICUOUS PLACE

Exp. Date 12/31/2019

Lic Number 0003210

Date Printed 11/14/2018

Palos Community Hospital

12251 S 80th Ave
Palos Heights, IL 60463

FEE RECEIPT NO.

Attachment- 11a
52



June 28, 2017

Terrance Moisan
CEO
Palos Community Hospital
12251 South 80th Avenue
Palos Heights, IL 60463

Joint Commission ID #: 7306
Program: Hospital Accreditation
Accreditation Activity: 60-day Evidence of
Standards Compliance
Accreditation Activity Completed: 06/28/2017

Dear Dr. Moisan:

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

- **Comprehensive Accreditation Manual for Hospitals**

This accreditation cycle is effective beginning April 08, 2017 and is customarily valid for up to 36 months. Please note, The Joint Commission reserves the right to shorten or lengthen the duration of the cycle.

Should you wish to promote your accreditation decision, please view the information listed under the 'Publicity Kit' link located on your secure extranet site, The Joint Commission Connect.

The Joint Commission will update your accreditation decision on Quality Check®.

Congratulations on your achievement.

Sincerely,

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

Section III, Purpose of the Project, and Alternatives – Information Requirements

Purpose of Project

As a physician-based practice, there are no review standards or criteria for the space to be occupied by Palos Health.

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

Opened in 1972, Palos Health is a fully integrated, community-based healthcare system consisting of 425-bed Palos Hospital, 80-provider Palos Medical Group and multiple suburban Chicago locations. With more than 3,000 employees and nearly 900 volunteers, Palos Health is a vital corporate citizen. As part of its mission, Palos Health consistently and compassionately provides high quality healthcare services to all members of its communities without regard for their ability to pay.

The Applicants propose to construct a new medical office building (MOB) in Mokena, Illinois. The purpose of this project is to improve access to quality, coordinated, efficient and cost effective services for the residents of Mokena and surrounding communities. The Mokena MOB project will provide office space for additional physicians and midlevel providers to ensure the availability of healthcare services as care shifts to the outpatient setting. In doing so, the Project will improve access to patients residing in and around Mokena and enable healthcare professionals in the broader geographic area to provide healthcare services at the planned location.

The Project will improve access in Mokena and surrounding areas to primary and specialty physician care and diagnostics. Access to these services is essential to the overall well-being of the communities Palos Health serves, particularly in light of the aging population and the co-morbidities associated with that shifting age cohort.

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

It is anticipated that the majority of the patients using the proposed MOB will reside within 10 miles of the facility. A list of all zip codes located, in total or in part, within 10 miles of the site is provided below:

ZIP	Name
60442	Manhattan
60468	Peotone
60449	Monee
60484	University Park
60423	Frankfort
60471	Richton Park
60443	Matteson
60461	Olympia Fields
60422	Flossmoor
60430	Homewood

60478	Country Club Hills
60429	Hazel Crest
60477	Tinley Park
60452	Oak Forest
60462	Orland Park
60487	Tinley Park
60448	Mokena
60451	New Lenox
60467	Orland Park
60491	Homer Glen
60464	Palos Park
60439	Lemont
60441	Lockport
60432	Joliet
60433	Joliet
60421	Elwood
60436	Joliet

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

Demand for physician services in the United States has grown substantially over the past two decades due to the nation's expanding and aging population and improving insurance coverage. This growth has led Palos Medical Group to expand its compliment of providers and range of services over the past several years. Accordingly, the proposed Mokena site is needed to extend the care continuum and complement the acute services provided at the hospital. To address existing demand and allow for anticipated growth among the services that will occupy the proposed clinic, Palos Health must add office space to accommodate additional providers.

Further, although Mokena and surrounding areas are in Palos Health's service area, Palos Health does not have an office in Mokena. Instead, Palos Health patients from the market area are currently traveling to Orland Park to obtain care. By adding the proposed MOB, Palos Health will allow patients to obtain care closer to home.

4. Cite the sources of the information provided as documentation.

The proposed MOB takes into account multiple external sources that demonstrate historical and anticipated growth in demand for outpatient physician services. It was also informed by analysis of internal documents.

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

As discussed in greater detail above, the proposed MOB will allow the Applicants to improve access to care for residents of Mokena and surrounding areas.

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

The goal of the proposed MOB is to provide contemporary and easily accessible office space for area providers. Upon the opening of the MOB, that goal, as it relates to the market area identified above, will be met.

Alternatives to the Proposed Project

The Applicants propose to build a medical office building. The Applicants believe that the proposed project is the most effective and least costly alternative to the other alternatives considered when balancing access and quality with costs. The following narrative consists of a comparison of the proposed project to alternative options.

The applicants have considered the following alternatives:

A) Project of Lesser Scope: Do Nothing (\$0)

This option would not address the growing demand for services in the area and would not allow Palos Health to serve residents of Mokena and surrounding areas closer to home. Further, it would not extend the care continuum and complement the acute services provided at the hospital or provide for enhancement of ambulatory care services access in the communities Palos Health serves.

Under this option, patient access and patient satisfaction would be adversely affected. For these reasons, this alternative was rejected.

B) Build a medical office building in Mokena (Proposed). (\$29,658,300)

The Applicants ultimately decided to construct an MOB in Mokena, Illinois. The chosen option will provide additional medical office space in a cost effective manner. It will also allow Palos Health to serve existing patients closer to home.

For all of these reasons, this option is the one chosen for the proposed project.

Size of Project

This space criterion is applicable only to projects that involve hospital spaces under licensure of the Illinois Hospital Licensing Act for which standards are set pursuant to Appendix B of Part 1110 of the Illinois Health Facilities and Services Review Board rules. This building will not include any hospital outpatient departments, and therefore, none of the spaces will be under a hospital license (nor will they include long-term care, ICF/DD Facilities, ASTC, Dialysis or Freestanding Emergency Center space). Accordingly, all of this space is non-reviewable and this criterion is not applicable.

Project Services Utilization

This utilization criterion is applicable only to projects that involve hospital services under licensure of the Illinois Hospital Licensing Act for which standards are set pursuant to Appendix B of Part 1110 of the Illinois Health Facilities and Services Review Board rules. This building will not include any hospital outpatient departments, and therefore, none of the spaces will be under a hospital license (nor will they include long-term care, ICF/DD Facilities, ASTC, Dialysis or Freestanding Emergency Center space). Accordingly, all of these services are non-reviewable and this criterion is not applicable.

Unfinished or Shell Space

The proposed project does not entail unfinished or shell space, so this section is not applicable.

Section VII Service Specific Review Criteria

This project does not involve any of the following services. Therefore the associated sections are not applicable.

- Medical/Surgical, Obstetric, Pediatric and Intensive Care
- Comprehensive Physical Rehabilitation
- Acute Mental Illness and Chronic Mental Illness
- Open Heart Surgery
- Cardiac Catheterization
- In-Center Hemodialysis
- Non-Hospital Based Ambulatory Surgery
- Selected Organ Transplantation
- Kidney Transplantation
- Subacute Care Hospital Model
- Community-Based Residential Rehabilitation Center
- Long Term Acute Care Hospital
- Clinical Service Areas Other than Categories of Service

Section 1120.120 Availability of Funds

This project will be funded entirely with cash and cash equivalents. A copy of St. George Corporation's 2018 consolidated financial statements evidencing sufficient internal resources to fund the project is attached Attachment- 33.

The St. George Corporation and Subsidiaries

**Consolidated Financial Report
December 31, 2018**

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING



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RSM US LLP

Independent Auditor's Report

Board of Directors
The St. George Corporation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The St. George Corporation and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The St. George Corporation and Subsidiaries as of December 31, 2018 and 2017, and the results of their operations, their changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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AUDIT | TAX | CONSULTING

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, results of operations and changes in net assets of the individual companies and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Chicago, Illinois
May 9, 2019

The St. George Corporation and Subsidiaries

Consolidated Balance Sheets
December 31, 2018 and 2017
(Dollars in Thousands)

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,007	\$ 8,864
Investments	52,244	84,425
Patient accounts receivable	48,198	60,466
Inventories	9,143	5,504
Assets limited as to use - internally designated for self-insurance	12,460	5,720
Other current assets	4,808	3,098
Total current assets	139,860	168,077
Investments and assets limited as to use:		
Investments internally designated for capital purposes	737,316	761,638
Investments internally designated for self-insurance, net of amounts required to meet current obligations	11,223	33,154
Trustee held investments	4,549	4,361
Total investments and assets limited as to use	753,088	799,153
Property and equipment		
Land and land improvements	34,496	18,020
Buildings	604,184	529,485
Equipment	223,524	213,834
Construction in progress	4,461	66,446
	866,665	827,785
Less accumulated depreciation	(307,516)	(274,526)
Property and equipment, net	559,149	553,259
Other assets, net	10,418	4,837
Total assets	\$ 1,462,515	\$ 1,525,326
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt	\$ 10,060	\$ 10,365
Accounts payable	14,607	19,477
Accrued liabilities and other	36,392	38,528
Due to third-party payors	39,765	38,557
Current portion of professional liability	12,460	5,722
Total current liabilities	113,284	112,649
Professional liability, less current portion	26,620	29,290
Other liabilities	4,549	4,361
Long-term debt, less current portion	338,664	349,825
Total liabilities	484,117	496,125
Commitments and contingencies (Note 12)		
Net assets:		
Without donor restrictions	978,007	1,028,847
With donor restrictions	391	354
Total net assets	978,398	1,029,201
Total liabilities and net assets	\$ 1,462,515	\$ 1,525,326

See notes to consolidated financial statements.

