ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name:	The University of Chicago Medical Center		
Street Address:	14290 S. LaGrange Road		
City and Zip Code:	Orland Park 60462-2350		
County: Cook		Health Service Area: 6	Health Planning Area: A-04

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

Exact Legal Name:	The University of Chicago Medical Center
Street Address:	5841 S. Maryland Avenue
City and Zip Code:	Chicago 60637
Name of Registered Agent:	John Satalic
Registered Agent Street Address:	5841 S. Maryland Avenue
Registered Agent City and Zip Code:	Chicago 60637
Name of Chief Executive Officer:	Thomas Jackiewicz
CEO Street Address:	5841 S. Maryland Avenue
CEO City and Zip Code:	Chicago 60637
CEO Telephone Number:	(773) 702-6240

Type of Ownership of Applicants

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

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

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

Primary Contact [Person to receive ALL correspondence or inquiries]

Name:	Joe Ourth
Title:	Partner
Company Name:	Saul Ewing Arnstein & Lehr LLP
Address:	161 N. Clark Street, Site 4200, Chicago, IL 60601
Telephone Number:	(312) 876-7815
E-mail Address:	joe.ourth@saul.com
Fax Number:	(312) 8766215

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

Name:	
Title:	
Company Name:	

39103869.5

Address:	
Telephone Number:	
E-mail Address:	
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:	Phillip L. Kaufman, CPA
Title:	Vice President – Finance Shared Services
Company Name:	The University of Chicago Medical Center
Address:	5841 S. Maryland Avenue, Chicago, IL 60637
Telephone Number:	(773) 702-8184
E-mail Address:	phillipkaufman@uchospitals.edu
Fax Number:	(773) 702-8184

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner:	The University of Chicago Medical Center
Address of Site Owner:	5841 S. Maryland Avenue, Chicago, IL 60637
Street Address or Legal Description of the Site:	

Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statements, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease, or a lease.

APPEND DOCUMENTATION AS <u>ATTACHMENT 2</u>, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Operating Identity/Licensee

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

Exact Legal Name:	The University of Chicago Medical Center
Address:	5841 S. Maryland Avenue, Chicago, IL 60637

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

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

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

Organizational Relationships

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

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

Flood Plain Requirements

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2006-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements, please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at **www.FEMA.gov** or **www.illinoisfloodmaps.org**. **This map must be in a readable format**. In addition, please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #2006-5 (**http://www.hfsrb.illinois.gov**). NOTE: A SPECIAL FLOOD HAZARD AREA AND 500-YEAR FLOODPLAIN DETERMINATION FORM has been added at the conclusion of this Application for Permit that must be completed to deem a project complete.
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.

On August 27, 2014, the University of Chicago Medical Center ("UCMC" or the "Medical Center") received Permit #14-023 from the Illinois Health Facilities & Services Review Board ("IHFSRB" or the "Review Board") to move forward with the construction of a four-story ambulatory medical office building in downtown Orland Park. The fourth floor was reserved as shell space. On June 4, 2019, UCMC received Permit #19-013 from the Review Board to move forward with a Mammography Services Joint Venture to develop and jointly operate a dedicated Mammography Suite with Solis Mammography in a portion of this shell space on the fourth floor.

UCMC now seeks authority from the Review Board to build out the remainder of this shell space on the fourth floor, to reconfigure existing space on the second and third floors of the Orland Park medical office building, and to expand diagnostic imaging (the "Project").

Specifically, UCMC proposes to complete the build out of the fourth floor of the Orland Park MOB with 18 multi-specialty exams rooms (17 net new multi-specialty exam rooms and 1 relocated exam room), a procedure suite with two rooms equipped for GI endoscopy, colonoscopy and other similar office-based procedures, and dedicated space for cardiac and vascular imaging. Additionally, UCMC proposes to expand diagnostic imaging with one (1) additional MRI and one (1) PET scan in the existing diagnostic imaging suite on the second floor.

The purpose of the Project is to expand access to multi-specialty outpatient care, high-quality cancer screening and diagnostic imaging, for which there is increased demand and a continued disparate distribution of resources in the communities that UCMC serves.

The build out would consist of 22,759 DGSF (23,100 BGSF) for both clinical and non-clinical space. The total project cost is expected to be $18530,768 and will be funded with cash and securities. The Project is expected to be completed by May 31, 2023.

Pursuant to 77 Ill. Adm. Code 1120.20(b), the Project is classified as "Non-Substantive" because it will not establish a new facility on a new site, establish or discontinue a category of service, or propose a change in bed capacity.