The St. George Corporation and Subsidiaries

Consolidated Statements of Operations
Years Ended December 31, 2018 and 2017
(Dollars in Thousands)

	2018	2017
Revenue:		
Patient service revenue before provision for doubtful accounts		\$ 384,382
Provision for doubtful accounts		(18,135)
Patient service revenue	\$ 367,651	366,247
Medicaid assessment program revenue	13,643	12,601
Total patient service revenue	381,294	378,848
Investment income	20,166	25,595
Other revenue	5,911	7,239
Total revenue	407,371	411,682
Expenses:		
Salaries and employee benefits	222,792	219,018
Supplies and other	108,119	105,223
Physicians' fees	1,976	1,910
Interest and financing costs	11,714	10,533
Depreciation and amortization	32,985	31,845
Insurance	9,471	5,696
Utilities	4,271	4,019
Medicaid assessment program expense	14,598	13,309
Total expenses	405,926	391,553
Operating income	1,445	20,129
Nonoperating gains (losses):		
Contributions without donor restrictions	255	454
Other	(370)	-
Excess of revenue over expenses	1,330	20,583
Net changes in unrealized gains and losses on investments	(52,170)	61,471
(Decrease) increase in net assets without donor restrictions	\$ (50,840)	\$ 82,054

See notes to consolidated financial statements.

The St. George Corporation and Subsidiaries
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2018 and 2017
(Dollars in Thousands)

	2018	2017
Net assets without donor restrictions:		
Excess of revenue over expenses	\$ 1,330	\$ 20,583
Net changes in unrealized gains and losses on investments	(52,170)	61,471
(Decrease) increase in net assets without donor restrictions	(50,840)	82,054
Net assets with donor restrictions:		
Contributions	171	104
Net assets released from restriction	(134)	(70)
Increase in net assets with donor restrictions	37	34
(Decrease) increase in net assets	(50,803)	82,088
Net assets:		
Beginning of year	1,029,201	947,113
End of year	\$ 978,398	\$ 1,029,201

See notes to consolidated financial statements.

The St. George Corporation and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017
(Dollars in Thousands)

	2018	2017
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (50,803)	\$ 82,088
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Net changes in unrealized gains and losses on investments	52,170	(61,471)
Realized loss (gain) on investments	350	(8,507)
Loss on disposal of property and equipment	13	264
Change in undistributed income of investment in joint venture	1,291	1,708
Depreciation and amortization	32,884	31,761
Provision for doubtful accounts	-	18,135
Change in operating assets and liabilities:		
Patient accounts receivable	12,268	(14,484)
Other assets	(4,865)	404
Accounts payable	(1,811)	(2,255)
Accrued liabilities and other	(1,948)	66
Due to third-party payors	1,208	(5,120)
Professional liability	4,068	(6,744)
Net cash provided by operating activities	44,825	35,845
Cash flows from investing activities:		
Construction and other additions to property and equipment	(48,447)	(58,130)
Purchase of investments and assets limited as to use	(1,099,169)	(683,827)
Proceeds from sales of investments and assets limited as to use	1,118,155	716,597
Investment in joint ventures	(856)	-
Net cash used in investing activities	(30,317)	(25,360)
Cash flows from financing activities:		
Principal payments of long-term debt	(10,365)	(9,920)
Net cash used in financing activities	(10,365)	(9,920)
Net increase in cash and cash equivalents	4,143	565
Cash and cash equivalents:		
Beginning of year	8,864	8,299
End of year	\$ 13,007	\$ 8,864
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 11,714	\$ 11,893
Supplemental schedule of non-cash investing and financing activities:		
Property and equipment additions included in accounts payable and accrued liabilities	\$ 5,882	\$ 8,941
Contribution of equipment in exchange for joint venture investment	\$ 6,500	-

See notes to consolidated financial statements.

The St. George Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 1. Nature of Organization and Significant Accounting Policies

Organization and nature of business: The St. George Corporation, an Illinois not-for-profit corporation (St. George), is the sole corporate member of Palos Community Hospital (the Hospital), also an Illinois not-for-profit corporation. Palos Medical Group (PMG) is a limited liability company whose sole member is the Hospital. In January 2015, St. George Assurance, Ltd. (SGA) was incorporated as a Cayman Islands-based captive insurance company that provides professional liability coverage to the Hospital and PMG. Chicago Health Colleagues, LLC (CHC), a limited liability company, was formed and began operations in 2015. CHC facilitates collaboration between the Hospital and physicians to measure quality through the delivery of evidence-based care and provide value by coordinating care efficiently. Palos Imaging, LLC (the Imaging Center), a limited liability company, was formed in November 2014. It began operations in 2016 and currently offers MRI, CT, and PET scanning, ultrasound and diagnostic x-ray services in an ambulatory setting. In February 2017, Sigma PSO, LLC (Sigma), a limited liability company, was formed. Sigma will improve patient safety and the quality of healthcare delivery. St. George is the sole member of Sigma. The Hospital is the sole member of SGA, the Imaging Center and CHC.

St. George, together with the Hospital (collectively, the Obligated Group), are members of an obligated group under the terms of a Master Trust Indenture (Indenture) for purposes of long-term borrowing. All members of the Obligated Group are jointly and severally obligated to pay all debt issued under the Indenture.

In February 2010, a primary care physician group practice was purchased by St. George to form the initial group for PMG. PMG, a physician practice that was established as a separate corporate entity outside of the Obligated Group, employs primary care physicians and select specialists to help better serve the needs of the community as it relates to the projected shortages of such physicians.

St. George's purpose is to solicit and receive contributions on behalf of the Hospital and PMG, support educational activities related to rendering health care services and to support the Hospital and PMG and their respective purposes. The Hospital is a licensed 425-bed acute care facility located in Palos Heights, Illinois, providing inpatient, outpatient, and emergency care services primarily to residents of the southwest suburbs of Chicago. PMG employs physicians to provide services to the community. The Imaging Center provides diagnostic imaging services to the community.

St. George was the sole corporate member of the St. George Wellness Center (the Wellness Center), an Illinois not-for-profit corporation. In order to expand an outpatient center at the Wellness Center's location, on January 3, 2017, St. George transferred ownership of the Wellness Center facility, equipment and land to the Village of Orland Park, Illinois. In 2017, the St. George Wellness Center was dissolved.

Significant accounting policies are as follows:

Principles of consolidation: The accompanying consolidated financial statements include the accounts of St. George, the Hospital, PMG, SGA, CHC, the Imaging Center, and Sigma (collectively, the Corporation). All significant intercompany transactions in these consolidated financial statements have been eliminated.

Accounting policies: The Corporation follows accounting standards established by the Financial Accounting Standards Board (FASB) to ensure consistent reporting of financial condition, results of operations, and cash flows. References to accounting principles generally accepted in the United States (U.S. GAAP) in these footnotes are to the *FASB Accounting Standards Codification*[™], sometimes referred to as the Codification or ASC.

The St. George Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Use of estimates: The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The use of estimates and assumptions in the preparation of the accompanying consolidated financial statements is primarily related to the determination of the patient service revenue and settlements with third-party payors, and the accrual for professional liability. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near-term would be material to the consolidated financial statements.

Basis of presentation: The Corporation's consolidated financial statements have been prepared in accordance with U.S. GAAP, which require the Corporation to report information regarding its financial position and activities according to the following net asset classifications:

- **Net assets without donor restrictions:** Net assets that are reflective of revenues and expenses associated with the principal operating activities of the Corporation and are not subject to donor-imposed stipulations.
- **Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature, that may or will be met either by actions of the Corporation and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of operations and changes in net assets.

The board of directors has designated, from net assets without donor restrictions, net assets for capital expenditures and for self-insurance. Investments internally designated for capital purposes were \$737,316 and \$761,638 at December 31, 2018 and 2017, respectively. Investments internally designated for self-insurance were \$23,683 and \$33,154 at December 31, 2018 and 2017, respectively.

The Corporation had net assets with donor restrictions of \$391 and \$354 at December 31, 2018 and 2017, respectively, whose use has been restricted to the Hospital's animal-assisted therapy program, nursing scholarships, and hospice care.

Donor-restricted gifts: Unconditional promises to give cash and other assets to the Corporation 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 gift is received. The gifts are reported as either restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying consolidated financial statements.

The St. George Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from the excess of revenue over expenses unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Cash and cash equivalents: All investments that are not externally managed with an original maturity of three months or less at the time of acquisition are reflected as cash equivalents.

Throughout the year, the Corporation may have amounts on deposit with financial institutions in excess of those insured by the Federal Deposit Insurance Corporation (FDIC).

Patient accounts receivable and due from/to third-party payors: The collection of receivables from third-party payors and patients are the Hospital's, PMG's and the Imaging Center's primary source of cash for operations and are critical to their operating performance. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but patient responsibility amounts (deductibles and copayments) remain outstanding.

Patient receivables due directly from patients are carried at the original charge for the service provided less amounts covered by third-party payors and less, in 2017, estimated allowances for doubtful accounts. During 2017, management estimated the allowance for doubtful accounts based on the aging of its accounts receivable and its historical collection experience for each payor type. Recoveries of accounts receivable previously written off as uncollectible were recorded as an increase of net patient services revenue when received. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzed contractually due amounts and provided an allowance for doubtful accounts (for example, for unexpected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). Patients who meet certain criteria under the Hospital's charity care policy are eligible for discounts from the Hospital's established rates. The difference between the standard rates (or the discounted rates if applicable) and the amounts actually collected after all reasonable collection efforts have been exhausted were charged off against the allowance for doubtful accounts.

The past due status of receivables is determined on a case-by-case basis depending on the payor responsible. Interest is generally not charged on past due accounts.

The Hospital's allowance for doubtful accounts for self-pay patients was \$12,155, or approximately 18 percent of patient accounts receivable, at December 31, 2017. The Hospital's self-pay write-offs were \$24,848 in 2017. At December 31, 2017, the Hospital did not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors.

The St. George Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Receivables or payables related to estimated settlements on various payor contracts, primarily Medicare and Blue Cross, are reported as amounts due from or to third-party payors. Significant changes in payor mix, business office operations, economic conditions or trends in federal and state governmental health care coverage could affect the Hospital's collection of accounts receivable, cash flows and results of operations.

Inventories: Inventories are stated at the lower of cost (first-in, first-out method) or net realizable value. Inventories consist mainly of supplies and pharmaceuticals. During the year ended December 31, 2018, the Corporation recorded for the first time certain supply inventories totaling approximately \$2,492.

Investments and assets limited as to use: Investments, including investments held as assets limited as to use, consist of debt and equity securities recorded at fair value. Investments classified as assets limited as to use include investments set aside by the board of directors for future capital replacement and expansion and self-insurance over which the board of directors retains control and may, at its discretion, subsequently use for other purposes. Assets limited as to use also include trustee held investments related to the Corporation's deferred compensation plan. All other investments are classified as current assets and are available for current operations. Investment income and realized gains and losses are included in investment income in the accompanying consolidated statements of operations. Unrealized gains and losses in the fair value of investments other than alternative investments, are reflected as increases or decreases in net assets without donor restrictions in the accompanying consolidated statements of operations and changes in net assets unless such unrealized losses are deemed to be an "other-than-temporary decline" in which case the decline is recognized as an investment loss included in investment income in the accompanying consolidated statements of operations. All realized and unrealized gains on alternative investments are included in investment income.

The Corporation assesses whether a decline in an investment value is other-than-temporary on a quarterly basis. The Corporation considers factors affecting the investee, factors affecting the industry the investee operates within, and general debt and equity trends. The Corporation considers the length of time an investment's fair value has been below carrying value, the near-term prospects for recovery to carrying value, and whether it is more likely than not that the Corporation will be required to sell the security before recovery is realized. If and when a determination is made that a decline in fair value below the cost basis is other-than-temporary, the related investment is written down to its estimated fair value and included as a realized loss in excess of revenue over expenses. During 2018 and 2017, the Corporation recorded other-than-temporary declines of \$10,956 and \$2,307, respectively, which adjusted the cost basis for those investments. When the investments are sold, the realized gain or loss will be based upon the adjusted cost basis.

Joint ventures: The Hospital's joint venture arrangement with the Southwest Hospitals MRI, Inc. which included a 50 percent interest in the entity, was divested and dissolved during 2017. This investment was accounted for on the equity method.

St. George has a joint venture arrangement with Palos Surgicenter, LLC, which included a 39 percent interest in the entity at December 31, 2017. In September 2018, St. George sold units in the joint venture to reduce its ownership interest to 20 percent. This investment is accounted for on the equity method and is included in other assets in the accompanying consolidated balance sheets. In April 2019, the Hospital's board of directors approved the conveyance of St. George's interest in Palos Surgicenter, LLC to the Hospital.

In December 2018, the Hospital contributed \$856 of cash and formed a joint venture arrangement, Palos Health Surgery Center, LLC, which includes a 51 percent interest in the entity. As of December 31, 2018, operations have not begun. This investment is accounted for on the equity method and is included in other assets in the accompanying consolidated balance sheets.

The St. George Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

In February 2017, the Hospital formed a joint venture arrangement, South Campus Partners, Inc. (SC Partners), which includes a 51 percent interest in the entity. In 2018, the Hospital contributed \$160 of cash and \$6,500 of equipment to SC Partners, which began operations in 2018. This investment is accounted for on the equity method and is included in other assets in the accompanying consolidated balance sheets.

Property and equipment: Property and equipment are recorded at cost and depreciated using the straight-line method. The estimated useful lives of depreciable property and equipment range from 10 to 20 years for land improvements, 8 to 40 years for buildings, building components and improvements, and 3 to 25 years for equipment.

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Deferred financing costs: Deferred financing costs are amortized using the effective interest method over the period which the related debt is expected to be outstanding and are reported as a reduction of long-term debt in the accompanying consolidated balance sheets.

Accrued professional liability: The provision for accrued professional liability includes estimates of the ultimate costs of claims incurred but not reported and is actuarially determined.

Patient service revenue: The Corporation reports patient service revenue at amounts that reflect the consideration to which the Corporation expects to be entitled to in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others and includes variable consideration for retroactive adjustments due to settlement of audits and reviews. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Corporation. Substantially all of the Corporation's patient service revenue relates to performance obligations satisfied over time, and is recognized based on actual charges incurred in relation to total expected (or actual) charges. For patients in the Hospital receiving inpatient acute care services, the Corporation believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Corporation measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. For most outpatient and physician services, the patient simultaneously receives and consumes the benefits of the services, as the services are provided.

As the Corporation's performance obligations relate to contracts with a duration of less than one year, the Corporation has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The St. George Corporation and Subsidiaries**Notes to Consolidated Financial Statements
(Dollars in Thousands)**

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

The Corporation determines the transaction price based on standard charges for goods and services provided to patients, reduced by explicit price concessions consisting of contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Corporation's policy, and/or implicit price concessions based on historical collection experience. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts expected to be collected based on the Corporation's collection history with similar classes of patients using a portfolio approach as a practical expedient. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as a bad debt expense. Bad debt expense for the year ended December 31, 2018 was not significant.

The Corporation has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Corporation's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Corporation does, in certain instance, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed significant to the contract.

Uncompensated care and community service: The Corporation provides care to all patients regardless of their ability to pay. Uncompensated care and community service provided by the Corporation are excluded from patient service revenue.

Operating income: The consolidated statements of operations include operating income. Changes in net assets without donor restrictions that are excluded from operating income include unrestricted contributions and other gains and losses, which management views as outside of normal activity.

Excess of revenue over expenses: The consolidated statements of operations include excess of revenue over expenses that represents the results of operations. Changes in net assets without donor restrictions that are excluded from excess of revenue over expenses include net changes in unrealized gains and losses on investments not designated as trading securities.

The St. George Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Income taxes: St. George, the Hospital, and the Wellness Center have received determination letters from the Internal Revenue Service (IRS) stating that they are exempt from the payment of income taxes under Section 501(c)(3) of the Internal Revenue Code. PMG is a disregarded entity and is considered part of the Hospital for income tax filing purposes. SGA is incorporated under the laws of the Cayman Islands, which imposes no tax on income or capital gains. However, SGA is subject to U.S. federal corporate taxation to the extent that it generates income that is effectively connected with a U.S. trade or business. SGA is not engaged in any such trade or business in the U.S. Accordingly, income taxes are not provided for in the accompanying consolidated financial statements. CHC, the Imaging Center and Sigma are also disregarded entities for income tax purposes.

The Corporation follows the FASB-issued guidance for accounting for uncertainty in income taxes. St. George, the Hospital and the Wellness Center each file a Form 990 (Return of Organization Exempt from Income Tax) annually. When these returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would ultimately be sustained. Examples of tax positions common to health systems include such matters as the following: the tax exempt status of each entity, the continued tax exempt status of bonds issued by the obligated group, the nature, characterization and taxability of joint venture income and various positions relative to potential sources of unrelated business taxable income (UBTI). UBTI is reported on Form 990-T, as appropriate. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes that it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

Tax positions are not offset or aggregated with other positions. Tax positions that meet the "more-likely-than-not" recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely to be realized on settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying consolidated balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Upon the adoption of the FASB-issued guidance at January 1, 2007, and since that date through December 31, 2018, there were no unrecognized tax benefits identified and recorded as a liability.

Forms 990 and 990-T filed by St. George, the Hospital and the Wellness Center are subject to examination by the IRS up to three years from the extended due date of each return. Forms 990 and 990-T filed by St. George, the Hospital and the Wellness Center are no longer subject to examination for the years 2014 and prior.

Newly adopted accounting pronouncements: Effective January 1, 2018, the Corporation adopted FASB Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the modified retrospective method of transition applied to contracts that were not complete as of January 1, 2018. This ASU replaced existing revenue recognition guidance, including industry-specific guidance, and requires revenue to be recognized in an amount that reflects the consideration the Corporation expects to be entitled in an exchange of goods or services.

The adoption of this ASU resulted in changes to presentation and disclosure of revenue and accounts receivable, primarily related to the provision for doubtful accounts. There was no adjustment required to the opening balance of net assets for the adoption of this ASU. Comparative financial information has not be restated and continues to be reported under the accounting standards in effect for that period.

The St. George Corporation and Subsidiaries

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Effective January 1, 2018, the Corporation adopted FASB ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, using a retrospective method. The adoption of this ASU resulted in the reduction of the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The Corporation made changes to terminology and classification as described above as well as additional and modified disclosures, particularly in Notes 10 and 11 to the consolidated financial statements. As permitted by ASU 2016-14, the Corporation has elected to omit the analysis of expenses by both natural classification and functional classification and disclosures about liquidity and availability of resources for 2017.

Recent accounting pronouncements: In August 2018, the FASB issued ASU 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. ASU 2018-15 aligns the requirements for capitalizing implementation costs in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation costs incurred for internal-use software. ASU 2018-15 is effective for the Corporation's December 31, 2021, consolidated financial statements. Early adoption is permitted. The Corporation is currently evaluating the effect of the new standard on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 removes, modifies and adds certain disclosures requirements on fair value required by Topic 820. ASU 2018-13 is effective for the Corporation's December 31, 2020, consolidated financial statements. Early adoption is permitted. The Corporation is currently evaluating the effect of the new standard on the consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU 2016-18 applies to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows. Its provisions require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should 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. The new standard will be effective for the Corporation's December 31, 2019, consolidated financial statements. ASU 2016-18 requires a retrospective transition method. The Corporation is currently evaluating the effect of the new standard on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. The new standard will be effective for the Corporation's December 31, 2019, consolidated financial statements. ASU 2016-15 requires a retrospective transition method. However, if it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Corporation is currently evaluating the effect of the new standard on the consolidated financial statements.