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	**REVIEWABLE**	**NONREVIEWABLE**	**TOTAL**
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation	$485,440	$43,120	$528,560
Off Site Work			
New Construction Contracts	3,154,286	1,494,615	4,648,901
Modernization Contracts	1,550,300	481,043	2,031,343
Contingencies	475,927	192,097	668,024
Architectural/Engineering Fees	404,246	189,071	573,400
Consulting and Other Fees	475,929	189,071	665,000
Movable or Other Equipment (not in construction contracts)	6,799,787	574,063	7,373,850
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)	599,410	183,280	782,690
Fair Market Value of Leased Space or Equipment			
Other Costs to Be Capitalized	855,728	403,272	1,259,000
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	**$14,801,053**	**$3,729,715**	**$18,530,768**
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities	$14,801,053	$3,729,715	$18,530,768
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	**$14,801,053**	**$3,729,715**	**$18,530,768**

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

Related Project Costs

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

Land acquisition is related to project ☐ Yes ☐ No
Purchase Price: $ N/A
Fair Market Value: $ N/A

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

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

Estimated start-up costs and operating deficit cost is $ N/A .

Project Status and Completion Schedules

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

Indicate the stage of the project's architectural drawings:

☐ None or not applicable ☒ Preliminary

☐ Schematics ☐ Final Working

Anticipated project completion date (refer to Part 1130.140): May 31, 2023

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.**

Not Reviewable Space [i.e. non-clinical]: *means an area for the benefit of the patients, visitors, staff or employees of a health care facility and not directly related to the diagnosis, treatment, or rehabilitation of persons receiving services from the health care facility. "Non-clinical service areas" include, but are not limited to, chapels; gift shops; newsstands; computer systems; tunnels, walkways, and elevators; telephone systems; projects to comply with life safety codes; educational facilities; student housing; patient, employee, staff, and visitor dining areas; administration and volunteer offices; modernization of structural components (such as roof replacement and masonry work); boiler repair or replacement; vehicle maintenance and storage facilities; parking facilities; mechanical systems for heating, ventilation, and air conditioning; loading docks; and repair or replacement of carpeting, tile, wall coverings, window coverings or treatments, or furniture. Solely for the purpose of this definition, "non-clinical service area" does not include health and fitness centers.* [20 ILCS 3960/3]

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

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

Facility Bed Capacity and Utilization

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert 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: The University of Chicago Medical Center			**CITY:** Chicago		
REPORTING PERIOD DATES:		**From:** 9/1/2020		**to:** 8/31/2021	
Category of Service	**Authorized Beds***	**Admissions**	**Patient Days**	**Bed Changes**	**Proposed Beds**
Medical/Surgical	481	19,518	148,447	-	481
Obstetrics	46	2,906	5,849	-	46
Pediatrics	60	2,780	15,755	-	60
Intensive Care	142	6,170	38,845	-	142
Comprehensive Physical Rehabilitation	-	-	-	-	-
Acute/Chronic Mental Illness	-	-	-	-	-
Neonatal Intensive Care	53	871	16,208	-	53
General Long-Term Care	-	-	-	-	-
Specialized Long-Term Care	-	-	-	-	-
Long Term Acute Care	-	-	-	-	-
Other ((identify)	-	-	-	-	-
TOTALS:	782	32,245	225,134	-	782

* Authorized bed information based on Alteration of Project #16-008 The University of Chicago Medical Center, approved on September 16, 2021

CERTIFICATION

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

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

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

SIGNATURE

Thomas Jackiewicz
PRINTED NAME

UCMC President
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 21st day of October 2021

Bonita Alcantar
Signature of Notary

Seal BONITA ESCOBEDO ALCANTAR
OFFICIAL SEAL
Notary Public - State of Illinois
My Commission Expires Oct 30, 2023

SIGNATURE

Jason Keeler
PRINTED NAME

UCMC COO
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 21st day of October 2021

Bonita Alcantar
Signature of Notary

Seal BONITA ESCOBEDO ALCANTAR
OFFICIAL SEAL
Notary Public - State of Illinois
My Commission Expires Oct 30, 2023