The St. George Corporation and Subsidiaries

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of operations. The Corporation adopted ASU 2016-02 on January 1, 2019. The primary effect of adopting the new standard will be recognition of a right-of-use asset and lease obligation for current operating leases.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which changes how entities account for equity investments that do not result in consolidation and are not accounted for under the equity method of accounting. Entities will be required to measure these investments at fair value at the end of each reporting period and recognize changes in fair value in net income. ASU 2016-01 also changes certain disclosure requirements and other aspects of current U.S. GAAP. In 2015, the Corporation elected to early adopt the amendment within ASU 2016-01 that no longer requires disclosure of the fair value of financial instruments that are not measured at fair value and as such, these disclosures are not included herein. The remaining provisions of ASU 2016-01 are effective for the Corporation's December 31, 2019, consolidated financial statements. The primary effect of the adoption of the remaining provisions of ASU 2016-01 will be that, effective January 1, 2019, all unrealized gains and losses on the Corporation's investments in equity securities, currently reported in other changes in net assets without donor restrictions, will be reported in investment income and included in excess of revenue over expenses.

Effective January 1, 2019, the Corporation designated the investments in debt securities within its investment portfolio as trading securities. As a result, effective January 1, 2019, all unrealized gains and losses on the Corporation's investments in debt securities will be reported in investment income and included in excess of revenue over expenses.

Reclassifications: Certain prior year amounts have been reclassified to conform to the current year presentation, with no effect on the excess of revenue over expenses or net assets.

Subsequent events: The Corporation has evaluated subsequent events for potential recognition and/or disclosure through May 9, 2019, the date the consolidated financial statements were issued.

Note 2. Patient Service Revenue

A summary of the basis of reimbursement with major third-party payors follows:

Medicare: The Hospital is paid for inpatient acute care and outpatient care services, and the Imaging Center is paid for its services, rendered to Medicare program beneficiaries under prospectively determined rates per discharge (Prospective Payment Systems). These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Hospital's classification of patients under Prospective Payment Systems and the appropriateness of the patient's admissions are subject to validation reviews. The Hospital is reimbursed for cost reimbursable items, such as Medicare patient bad debts, at tentative rates with final settlement determined after submission of annual reimbursement reports by the Hospital and audits by the Medicare fiscal intermediary. PMG is reimbursed based on the Current Procedural Terminology (CPT) codes billed by the physicians for the services provided to Medicare patients.

The St. George Corporation and Subsidiaries

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 2. Patient Service Revenue (Continued)

Medicaid: The Hospital is reimbursed at prospectively determined rates for each Medicaid inpatient discharge. Hospital outpatient services and Imaging Center services are reimbursed based on established fee screens. For inpatient acute care services, payment rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The prospectively determined rates are not subject to retroactive adjustment. PMG is reimbursed based on the CPT codes billed by the physicians for the services provided. Medicaid reimbursement may be subject to periodic adjustment, as well as to changes in existing payment levels and rates, based on the amount of funding available to the Medicaid program.

Commencing in 2014, the State of Illinois mandated certain regions of the state, which included Chicagoland, to enroll all Medicaid recipients into managed care health plans. The Hospital has contractual arrangements with various Medicaid managed care health plans which call for the Hospital to be paid for covered services at negotiated rates which at a minimum must be equal to the Medicaid rate.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Hospital, PMG and the Imaging Center believe that they are in compliance with all applicable laws and regulations and are not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. Patient service revenue was increased in 2018 and 2017 by the impact of third-party settlements and changes in allowance estimates in the amounts of \$367 and \$4,190, respectively.

Illinois Medicaid reform: On March 12, 2018, the Governor of Illinois signed legislation to implement a redesigned Medicaid Hospital tax assessment program. Among other changes, the redesigned program bases payments on updated patient utilization data, shifts funding from fixed payments to dynamic "live rates," and recognizes and incentivizes the shift from inpatient to outpatient services. The redesigned program was approved by the Centers for Medicare and Medicaid Services (CMS) in June 2018. The redesigned hospital tax assessment program, which is effective July 1, 2018, will sunset on June 30, 2020. The Corporation estimates that there will be a minimal impact to its hospital assessment program revenue (net of the related hospital assessment expense) received under the redesigned program.

Medicaid hospital tax assessment program: The Hospital participates in the State of Illinois hospital tax assessment program which is administered by the Illinois Department of Healthcare and Family Services (IDHFS). The provider assessment program payments are in effect for the state fiscal years ending each June 30. For the years ended December 31, 2018 and 2017, the Hospital has recorded \$13,643 and \$12,601, respectively, in assessment revenue and \$14,598 and \$13,309, respectively, in assessment expense (Medicaid tax).

Blue Cross: Substantially all of the Hospital's, PMG's and the Imaging Center's reimbursement from Blue Cross is derived from two managed care contracts, which reimburse the Hospital and the Imaging Center based on a combination of discounts from established charges and prospectively determined rates, and PMG on a per procedure rate determined by CPT code. The Hospital also participates as a provider of health care services under a cost-based reimbursement agreement with Blue Cross.

The St. George Corporation and Subsidiaries

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 2. Patient Service Revenue (Continued)

Managed care organizations: The Hospital, PMG and the Imaging Center have also entered into reimbursement agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes discounts from established charges and prospectively determined per diem, per case and per procedure rates.

The composition of patient service revenue (excluding Medicaid assessment program revenue, and before the provision for doubtful accounts in 2017) based on payor source for the years ended December 31, 2018 and 2017 was as follows:

	2018	2017
Blue Cross managed care	\$ 107,885	\$ 108,555
Commercial and managed care, other than Blue Cross	34,559	39,585
Medicare and Medicare managed care	201,276	200,390
Medicaid and Medicaid managed care	4,613	12,473
Self-pay	19,318	23,379
Patient service revenue	<u>\$ 367,651</u>	<u>\$ 384,382</u>

Hospital revenue includes a variety of services mainly covering inpatient services requiring overnight stays or outpatient operations that require anesthesia or use of complex diagnostic and surgical equipment as well as emergency care. Physician revenue includes services primarily focused on the care of outpatients covering primary and specialty health care needs. The composition of patient service revenue for the years ended December 31, 2018 and 2017 was as follows:

	2018	2017
Inpatient	\$ 187,431	\$ 203,301
Outpatient	152,849	159,799
Physician	27,371	21,282
Patient service revenue	<u>\$ 367,651</u>	<u>\$ 384,382</u>

Note 3. Concentration of Credit Risk

The Corporation 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 from patients and third-party payors at December 31, 2018 and 2017, (before consideration of the allowance for doubtful accounts in 2017), was as follows:

	2018	2017
Blue Cross managed care	13 %	12 %
Commercial and managed care, other than Blue Cross	29	28
Self-pay	34	36
Medicare and Medicare managed care	21	20
Medicaid and Medicaid managed care	3	4
	<u>100 %</u>	<u>100 %</u>

The St. George Corporation and Subsidiaries**Notes to Consolidated Financial Statements
(Dollars in Thousands)****Note 4. Community Commitment and Charity Care**

In the ordinary course of business, the Corporation renders services to patients who are financially unable to pay for medical care. The Corporation provides care to these patients who meet certain criteria under its charity care policy without charge or at amounts less than the established rates. Charity care eligibility is established based on limited or no insurance coverage, income compared to published poverty levels and family size, as well as other factors. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Corporation maintains records to identify and monitor the level of charity care it provides. Charity care is measured based on the Corporation's estimated direct and indirect costs of providing charity care services. That estimate is made by calculating a ratio of cost to gross charges, applied to the uncompensated charges associated with providing charity care to patients. The estimated cost of charity care provided during 2018 and 2017 was \$2,826 and \$2,365, respectively.

Note 5. Investments and Assets Limited as to Use

The composition of investments and assets limited as to use (including amounts classified as current assets) at December 31, 2018 and 2017, consists of the following:

	2018	2017
U.S. Government and agency securities	\$ 110,019	\$ 108,844
Equities	399,163	416,155
Corporate bonds	189,611	216,478
Collateralized mortgage obligations	108,091	109,314
Cash and cash equivalents	8,334	34,520
Accrued interest and other	2,565	2,419
Alternative investments	9	1,568
	<u>\$ 817,792</u>	<u>\$ 889,298</u>

Investment income for 2018 and 2017 consists of the following:

	2018	2017
Interest and other investment income	\$ 21,353	\$ 17,460
Realized (loss) gain, net (including other-than-temporary impairment loss of \$10,956 in 2018 and \$2,307 in 2017)	(350)	8,507
Loss on alternative investments	(837)	(372)
	<u>\$ 20,166</u>	<u>\$ 25,595</u>

The Corporation has invested in certain alternative investments (international bond funds) which are structured as commingled funds and are included in investments and assets limited as to use in the consolidated balance sheets.