*Insert the EXACT legal name of the applicant

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

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

1110.110(a) – Background of the Applicant

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.
2. A listing of all health care facilities currently owned and/or operated in Illinois, by any corporate officers or directors, LLC members, partners, or owners of at least 5% of the proposed health care facility.
3. For the following questions, please provide information for each applicant, including corporate officers or directors, LLC members, partners and owners of at least 5% of the proposed facility. A health care facility is considered owned or operated by every person or entity that owns, directly or indirectly, an ownership interest.
   a. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant, directly or indirectly, during the three years prior to the filing of the application.
   b. A certified listing of each applicant, identifying those individuals that have been cited, arrested, taken into custody, charged with, indicted, convicted or tried for, or pled guilty to the commission of any felony or misdemeanor or violation of the law, except for minor parking violations; or the subject of any juvenile delinquency or youthful offender proceeding. Unless expunged, provide details about the conviction and submit any police or court records regarding any matters disclosed.
   c. A certified and detailed listing of each applicant or person charged with fraudulent conduct or any act involving moral turpitude.
   d. A certified listing of each applicant with one or more unsatisfied judgements against him or her.
   e. A certified and detailed listing of each applicant who is in default in the performance or discharge of any duty or obligation imposed by a judgment, decree, order or directive of any court or governmental agency.
4. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. **Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**
5. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest that the information was previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant can 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** 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:

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:

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.

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

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

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

Service	# Existing Key Rooms	# Proposed Key Rooms
Imaging		
MRI	**1**	**2**
PET	**0**	**1**
Clinic Exam Rooms	**3**	**20**
Minor Procedure Rooms	**0**	**3**
Mobile Cardiac Imaging Room	**0**	**1**
Stress Echo Testing Room	**2**	**1**
Vascular Testing Room	**1**	**1**

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

Project Type	Required Review Criteria
New Services or Facility or Equipment	(b) – Need Determination – Establishment
Service Modernization	(c)(1) – Deteriorated Facilities
	AND/OR
	(c)(2) – Necessary Expansion
	PLUS
	(c)(3)(A) – Utilization – Major Medical Equipment
	OR
	(c)(3)(B) – Utilization – Service or Facility

APPEND DOCUMENTATION AS ATTACHMENT 30, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

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

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

VI. 1120.120 - AVAILABILITY OF FUNDS

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

$18,530,768_	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 timetable 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 timetable of receipts;
______	d) Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including: 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment; 5) For any option to lease, a copy of the option, including all terms and conditions.
______	e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
______	f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;

________	g)	All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
$18,530,768	**TOTAL FUNDS AVAILABLE**	

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

SECTION VII. 1120.130 - FINANCIAL VIABILITY - NOT APPLICABLE

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

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

B. Conditions of Debt Financing

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

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

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

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

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

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

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

D. Projected Operating Costs

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

E. Total Effect of the Project on Capital Costs

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

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

SECTION IX. SAFETY NET IMPACT STATEMENT

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

1. The project's material impact, if any, on essential safety net services in the community, ***including the impact on racial and health care disparities 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 37.

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			

39103869.5

Medicaid (# of patients)	Year	Year	Year
Inpatient			
Outpatient			
Total			
Medicaid (revenue)			
Inpatient			
Outpatient			
Total			

APPEND DOCUMENTATION AS <u>ATTACHMENT 37</u>, 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.

Section I, Type of Ownership of Applicant/Co-Applicant

Attachment 1

The University of Chicago Medical Center ("UCMC") is an Illinois not-for-profit corporation. A copy of UCMC's Good Standing Certificate is attached.

#21-033

File Number 5439-757-7

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

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

THE UNIVERSITY OF CHICAGO MEDICAL CENTER, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON OCTOBER 01, 1986, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 25TH *day of* OCTOBER *A.D.* 2021 .

Authentication #: 2129803016 verifiable until 10/25/2022
Authenticate at: http://www.ilsos.gov

Jesse White
SECRETARY OF STATE

ATTACHMENT 1

Section I, Site Ownership

Attachment 2

Attached is a certification of the Applicants relating to control of the site.

ATTACHMENT 2

39140930.7

AT THE FOREFRONT
UChicago Medicine

Attestation of Site Control

I hereby attest that The University of Chicago Medical Center ("UCMC) has "site control," as that term is used in Review Board regulations over the Project site located at 14290 S. LaGrange Road in Orland Park, IL 60462-2350. UCMC is the owner the 110,500 gross square foot, four-story ambulatory care medical office building, in which the Project will occur. The Village of Orland Park is the landlord of the ground lease on which the medical office building was built and UCMC is the tenant in the ground lease with the landlord.

Dated: 11/1/21

Carla Gazes
Senior Associate General Counsel
The University of Chicago Medical Center

ATTACHMENT 2

Ground Lease

Village of Orland Park and University of Chicago Medical Center

Main Street Triangle:
Approximately 27-acre area located (at the northwest corner of 143rd Street and LaGrange Road in the Village of Orland Park, Illinois that is owned or controlled by the Village of Orland Park for the purposes of promoting mixed-use retail, commercial and residential development.

Premises:
3.48 acres· located within the Main Street Triangle at the northwest corner of LaGrange Road and 143rd Street. Please see Exhibit A for a legal description of the Premises.

Landlord:
The Village of Orland Park

Tenant:
The University of Chicago Medical Center

Ground Lease Term:
The Ground Lease Term began on September 1, 2015, and the Term shall continue until, and expire at, 11:59 pm, Central Standard or Daylight Savings Time on the 25th anniversary of the Landlord's issuance of a final occupancy permit for Tenant's improvements on the Premises.

Conveyance of Premises to Tenant: On the date of payment in full of all amounts of Rent due under the Ground Lease, Landlord shall convey Premises to Tenant by special warranty deed transferring absolute title to the Tenant.

Permitted Use: Tenant shall use the Premises for an ambulatory care center (but not to include hospital or emergency room), medical office, back room and support services, and related motor vehicle parking.

Annual Rent: On the basis that the Premises is exempt from assessment and levy of real estate taxes, Tenant shall pay to Landlord as rent the following ground rental rate for the Premises according to the following schedule:

Years 1-15:	$770,000 per year
Years 16-25:	$750,000 in year 16 and reduced by $20,000 annually through year 25.

ATTACHMENT 2

Exhibit A

Legal Description of the Land

UCMC PARCEL DESCRIPTION:

THAT PART OF THE SOUTHEAST QUARTER OF SECTION 4, TOWNSHIP 36 NORTH, RANGE 12, EAST OF THE THIRD PRINCIPAL MERIDIAN, DESCRIBED AS FOLLOWS:

COMMENCING AT A POINT 50 FEET NORTH OF THE SOUTH LINE OF SAID SECTION 4 AND 275 FEET WEST OF THE EAST LINE OF SAID SECTION 4; THENCE NORTH 01 DEGREES 34 MINUTES 53 SECONDS WEST, ALONG A LINE 275.00 FEET WEST OF AND PARALLEL WITH THE EAST LINE OF SAID SOUTHEAST QUARTER; THENCE NORTH 01 DEGREES 34 MINUTES 53 SECONDS WEST, 7.00 FEET TO A POINT ON A LINE 57.00 FEET NORTH OF AND PARALLEL WITH THE SOUTH LINE OF SAID SECTION 4, ALSO BEING THE POINT OF BEGINNING;

THENCE SOUTH 87 DEGREES 59 MINUTES 26 SECONDS WEST, ALONG SAID PARALLEL LINE, 39.94 FEET; THENCE NORTH 48 DEGREES 47 MINUTES 03 SECONDS WEST, 20.44 FEET; THENCE NORTH 01 DEGREES 34 MINUTES 53 SECONDS WEST, ALONG A LINE PARALLEL TO THE EAST LINE OF SAID SOUTHEAST QUARTER, 431.79 FEET; THENCE NORTH 88 DEGREES 25 MINUTES 07 SECONDS EAST, PERPENDICULAR TO THE LAST COURSE, 192.43 FEET; THENCE SOUTH 01 DEGREES 34 MINUTES 53 SECONDS EAST, ALONG A LINE PARALLEL TO THE EAST LINE OF SAID SOUTHEAST QUARTER, 10.50 FEET; THENCE NORTH 88 DEGREES 25 MINUTES 07 SECONDS EAST, PERPENDICULAR TO THE LAST COURSE, 77.52 FEET TO A POINT ON A LINE 60.00 FEET WEST OF AND PARALLEL WITH THE EAST LINE OF SAID SECTION, SAID LINE ALSO BEING A WEST LINE OF PROPERTY CONVEYED IN WARRANTY DEED RECORDED AS DOCUMENT 0021061786; THENCE SOUTHERLY, SOUTHWESTERLY AND WESTERLY ALONG WESTERLY, NORTHWESTERLY AND NORTHERLY LINES OF SAID WARRANTY DEED FOR THE NEXT THREE COURSES (1) THENCE SOUTH 01 DEGREES 34 MINUTES 53 SECONDS EAST, ALONG SAID LAST DESCRIBED LINE, 406.27 FEET; (2) THENCE SOUTH 43 DEGREES 12 MINUTES 17 SECONDS WEST, 38.33 FEET; (3) THENCE SOUTH 87 DEGREES 59 MINUTES 26 SECONDS WEST, 188.01 FEET TO THE POINT OF BEGINNING, IN COOK COUNTY, ILLINOIS.