The St. George Corporation and Subsidiaries**Notes to Consolidated Financial Statements
(Dollars in Thousands)****Note 7. Long-Term Debt and Pledged Assets**

Long-term debt at December 31, 2018 and 2017, consists of the following:

	2018	2017
Illinois Finance Authority Revenue Bonds, Series 2010C, bearing interest at fixed rates ranging from 5% to 5.37%, varying principal payments due through May 2035	\$ 123,465	\$ 131,880
Illinois Finance Authority Revenue Bonds, Series 2015B, variable interest at a LIBOR-based rate (2.732% and 1.575% at December 31, 2018 and 2017, respectively), varying principal payments due beginning October 2019 through October 2040	57,260	57,260
Illinois Finance Authority Revenue Bonds, Series 2015C, variable interest at a LIBOR-based rate (2.907% and 1.585% at December 31, 2018 and 2017, respectively), varying principal payments due beginning October 2019 through October 2040	43,215	43,215
Illinois Finance Authority Revenue Bonds, Series 2015D, bearing interest at a fixed interest rate of 2.25%, varying principal payments due beginning October 2019 through October 2037	44,790	44,790
Illinois Finance Authority Revenue Bonds, Series 2015E, bearing interest at a fixed interest rate of 2.32%, varying principal payments due beginning October 2019 through October 2037	36,970	36,970
Illinois Finance Authority Revenue Bonds, Series 2015F, bearing interest at a fixed rate of 2.99%, varying principal payments due through October 2037	44,130	46,080
	349,830	360,195
Add: unamortized bond premium	2,089	2,314
Less: unamortized deferred financing costs	(2,195)	(2,319)
	349,724	360,190
Less: current portion	(10,060)	(10,365)
Long-term debt	<u>\$ 339,664</u>	<u>\$ 349,825</u>

The revenue bonds are collateralized by substantially all assets of the Obligated Group. The provisions of the Indenture require the Obligated Group to maintain certain financial covenants, including a minimum debt service coverage level, number of days cash on hand, and a specified maximum funded indebtedness ratio.

The St. George Corporation and Subsidiaries**Notes to Consolidated Financial Statements
(Dollars in Thousands)****Note 7. Long-Term Debt and Plledged Assets (Continued)**

Scheduled repayments of long-term debt are as follows:

Years ending December 31:

2019	\$	10,060
2020		10,470
2021		10,875
2022		11,325
2023		11,830
Thereafter		295,270
	\$	<u>349,830</u>

Interest and financing costs in 2018 and 2017 are comprised of the following:

	2018	2017
Interest	\$ 13,113	\$ 11,771
Less amounts capitalized	(1,298)	(1,154)
Amortization of bond premium	(225)	(209)
Amortization of deferred financing costs	124	125
	<u>\$ 11,714</u>	<u>\$ 10,533</u>

Note 8. Retirement and Deferred Compensation Plans

The Corporation has a contributory retirement plan (the Plan) covering eligible employees. The Plan is a defined contribution plan whereby benefits are determined by the accumulation of contributions made on each employee's behalf prior to retirement. Under the Plan, the Corporation is obligated to provide a matching contribution up to 7.5 percent. Annual contributions are based on a percentage of the eligible employee's salary. Expense related to the Corporation's contributions to the Plan was \$8,277 and \$8,424 in 2018 and 2017, respectively.

The Corporation maintains a deferred compensation plan under Section 457(b) of the Internal Revenue Code to provide enhanced benefits to eligible executives and physicians. Deferred amounts plus earnings are maintained in a trust and are available to participants or their beneficiaries at retirement, termination of employment, unforeseeable emergency or death. Amounts in the trust totaled \$4,549 and \$4,361 at December 31, 2018 and 2017, respectively, and are reported as trustee held investments, in the accompanying consolidated balance sheets. Related deferred compensation liabilities are included in other noncurrent liabilities in the accompanying consolidated balance sheets.

The St. George Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 9. Professional Liability Insurance

Through the normal course of operations, the Hospital and PMG become subject to claims alleging professional malpractice. Since July 1, 1985, the Hospital has been self-insured for professional malpractice liability claims. Commercial coverage is maintained for losses in excess of a per-claim self-insured retention. PMG's professional malpractice liability exposures are covered within the same program.

Beginning January 1, 2015, SGA assumed the historical professional liability under the Hospital's self-insurance program for claims reported before January 1, 2015, and those reported thereafter arising out of occurrences from July 1, 1985 through December 31, 2014, under a Loss Portfolio Transfer Agreement (LPT). The LPT is subject to a retrospective rating plan between the Hospital, PMG and SGA such that risk is not transferred to SGA. Accordingly, the Hospital and PMG continue to accrue the liability for both claims reported and estimated claims incurred but not reported.

The Hospital and PMG have recorded a discounted liability of \$38,978 and \$34,939 at December 31, 2018 and 2017, respectively, for professional and general liability insurance, of which \$26,524 and \$29,219 is recorded as a noncurrent liability at December 31, 2018 and 2017, respectively. The discount rate used was 2.5 percent and 4.25 percent in 2018 and 2017, respectively. The related undiscounted liability is approximately \$3,073 and \$5,793 higher at December 31, 2018 and 2017, respectively. In addition to reducing the discount rate, at December 31, 2018, the Corporation reduced the actuarial confidence level at which the liability was recorded, which, together with the reduction in the discount rate, resulted in a \$4,708 reduction in the liability.

Insurance recoveries receivable of \$2,169 and \$3,426 have been recorded as of December 31, 2018 and 2017, respectively, and are included in other assets in the accompanying consolidated balance sheets.

In the opinion of management, the ultimate disposition of claims covered under its professional liability coverage will not have a material adverse effect on the financial position of the Corporation.

Note 10. Functional Expenses

The Corporation's expenses related to providing health care services to its patients for the year ended December 31, 2018, including allocations of depreciation and interest expense, are as follows:

	Health Care Services				Supporting Activities		Total Expenses
	Inpatient Services	Outpatient Services	Palos Medical Group	Palos Imaging Center	General and Administrative	Fundraising	
Salaries and employee benefits	\$ 101,306	\$ 53,681	\$ 23,689	\$ 1,015	\$ 43,101	\$ -	\$ 222,792
Supplies and other	38,060	28,170	1,470	564	39,824	31	108,119
Physicians' fees	241	124	305	242	1,064	-	1,976
Interest and financing costs	6,235	5,424	65	-	-	-	11,714
Depreciation and amortization	13,933	11,719	3,851	-	3,482	-	32,985
Insurance	4,396	4,095	-	93	887	-	9,471
Utilities	1,945	1,755	-	76	495	-	4,271
Medicaid assessment program expense	7,766	6,832	-	-	-	-	14,598
Total expenses	\$ 173,882	\$ 111,800	\$ 29,370	\$ 1,980	\$ 88,853	\$ 31	\$ 405,826

Expenses for the employee benefits are allocated based on their proportionate share of total salaries between program services and supporting activities. Expenses for depreciation and utilities were allocated based on square footage.

The St. George Corporation and Subsidiaries**Notes to Consolidated Financial Statements
(Dollars in Thousands)****Note 11. Financial Assets Available and Liquidity**

The following table presents financial assets available for general expenditures within one year at December 31, 2018:

Cash and cash equivalents	\$ 13,007
Investments	52,244
Patient accounts receivable	48,198
Other assets	861
Assets limited to use:	
Investments internally designated for capital purposes and self-insurance	760,999
Investments held by trustees	4,549
Total financial assets	<u>879,858</u>
Investments internally designated for self-insurance	(23,683)
Investments held by trustees	(4,549)
Financial assets not available to be used within one year	<u>(28,232)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 851,626</u>

The Corporation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Corporation has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities.

Note 12. Commitments and Contingencies

Litigation: The Corporation is a defendant in various lawsuits arising in the ordinary course of business. Although the outcome of the lawsuits cannot be determined with certainty, management believes the ultimate disposition of such matters will not have a material effect on the Corporation's consolidated financial statements.

Regulatory investigations: The U.S. Department of Justice, other federal agencies and the Illinois Department of Public Aid routinely conduct regulatory investigations and compliance audits of health care providers. The Hospital is subject to these regulatory efforts. Management is currently unaware of any regulatory matters which may have a material effect on the Corporation's financial position or results from operations.

Construction in progress: At December 31, 2018, the Corporation had entered into commitments totaling approximately \$3,963 related to construction projects and technology upgrades, of which \$2,448 had been paid and \$1,515 has been accrued as of December 31, 2018.

The St. George Corporation and Subsidiaries**Notes to Consolidated Financial Statements**
(Dollars in Thousands)**Note 12. Commitments and Contingencies (Continued)**

Lease commitments: The Corporation leases property under leases that expire at various dates through 2022. Rental expense under operating lease agreements totaled approximately \$886 and \$885, for the years ended December 31, 2018 and 2017, respectively, and is included in supplies and other expense on the accompanying consolidated statements of operations.

Future minimum lease payments under noncancellable operating leases in effect as of December 31, 2018 are approximately as follows:

Years ending December 31:

2019	\$	898
2020		925
2021		953
2022		409
	\$	<u>3,185</u>

The Corporation is the lessor under certain space leases that expire at various dates through 2023. Future minimum lease payments under these noncancellable leases in effect as of December 31, 2018 are approximately as follows:

Years ending December 31:

2019	\$	1,954
2020		1,268
2021		1,022
2022		586
2023		587
	\$	<u>5,417</u>

Regulatory environment including fraud and abuse matters: The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital, PMG and the Imaging Center are in compliance with fraud and abuse, as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or asserted at this time.

The St. George Corporation and Subsidiaries

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 12. Commitments and Contingencies (Continued)

Centers for Medicare and Medicaid Services (CMS) recovery audit contractor program: Congress passed the Medicare Modernization Act in 2003, which among other things established a three-year demonstration of the Medicare Recovery Audit Contractor (RAC) program. The RAC identified and corrected a significant amount of improper overpayments to providers. In 2006, Congress passed the Tax Relief and Health Care Act of 2006 which authorized the expansion of the RAC program to all 50 states by 2010. CMS implemented the RAC program in Illinois in 2010. Management does not believe that Medicare RAC audits will have a material effect on the Hospital's results of operations or cash flows. The Corporation has recorded a reserve for estimated amounts that will be repaid under the RAC program based on the Hospital's RAC program experience to date.

Property and sales tax exemption: On June 14, 2012, the Governor of Illinois signed into law legislation that governs property and sales tax exemption for not-for-profit hospitals. The law, which was codified in Section 15-86 of the Illinois *Property Tax Code* and Section 3-8 of the *Service Occupation Tax Act*, took effect on the date it was signed. Under the law, in order to maintain its property and sales tax exemption, the value of specified services and activities of a not-for-profit hospital must equal or exceed the estimated value of the hospital's property tax liability, as determined under a formula in the law. The specified services are those that address the health care needs of low-income or underserved individuals or relieve the burden of government with regard to health care services, and include: the cost of free or discounted services provided pursuant to the hospital's financial assistance policy; other unreimbursed costs of addressing the health needs of low-income and underserved individuals; direct or indirect financial or in-kind subsidies of State and local governments; the unreimbursed cost of treating Medicaid and other means-tested program recipients; the unreimbursed cost of treating dual-eligible Medicare/Medicaid patients; and other activities that the Illinois Department of Revenue determines relieve the burden of government or address the health of low-income or underserved individuals.

On January 5, 2016, the Fourth District Appellate Court of Illinois ruled that Section 15-86 of the Illinois *Property Tax Code* (Section 15-86) is unconstitutional. The decision was appealed to the Illinois Supreme Court, which on March 23, 2017, vacated the Fourth District Appellate Court's ruling, citing a lack of jurisdiction, and remanded the case to the Circuit Court of Cook County for reconsideration. However, in its 2017 decision the Illinois Supreme Court did not rule on the constitutionality of Section 15-86 of the Illinois *Property Tax Code*. On September 20, 2018, the Illinois Supreme Court upheld the First District Appellate Court of Illinois ruling that Section 15-86 is constitutional. However, additional legal challenges to this law may occur. Management continues to believe that the Hospital meets the requirements under the law to maintain its property tax and sales tax exemption; however, such requirements may change based on the outcome of such future legal challenges.

The St. George Corporation and Subsidiaries

**Notes to Consolidated Financial Statements
(Dollars in Thousands)**

Note 13. Fair Value Disclosures

Fair value measurements: U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Corporation uses various methods including market, income and cost approaches. Based on these approaches, the Corporation often utilizes certain assumptions that market participants would use in pricing the asset or liability, assuming that market participants act in their economic best interest, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Corporation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Corporation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For 2018 and 2017, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation techniques and inputs used for instruments measured at fair value:

Investments in Marketable Securities

The fair value of investments in marketable securities is the market value based on quoted market prices in active markets, when available, or market prices provided by recognized broker-dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Alternative Investments

Alternative investments with no market activity are valued using the net asset values reported by the investment funds, which in turn is based on the most recent information available to the fund manager for the underlying investments held by the investment fund. The Corporation may make daily redemptions from all of the funds classified as alternative investments at December 31, 2017. At December 31, 2017, there are no unfunded commitments relating to the Corporation's alternative investments.

In determining the appropriate levels, the Corporation performs a detailed analysis of the assets and liabilities that are subject to the fair value hierarchy. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The St. George Corporation and Subsidiaries

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 13. Fair Value Disclosures (Continued)

Fair Value on a Recurring Basis

The table below presents the balances of assets measured at fair value on a recurring basis, as of December 31, 2018 and 2017.

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
U.S. Government and agency securities	\$ -	\$ 109,892	\$ 127	\$ 110,019
Equities [^]	399,163	-	-	399,163
Corporate bonds	(68)	189,679	-	189,611
Collateralized mortgage obligations	-	108,091	-	108,091
	<u>\$ 399,095</u>	<u>\$ 407,662</u>	<u>\$ 127</u>	<u>806,884</u>
Investment measured at NAV:				
International bond fund				9
Cash and cash equivalents				8,334
Accrued interest and other				2,565
				<u>\$ 817,792</u>

[^] The investment objective for equities is both growth and value.

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
U.S. Government and agency securities	\$ -	\$ 108,844	\$ -	\$ 108,844
Equities [^]	416,155	-	-	416,155
Corporate bonds	220	216,258	-	216,478
Collateralized mortgage obligations	-	109,314	-	109,314
	<u>\$ 416,375</u>	<u>\$ 434,416</u>	<u>\$ -</u>	<u>850,791</u>
Investment measured at NAV:				
International bond fund				1,568
Cash and cash equivalents				34,520
Accrued interest and other				2,419
				<u>\$ 889,298</u>

[^] The investment objective for equities is both growth and value.

Supplementary Information

The St. George Corporation and Subsidiaries

Consolidating Balance Sheet Information

December 31, 2018

(Dollars in Thousands)

	The St. George Corporation	Community Hospital	Palos	Eliminations	Obligated Group	Palos Medical Group	St. George Assurance	Chicago Health Colleagues	Palos Imaging	Eliminations	Consolidated
Assets											
Current assets:											
Cash and cash equivalents	\$ 92	\$ 10,078	\$ -	\$ -	\$ 10,170	\$ 708	\$ -	\$ 1,020	\$ 1,109	\$ -	\$ 13,007
Investments	52,236	8	-	-	52,244	-	-	-	-	-	52,244
Patient accounts receivable	-	44,480	-	-	44,480	2,974	-	-	744	-	48,198
Inventories	-	9,143	-	-	9,143	-	-	-	-	-	9,143
Assets limited as to use - internally designated for self-insurance	-	-	-	-	-	-	12,460	-	-	-	12,460
Other current assets	-	2,753	-	-	2,753	236	4,974	-	-	(3,155)	4,808
Due from affiliated organizations	2,599	30,805	(398)	(398)	33,008	7,845	-	150	1,791	(42,782)	-
Total current assets	54,927	97,267	(398)	(398)	151,796	11,763	17,434	1,170	3,644	(45,947)	139,860
Investments and assets limited as to use:											
Investments internally designated for capital purposes	737,316	-	-	-	737,316	-	-	-	-	-	737,316
Investments internally designated for self-insurance, net of amounts required to meet current obligations	-	-	-	-	-	-	11,223	-	-	-	11,223
Trustee held investments	-	4,549	-	-	4,549	-	-	-	-	-	4,549
Total investments and assets limited as to use	737,316	4,549	-	-	741,865	-	11,223	-	-	-	753,088
Property and equipment:											
Land and land improvements	1,399	33,097	-	-	34,496	-	-	-	-	-	34,496
Buildings	5,414	598,681	-	-	604,095	89	-	-	-	-	604,184
Equipment	-	222,847	-	-	222,847	677	-	-	-	-	223,524
Construction in progress	-	4,461	-	-	4,461	-	-	-	-	-	4,461
Less accumulated depreciation	6,813	859,086	-	-	865,899	786	-	-	-	-	866,685
Property and equipment, net	(2,141)	(304,669)	-	-	(307,010)	(508)	-	-	-	-	(307,518)
	4,672	554,217	-	-	558,889	280	-	-	-	-	559,149
Other assets, net	332	13,828	-	-	14,160	138	-	-	-	(3,880)	10,418
Total assets	\$ 797,247	\$ 689,861	\$ (398)	\$ (398)	\$ 1,488,710	\$ 12,161	\$ 28,657	\$ 1,170	\$ 3,644	\$ (49,827)	\$ 1,462,515

(Continued)

The St. George Corporation and Subsidiaries

Consolidating Balance Sheet Information (Continued)
December 31, 2018
(Dollars in Thousands)

	The St. George Corporation	Palos Community Hospital	Eliminations	Obligated Group	Palos Medical Group	St. George Assurance	Chicago Health Colleagues	Palos Imaging	Eliminations	Consolidated
Liabilities and Net Assets										
Current liabilities:										
Current portion of long-term debt	\$ -	\$ 10,080	\$ -	\$ 10,080	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,080
Accounts payable	123	14,318	-	14,441	130	-	-	36	-	14,607
Accrued liabilities and other	920	34,593	-	35,513	1,951	1,790	101	192	(3,155)	36,392
Due to third-party payors	-	39,785	-	39,785	-	-	-	-	-	39,785
Current portion of professional liability	-	11,475	-	11,475	980	-	-	5	-	12,460
Due to affiliated organizations	-	2,180	(398)	1,782	7,053	28,767	2,188	4,982	(42,792)	-
Total current liabilities	1,043	112,401	(398)	113,046	10,114	28,557	2,289	5,225	(45,947)	113,284
Professional liability, less current portion	-	22,352	-	22,352	4,172	-	-	98	-	28,620
Other liabilities	-	4,549	-	4,549	-	-	-	-	-	4,549
Long-term debt, less current portion	-	339,664	-	339,664	-	-	-	-	-	339,664
Total liabilities	1,043	478,966	(398)	479,611	14,286	28,557	2,289	5,321	(45,947)	484,117
Net assets:										
Without donor restrictions (deficit)	796,196	190,512	-	986,708	(2,125)	100	(1,119)	(1,677)	(3,860)	978,007
With donor restrictions	8	383	-	391	-	-	-	-	-	391
Total net assets (deficit)	796,204	190,895	-	987,099	(2,125)	100	(1,119)	(1,677)	(3,860)	978,398
Total liabilities and net assets	\$ 797,247	\$ 669,861	\$ (398)	\$ 1,466,710	\$ 12,161	\$ 28,657	\$ 1,170	\$ 3,644	\$ (49,827)	\$ 1,462,515

The St. George Corporation and Subsidiaries

Consolidating Statement of Operations Information
Year Ended December 31, 2018
(Dollars in Thousands)