TO BE KNOWN AS:

LOT 4 IN MAIN STREET TRIANGLE PHASE 2, BEING A SUBDIVISION OF THE SOUTHEAST QUARTER OF SECTION 4, TOWNSHIP 36 NORTH, RANGE 12, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

Section I, Operating Identity/Licensee

Attachment 3

The University of Chicago Medical Center is an Illinois not-for-profit corporation.

ATTACHMENT 3

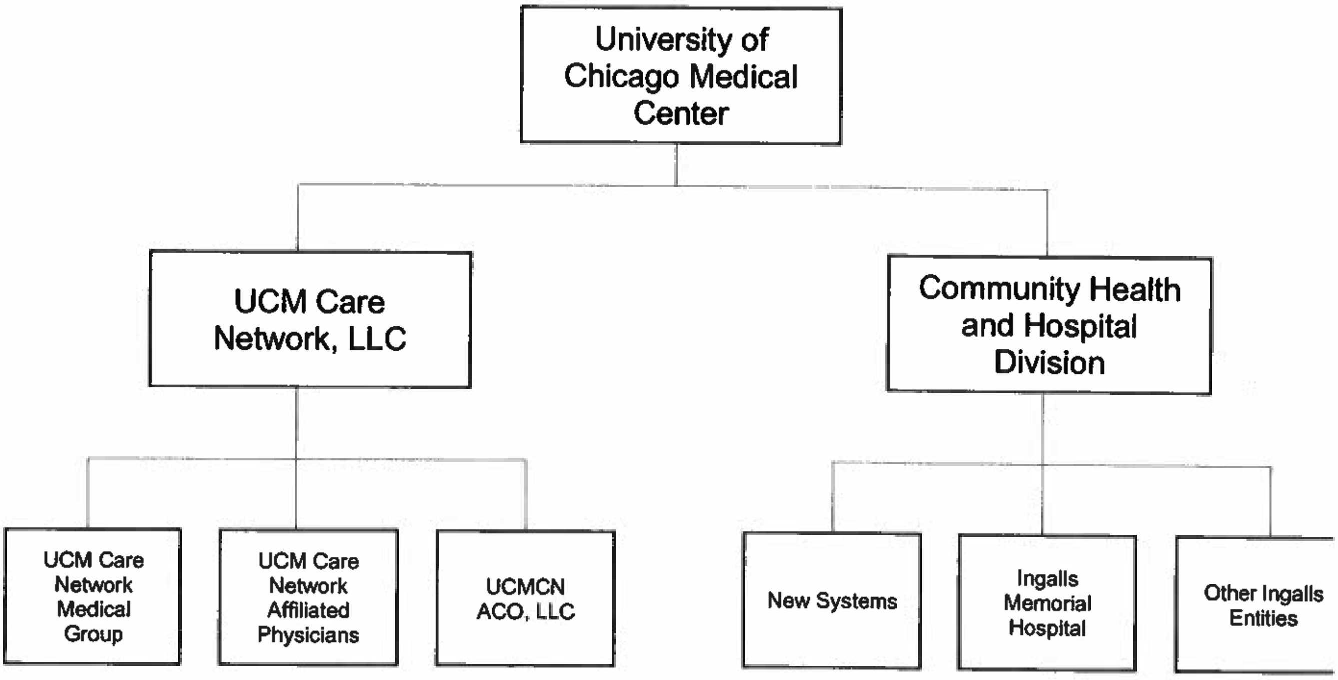
Section I, Organizational Relationships

Attachment 4

A copy of The University of Chicago Medical Center organizational chart is attached.

AT THE FOREFRONT
UChicago
Medicine

System Structure



ATTACHMENT 4

39140930.7

Section I, Flood Plain Requirement

Attachment 5

Attestation that the site of the Project is not located in a flood plain and that the Project complies with the Flood Plain Rules under Illinois Executive Order #2005-5 is attached.

ATTACHMENT 5

SECTION XI -SPECIAL FLOOD HAZARD AREA AND 500-YEAR FLOODPLAIN DETERMINATION FORM

In accordance with Executive Order 2006-5 (EO 5), the Health Facilities & Services Review Board (HFSRB) must determine if the site of the CRITICAL FACILITY, as defined in EO 5, is located in a mapped floodplain (Special Flood Hazard Area) or a 500-year floodplain. All state agencies are required to ensure that before a permit, grant or a development is planned or promoted, the proposed project meets the requirements of the Executive Order, including compliance with the National Flood Insurance Program (NFIP) and state floodplain regulation.