Revenue:	The St. George Corporation	Palos Community Hospital	Eliminations	Obligated Group	Palos Medical Group	St. George Assurance	Chicago Health Colleagues	Palos Imaging	Eliminations	Consolidated
Patient service revenue	\$ -	\$ 340,280	\$ -	\$ 340,280	\$ 21,531	\$ -	\$ -	\$ 5,840	\$ -	\$ 367,651
Medicaid assessment program revenue	-	13,643	-	13,643	-	-	-	-	-	13,643
Total patient service revenue	-	353,923	-	353,923	21,531	-	-	5,840	-	381,294
Investment income	19,088	1,082	-	20,150	-	11	1	4	-	20,166
Other revenue	(202)	8,492	(115)	8,175	4	-	1,730	-	(3,988)	5,911
Total revenue	18,886	363,497	(115)	382,248	21,535	11	1,731	5,844	(3,988)	407,371
Expenses:										
Salaries and employee benefits	-	191,887	-	191,887	27,526	-	315	3,064	-	222,792
Supplies and other	706	102,781	(115)	103,372	4,350	-	1,018	3,377	(3,988)	108,119
Physicians' fees	-	1,944	-	1,944	-	11	21	-	-	1,976
Interest and financing costs	-	11,714	-	11,714	-	-	-	-	-	11,714
Depreciation and amortization	204	32,720	-	32,924	61	-	-	-	-	32,985
Insurance	-	5,719	-	5,719	3,752	-	-	-	-	9,471
Utilities	70	4,201	-	4,271	-	-	-	-	-	4,271
Medicaid assessment program expense	-	14,598	-	14,598	-	-	-	-	-	14,598
Total expenses	980	365,564	(115)	366,429	35,889	11	1,354	6,441	(3,988)	405,928
Operating income (loss)	17,886	(2,067)	-	15,819	(14,154)	-	377	(597)	-	1,445
Nonoperating gains (losses):										
Contributions without donor restrictions	-	255	-	255	-	-	-	-	-	255
Other	-	(370)	-	(370)	-	-	-	-	-	(370)
	-	(115)	-	(115)	-	-	-	-	-	(115)
Excess (deficiency) of revenue over expenses	17,886	(2,182)	-	15,704	(14,154)	-	377	(597)	-	1,330
Other changes in net assets without donor restrictions:										
Net asset transfers	65,244	(77,633)	-	(12,389)	12,389	-	-	-	-	-
Net changes in unrealized gains and losses on investments	(51,973)	(197)	-	(52,170)	-	-	-	-	-	(52,170)
Increase (decrease) in net assets without donor restrictions	\$ 31,157	\$ (90,012)	\$ -	\$ (48,855)	\$ (1,765)	\$ -	\$ 377	\$ (597)	\$ -	\$ (50,840)

The St. George Corporation and Subsidiaries

Consolidating Statement of Changes in Net Assets Information
Year Ended December 31, 2018
(Dollars in Thousands)

	The St. George Corporation	Palos Community Hospital	Eliminations	Obligated Group	Palos Medical Group	St. George Assurance	Chicago Health Colleagues	Palos Imaging	Eliminations	Consolidated
Net assets without donor restrictions:										
Excess (deficiency) of revenue over expenses	\$ 17,888	\$ (2,182)	\$ -	\$ 15,704	\$ (14,154)	\$ -	\$ 377	\$ (597)	\$ -	\$ 1,330
Net asset transfers	65,244	(77,633)	-	(12,389)	12,389	-	-	-	-	-
Net changes in unrealized (losses) gains on investments	(51,973)	(197)	-	(52,170)	-	-	-	-	-	(52,170)
Increase (decrease) in net assets without donor restrictions	31,157	(80,012)	-	(48,855)	(1,765)	-	377	(597)	-	(50,840)
Net assets with donor restrictions:										
Contributions	8	183	-	171	-	-	-	-	-	171
Net assets released from restriction	-	(134)	-	(134)	-	-	-	-	-	(134)
Increase in net assets with donor restrictions	8	29	-	37	-	-	-	-	-	37
Increase (decrease) in net assets	31,165	(79,983)	-	(48,818)	(1,765)	-	377	(597)	-	(50,803)
Net assets (deficit):										
Beginning of year	785,039	270,878	-	1,035,917	(360)	100	(1,498)	(1,080)	(3,880)	1,029,201
End of year	\$ 796,204	\$ 190,895	\$ -	\$ 987,099	\$ (2,125)	\$ 100	\$ (1,119)	\$ (1,577)	\$ (3,880)	\$ 978,398

The St. George Corporation and Subsidiaries

Consolidating Balance Sheet Information

December 31, 2017

(Dollars in Thousands)

Assets	The St. George Corporation	Palos Community Hospital	Eliminations	Outpatient Group	Palos Medical Group	St. George Assurance	Chicago Health Colleagues	St. George Wellness Center	Palos Imaging	Eliminations	Consolidated
Current assets:											
Cash and cash equivalents	\$ 26	\$ 6,821	\$ -	\$ 6,847	\$ 678	\$ -	\$ -	\$ -	\$ 1,339	\$ -	\$ 8,864
Investments	-	84,425	-	84,425	-	-	-	-	-	-	84,425
Patient accounts receivable, net	-	58,940	-	58,940	2,182	-	-	-	1,334	-	80,468
Inventories	-	5,504	-	5,504	-	-	-	-	-	-	5,504
Assets limited as to use - internally designated for self-insurance	-	5,720	-	5,720	-	-	-	-	-	-	5,720
Other current assets	-	2,889	-	2,889	-	3,143	-	-	-	(2,914)	3,098
Due from affiliated organizations	2,201	39,491	(3,220)	38,472	5,468	-	301	-	-	(44,239)	-
Total current assets	2,227	201,770	(3,220)	200,777	8,338	3,143	301	-	2,673	(47,153)	188,077
Investments and assets limited as to use:											
Investments internally designated for capital purposes	761,638	-	-	761,638	-	-	-	-	-	-	761,638
Investments internally designated for self-insurance, net of amounts required to meet current obligations	-	-	-	-	-	33,154	-	-	-	-	33,154
Trustee held investments	-	4,381	-	4,381	-	-	-	-	-	-	4,381
Total investments and assets limited as to use	761,638	4,381	-	765,999	-	33,154	-	-	-	-	799,153
Property and equipment											
Land and land improvements	1,398	16,821	-	18,020	-	-	-	-	-	-	18,020
Buildings	4,523	524,982	-	529,485	-	-	-	-	-	-	529,485
Equipment	-	213,109	-	213,109	725	-	-	-	-	-	213,834
Construction in progress	-	68,448	-	68,448	-	-	-	-	-	-	68,448
Less accumulated depreciation	5,922	821,138	-	827,060	725	-	-	-	-	-	827,785
Property and equipment, net	(1,745)	(272,338)	-	(274,081)	(445)	-	-	-	-	-	(274,528)
	4,177	548,882	-	552,979	280	-	-	-	-	-	553,259
Other assets, net	1,184	7,308	-	8,490	227	-	-	-	-	(3,880)	4,837
Total assets	\$ 789,228	\$ 762,239	\$ (3,220)	\$ 1,528,245	\$ 8,843	\$ 36,297	\$ 301	\$ -	\$ 2,673	\$ (51,033)	\$ 1,595,326

(Continued)

The St. George Corporation and Subsidiaries

Consolidating Balance Sheet Information (Continued)

December 31, 2017

(Dollars In Thousands)

	The St. George Corporation	Palos Community Hospital	Eliminations	Obligated Group	Palos Medical Group	St. George Assurance	Chicago Health Colleagues	St. George Wellness Center	Palos Imaging	Eliminations	Consolidated
Liabilities and Net Assets											
Current liabilities:											
Current portion of long-term debt	\$ -	\$ 10,365	\$ -	\$ 10,365	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,365
Accounts payable	152	19,174	-	19,326	129	-	13	-	9	-	19,477
Accrued liabilities and other	615	36,628	-	37,443	1,067	1,983	1	-	368	(2,914)	38,528
Due to third-party payors	-	30,557	-	30,557	-	-	-	-	-	-	30,557
Current portion of professional liability	-	5,582	-	5,582	158	-	-	-	2	-	5,722
Due to affiliated organizations	3,220	300	(3,220)	300	4,519	34,234	1,783	-	3,303	(44,239)	-
Total current liabilities	4,187	110,586	(3,220)	111,553	6,573	38,187	1,797	-	3,682	(47,153)	112,649
Professional liability, less current portion	-	26,589	-	26,589	2,530	-	-	-	71	-	29,290
Other liabilities	-	4,361	-	4,361	-	-	-	-	-	-	4,361
Long-term debt, less current portion	-	349,825	-	349,825	-	-	-	-	-	-	349,825
Total liabilities	4,187	491,361	(3,220)	492,328	9,203	38,187	1,797	-	3,753	(47,153)	496,125
Net assets:											
Without donor restrictions (deficit)	785,039	270,524	-	1,035,563	(360)	100	(1,486)	-	(1,080)	(3,850)	1,028,847
With donor restrictions	-	354	-	354	-	-	-	-	-	-	354
Total net assets (deficit)	785,039	270,878	-	1,035,917	(360)	100	(1,486)	-	(1,080)	(3,850)	1,029,201
Total liabilities and net assets	\$ 789,226	\$ 762,239	\$ (3,220)	\$ 1,528,245	\$ 8,843	\$ 38,287	\$ 301	\$ -	\$ 2,673	\$ (51,003)	\$ 1,525,326

The St. George Corporation and Subsidiaries

Consolidating Statement of Operations Information
Year Ended December 31, 2017
(Dollars in Thousands)

	The St. George Corporation	Palos Community Hospital	Eliminations	Obligated Group	Palos Medical Group	St. George Assurance	Chicago Health Colleagues	St. George Wellness Center	Palos Imaging	Eliminations	Consolidated
Revenue											
Patient service revenue before provision for doubtful accounts	\$ -	\$ 383,471	\$ -	\$ 383,471	\$ 15,180	\$ -	\$ -	\$ -	\$ 5,751	\$ -	\$ 384,382
Provision for doubtful accounts	-	(17,502)	-	(17,502)	-	-	-	-	(833)	-	(18,135)
Patient service revenue	-	345,969	-	345,969	15,180	-	-	-	5,118	-	366,247
Medicaid assessment program revenue	-	12,601	-	12,601	-	-	-	-	-	-	12,601
Total patient service revenue	-	358,570	-	358,570	15,180	-	-	-	5,118	-	378,848
Investment income	23,848	1,930	-	25,578	-	17	-	-	-	-	25,595
Other revenue	727	9,358	(128)	9,957	-	-	224	886	-	(3,828)	7,239
Total revenue	24,375	369,858	(128)	394,105	15,180	17	224	886	5,118	(3,828)	411,682
Expenses											
Salaries and employee benefits	-	196,002	-	196,002	19,787	-	555	34	2,660	-	219,018
Supplies and other	1,316	100,932	(126)	102,140	3,534	-	85	-	3,292	(3,828)	105,223
Physicians' fees	-	1,857	-	1,857	-	17	38	-	-	-	1,910
Interest and financing costs	-	10,533	-	10,533	-	-	-	-	-	-	10,533
Depreciation and amortization	198	31,593	-	31,792	53	-	-	-	-	-	31,945
Insurance	-	4,108	-	4,108	1,590	-	-	-	-	-	5,698
Utilities	106	3,812	-	4,018	-	-	-	1	-	-	4,019
Medicaid assessment program expense	-	13,309	-	13,309	-	-	-	-	-	-	13,309
Total expenses	1,621	362,294	(126)	363,757	24,944	17	676	35	5,952	(3,828)	391,553
Operating income (loss)	22,754	7,594	-	30,348	(9,764)	-	(452)	851	(834)	-	20,129
Nonoperating gains	-	-	-	-	-	-	-	-	-	-	-
Contributions without donor restrictions	-	454	-	454	-	-	-	-	-	-	454
Excess (deficiency) of revenue over expenses	22,754	8,048	-	30,802	(9,764)	-	(452)	851	(834)	-	20,563
Other changes in net assets without donor restrictions:											
Net asset transfers	6	(12,307)	-	(12,301)	12,301	-	-	-	-	-	-
Net changes in unrealized gains and losses on investments	81,220	251	-	61,471	-	-	-	-	-	-	81,471
Increase (decrease) in net assets without donor restrictions	\$ 83,980	\$ (4,008)	\$ -	\$ 79,972	\$ 2,537	\$ -	\$ (452)	\$ 851	\$ (834)	\$ -	\$ 82,054

The St. George Corporation and Subsidiaries

Consolidating Statement of Changes in Net Assets Information
Year Ended December 31, 2017
(Dollars in Thousands)

	The St. George Corporation	Palms Community Hospital	Eliminations	Oakland Group	Palms Medical Group	St. George Assurance	Chicago Health Colleagues	St. George Wellness Center	Palms Imaging	Eliminations	Consolidated
Net assets without donor restrictions:											
Excess (deficiency) of revenue over expenses	\$ 22,754	\$ 8,048	\$ -	\$ 30,802	\$ (9,784)	\$ -	\$ (452)	\$ 851	\$ (834)	\$ -	\$ 20,583
Net asset transfers	6	(12,307)	-	(12,301)	12,301	-	-	-	-	-	-
Net changes in unrealized gains and losses on investments	61,220	251	-	61,471	-	-	-	-	-	-	61,471
Increase (decrease) in net assets without donor restrictions	83,980	(4,008)	-	79,972	2,517	-	(452)	851	(834)	-	82,054
Net assets with donor restrictions:											
Contributions	-	104	-	104	-	-	-	-	-	-	104
Net assets released from restriction	-	(70)	-	(70)	-	-	-	-	-	-	(70)
Increase in net assets with donor restrictions	-	34	-	34	-	-	-	-	-	-	34
Increase (decrease) in net assets	83,980	(3,974)	-	80,006	2,517	-	(452)	851	(834)	-	82,088
Net assets (deficit)											
Beginning of year	681,059	274,852	-	955,911	(2,877)	100	(1,044)	(851)	(248)	(3,880)	947,113
End of year	\$ 765,039	\$ 270,878	\$ -	\$ 1,035,917	\$ (360)	\$ 100	\$ (1,496)	\$ -	\$ (1,080)	\$ (3,880)	\$ 1,029,201

Section 1120.130 Financial Viability

Attached at Attachment- 33 are the St. George Corporation 2018 audited financial statements. The project will be funded through cash and cash equivalents.

Section 1120.140 Economic Feasibility

A. Reasonableness of Financing Arrangements

Attached at Attachment- 36A is a letter attesting that the total estimated project costs will be funded entirely with cash and cash equivalents.

Richard Sewell, Vice Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Reasonableness of Financing Arrangements

Dear Vice Chair Sewell:

I hereby certify under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109 and pursuant to 77 Ill. Admin. Code § 1120.140(a) that the total estimated project costs and related costs will be funded in total with cash and other liquid assets.

Sincerely,

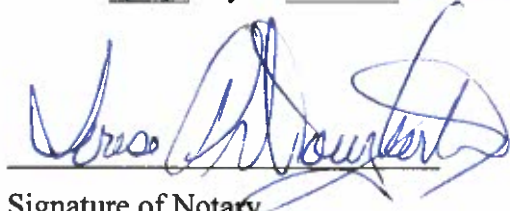


Terrence Moisan, MD
Palos Community Hospital

Notarization:

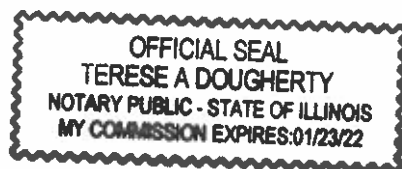
Subscribed and sworn to before

me this 19 day of SEPTEMBER, 2019



Signature of Notary

seal



Section VIII, Economic Feasibility Review Criteria
Criterion 1120.140(B), Conditions of Debt Financing

This project will be funded in total with cash and cash equivalents. Accordingly, this criterion is not applicable.

1120.140 Economic Feasibility
C. Reasonableness of Project and Related Costs

The Applicants propose to build a medical office building. The State Board does not have cost standards for projects that do not have an inpatient component or fall into a category of service. Below is a list of the non-reviewable departments:

- Physician Offices
- Lobby/Public Areas
- Stairwells

Section 1120.140 Economic Feasibility

D. Projected Operating Costs

E. Total Effect of the Project on Capital Costs

D. Projected Operating Costs (1120.140 (d))

This criterion is applicable to projects or portions thereof that involve hospital-related clinical departments or services, and this project does not involve hospital services.

E. Effect on Capital Cost (1120.140 (e))

This criterion is applicable to projects or portions thereof that involve hospital-related clinical departments or services, and this project does not involve hospital services.

Section IX, Safety Net Impact Statement

This project is non-substantive. Accordingly, this criterion is not applicable.

Charity Care Information

Charity care figures for Palos Community Hospital for the latest three audited fiscal years are provided in the table below:

Palos Community Hospital

CHARITY CARE			
	2016	2017	2018
Net Patient Revenue	\$362,985,454	\$358,570,224	\$353,923,632
Amount of Charity Care (charges)	\$8,352,588	\$9,547,570	\$11,195,709
Cost of Charity Care	\$1,881,234	\$2,073,066	\$2,525,578
Ratio of the cost of Charity Care to Net Patient Revenue	1%	1%	1%



September 26, 2019

Kara M. Friedman
(312) 873-3639
kfriedman@polsinelli.com

VIA FEDERAL EXPRESS

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

RECEIVED

SEP 27 2019

HEALTH FACILITIES &
SERVICES REVIEW BOARD

RE: 25 East Same Day Surgery –Temporary Suspension of Service

Dear Ms. Avery:

This letter serves as the monthly progress report required by the Illinois Health Facilities & Services Review Board regarding the temporary suspension of service of 25 East Same Day Surgery located at 25 East Washington Street, Chicago, Illinois (the "Surgery Center"). As previously communicated, the Surgery Center temporarily suspended operations due to unforeseen circumstances effective January 1, 2019. Since then, 25 East Same Day Surgery has been diligently working to recruit additional physicians to perform cases at the Surgery Center and/or reorganize its ownership structure to allow it to maintain a reasonable operating margin. As these efforts continue, it will report its progress to the State Board as required by §1130.240(d).

Sincerely,

A handwritten signature in cursive script that reads 'Kara Friedman'.

Kara M. Friedman



Via Federal Express

Kara Friedman
(312) 873-3639
kfriedman@polsinelli.com

Mr. Michael Constantino
Supervisor, Project Review Section
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, Second Floor
Springfield, Illinois 62761

RECEIVED
SEP 27 2019
HEALTH FACILITIES &
SERVICES REVIEW BOARD

Re: Application for Permit

Dear Mr. Constantino:

The St. George Corporation and Palos Community Hospital (the "Applicants") hereby submit the attached Certificate of Need application to construct a medical office building in Mokena, Illinois. For your review, I have attached the following:

1. An original and one copy of the completed application for permit
2. A check for \$2,500 for the application processing fee

Please note that the application states the Applicants do not have any active permits, as final cost reports will be submitted within the week for all active permits.

Thank you for your time and consideration of the Applicants' application for permit. If you have any questions or need any additional information to complete your review of the application for permit, please feel free to contact me.

Sincerely,

A handwritten signature in cursive script that reads 'Kara Friedman'.

Kara M. Friedman

Attachments