1. Applicant: University of Chicago Medical Center, 5841 S. Maryland Avenue
(Name) (Address)
Chicago IL 60637
(City) (State) (ZIP Code) (Telephone Number)

2. Project Location: 14290 S. LaGrange Road, Orland Park, IL
(Address) (City) (State)
Cook Orland
(County) (Township) (Section)

3. You can create a small map of your site showing the FEMA floodplain mapping using the FEMA Map Service Center website (https://msc.fema.gov/portal/home) by entering the address for the property in the Search bar. If a map, like that shown on page 2 is shown, select the ***Go To NFHL Viewer*** tab above the map. You can print a copy of the floodplain map by selecting the icon in the top corner of the page. Select the pin tool icon and place a pin on your site. Print a FIRMETTE size image.

   If there is no digital floodplain map available select the **View/Print FIRM** icon above the aerial photo. You will then need to use the Zoom tools provided to locate the property on the map and use the **Make a FIRMette** tool to create a pdf of the floodplain map.

IS THE PROJECT SITE LOCATED IN A SPECIAL FLOOD HAZARD AREA: Yes____ No X

IS THE PROJECT SITE LOCATED IN THE 500-YEAR FLOOD PLAIN? No

If you are unable to determine if the site is in the mapped floodplain or 500-year floodplain, contact the county or the local community building or planning department for assistance.
If the determination is being made by a local official, please complete the following:

FIRM Panel Number:______________________ Effective Date:______________________

Name of Official:______________________ Title: ______________________

Business/Agency:______________________ Address:______________________

(City) (State) (ZIP Code) (Telephone Number)

Signature:______________________ Date: ______________________

NOTE: This finding only means that the property in question is or is not in a Special Flood Hazard Area or a 500-year floodplain as designated on the map noted above. It does not constitute a guarantee that the property will or will not be flooded or be subject to local drainage problems.

If you need additional help, contact the Illinois Statewide Floodplain Program at 217/782-4428

FEMA
(https://www.fema.gov/)

FEMA Flood Map Service Center: Search By Address

Navigation

Search

Languages

MSC Home (/portal/)

MSC Search by Address (/portal/search)

MSC Search All Products (/portal/advanceSearch)

MSC Products and Tools (/portal/resources/productsandtools)

Hazus (/portal/resources/hazus)

LOMC Batch Files (/portal/resources/lomc)

Product Availability (/portal/productAvailability)

MSC Frequently Asked Questions (FAQs) (/portal/resources/faq)

MSC Email Subscriptions (/portal/subscriptionHome)

Contact MSC Help (/portal/resources/contact)

Enter an address, place, or coordinates:

14290 S. Lagrange Road, Orland Park 60462-2350 Search

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

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

Search Results—Products for **ORLAND PARK, VILLAGE OF**

Show ALL Products » (https:/

The flood map for the selected area is number **17031C0613K**, effective on **11/01/2019**

DYNAMIC MAP

PRINT MAP/ FIRMette

MAP IMAGE

DOWNLOAD FIRM PANEL

Changes to this FIRM

Revisions (0)

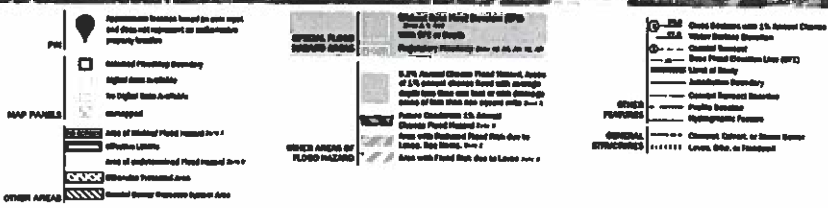
Amendments (2)

Revalidations (2)

(https://msc.fema.gov/portal/downloadProduct?productTypeID=FINAL_PRODUCT&productSubTypeID=FIRM_PANEL&productID=170

You can choose a new flood map or move the location pin by selecting a different location on the locator map below or by entering a new location in the search field above. It may take a minute or more during peak hours to generate a dynamic FIRMette. If you are a person with a disability, are blind, or have low vision, and need assistance, please contact a map specialist (https://msc.fema.gov/portal/resources/contact).

Go To NFHL Viewer » (http:



ATTACHMENT 5

Section I, Historic Resources Preservation Act Requirements

Attachment 6

Attached is a letter from the Illinois Department of Natural Resources noting that no historic, architectural or archaeological sites exists within the Project area.

ILLINOIS
Illinois Department of
Natural Resources
One Natural Resources Way Springfield, Illinois 62702-1271
www.dnr.illinois.gov
Bruce Rauner, Governor
Wayne A. Rosenthal, Director
FAX (217) 524-7525

Cook County
Orland Park
Rehabilitation to Establish a Mammography Facility, University of Chicago Medicine Center
14290 S. LaGrange Road
SHPO Log #037060418

July 12, 2018

John R. Beberman
The University of Chicago Hospitals
14216 S. Meadowview
Orland Park, IL 60462-2350

Dear Mr. Beberman:

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

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

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

If you have any further questions, please contact me at 217/785-5031.

Sincerely,

Rachel Leibowitz, Ph.D.
Deputy State Historic
Preservation Officer

ATTACHMENT 6

Section I, Project Costs and Source of Funds

Attachment 7

Section 1120.110, Project Costs and Sources of Funds

Project Costs and Sources of Funds			
USE OF FUNDS	**REVIEWABLE**	**NONREVIEWABLE**	**TOTAL**
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation	$485,440	$43,120	$528,560
Off Site Work			
New Construction Contracts	3,154,286	1,494,615	4,648,901
Modernization Contracts	1,550,300	481,043	2,031,343
Contingencies	475,927	192,097	668,024
Architectural/Engineering Fees	404,246	189,071	573,400
Consulting and Other Fees	475,929	189,071	665,000
Movable and Other Equipment (not in construction contracts)	6,799,787	574,063	7,373,850
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)	599,410	183,280	782,690
Fair Market Value of Leased Space or Equipment			
Other Costs to be Capitalized	855,728	403,272	1,259,000
Acquisition of Building or Other property (excluding land)			
TOTAL USES OF FUNDS	**$14,801,053**	**$3,729,715**	**$18,530,768**
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities	$14,801,053	$3,729,715	$18,530,768
Pledges			
Gifts and Bequests			
Bond Issue (project related)			
Mortgages			
Leases (fair market value)	1,082,812	162,245	1,245,057
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOUCES OF FUNDS	$14,801,053	$3,729,715	$18,530,768
NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

ATTACHMENT 7

39140930.7

Cost Detailed

		Total	Clinical	Non-Clinical	Total
Preplanning Costs					
	Mockups	-	-	-	-
Site Survey and Soil Investigation		-	-	-	
Site Preparation		$528,560			
	New Construction Site Preparation		$235,440	$43,12 0	$278,560
	CVS Site Preparation/Structure		250,000		250,000
			-	-	
New Construction		4,648,901			
	Outpatient Clinics		3,048,715		3,048,715
	Diagnostic Imaging		105,572		105,572
	Offices			577,696	577,696
	Public			327,165	327,165
	New Staff			411,836	411,836
	Building Support			177,918	177,918
Modernization Contracts		2,031,343			
	Outpatient Clinics		339,700		339,700
	Diagnostic Imaging		1,210,600		1,210,600
	Offices			102,700	102,700
	Public			378,343	378,343
Contingencies		668,024	475,927	192,097	668,024
Architectural/Engineering Fees		573,400			
	Architecture Design		404,246	169,154	573,400
Consulting and Other Fees		665,000			
	City Permit Fees		37,257	17,743	55,000
	IDPH Fees		51,524	23,476	75,000
	CON Related Fees		53,241	21,759	75,000
	Test and Balance		23,678	11,322	35,000
	Legal Council		20,541	9,459	30,000
	Capitalized Labor		148,938	61,062	210,000
	Engineering		15,984	4,016	20,000
	Commissioning Agent		50,493	24,507	75,000
	Equipment Planning		74,274	15,726	90,000
Movable and Other Equipment		7,373,850			
	Medical Equipment		1,205,000	150,000	1,355,000
	1.5T MRI		1,800,000		1,800,000
	Fluoroscopy/ C-Arm		280,000		280,000
	PET/CT		2,500,000		2,500,000
	Nurse Call Equipment		127,500		127,500
	Furniture		403,607	190,243	593,850
	Window Treatment		10,928	4,572	15,500
	Signage		12,011	5,489	17,500
	Artwork		28,533	11,467	40,000
	WiFi/DAS		47,944	20,256	68,200
	Netwok Closets		45,249	19,751	65,000
	Phones		16,776	7,224	24,000
	PCs & Printers		125,051	53,449	178,500
	Patient Monitoring		90,226	53,574	143,800
	TV/PT Entertainment		44,219	20,781	65,000
	Monitors/status Boards		62,744	37,256	100,000
Net Interest Expense During Construction		782,690	599,410	183,280	782,690
Other Costs to be Capitalized		1,259,000			
	IT Services/Cabling		196,294	83,706	280,000
	CBIS Project Management		248,171	126,829	375,000
	EPIC & Sunquest Licenses		242,230	102,770	345,000
	Conference Room AV		25,098	14,902	40,000
	Kronos		16,433	7,567	24,000
	Security		55,050	29,950	85,000
	Equipment Warehousing		22,819	12,181	35,000
	EVs		16,545	8,455	25,000
	Locks		22,819	12,181	35,000
	Plant		10,270	4,730	15,000
Total Costs		$18.530.767	$14.801.053	$3.729.715	$18.530.767

ATTACHMENT 7

39140930.7

Section I, Cost Space Requirements

Attachment 9

Cost Space Requirements

University of Chicago Medical Center
Orland Park Expansion

Reviewable	Cost	BGSF Existing	BGSF Proposed	New	Modernization	As Is	Vacated Space	Re-Assi
Outpatient Clinics	$7,853,496	19,501	12,370	11,378	992	19,501	0	
Infusion Therapy	$0	7,171	0	0	0	7,171	0	
Radiation Oncology	$0	5,994	0	0	0	5,994	0	
Diagnostic Imaging	$6,947,558	11,085	3,614	394	3,220	11,085	0	
Total Reviewable	**$14,821,848**	**43,751**	**15,984**	**11,772**	**4,212**	**43,751**		

Non-Reviewable	Cost	BGSF Existing	BGSF Proposed	New	Modernization	As Is	Vacated Space	Re-Assi
Administrative	$1,374,710	1,593	2,282	2,156	126	1,593	0	
Public	$1,274,505	7,465	2,633	1,221	1,412	7,465	0	
Staff Support	$759,040	1,992	1,537	1,537	0	1,992	0	
Mechanical/Building Support	$321,459	2,375	664	664	0	2,375	0	
Space to be leased	$0	14,196	0	0	0	14,196	0	
Parking Deck	$0	132,000	0	0	0	132,000	0	
Total Non-Reviewable	**$3,729,714**	**159,621**	**7,116**	**5,577**	**1,539**	**159,621**		
Project Totals:	**$18,530,768**	**203,371**	**23,100**	**17,349**	**5,751**	**203,371**		

Section III, Background of Applicant

Attachment 11

Section 1110.230, Background, Purpose of the Project and Alternatives

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

   UCMC's full general hospital license #0003897, effective July 1, 2021, issued by the Illinois Department of Public Health ("IDPH"), is attached. UCMC's most recent accreditation letter from the Joint Commission, dated May 12, 2016, is attached.

   UCMC also owns Ingalls Memorial Hospital ("Ingalls Hospital") and Ingalls Same Day Surgery Center, an ambulatory surgery treatment center ("Ingalls ASTC").

   Ingalls Hospital's full general hospital license is #0001099, effective January 1, 2021.
   Ingalls ASTC's ambulatory surgery treatment center license #7001043, effective June 18, 2021.

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

   There have been no adverse actions taken against UCMC within the prior three years. A letter attesting to this fact is attached.

3. **Authorization permitting HFSRB and DPH access to 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.**

   A letter granting the Review Board and the IDPH access to information to verify information in the application is attached.

HF 122928

Illinois Department of PUBLIC HEALTH

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

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

Ngozi O. Ezike, M.D.
Director

Issued under the authority of the Illinois Department of Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
06/30/2022		0003897

General Hospital

Effective: 07/01/2021

The University of Chicago Medical Center
5841 S Maryland Ave MC 1000
Chicago, IL 60637

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #19-493-001 10M 9/18

DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Date 06/30/2022
Lic Number 0003897

Date Printed 05/14/2021

The University of Chicago Medical Cen

5841 S Maryland Ave MC 1000
Chicago, IL 60637

FEE RECEIPT NO.

ATTACHMENT

University of Chicago Medical Center

Chicago, IL

has been Accredited by

The Joint Commission

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

Hospital Accreditation Program

March 12, 2016

Accreditation is customarily valid for up to 36 months.

Rebecca J. Patchin, MD
Chair, Board of Commissioners

ID #7315
Print/Reprint Date: 05/23/2016

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

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

AMA

ATTACHMENT 1(

AT THE FOREFRONT
UChicago Medicine

Thomas Jackiewicz
President

MC 1000, S-115
5841 South Maryland Avenue
Chicago, Illinois 60637-1470
phone (773) 702-8908
fax (773) 702-1897

October 19, 2021

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

Re: UCMC Orland Park MOB
Permit Application – No Adverse Action

Dear Ms. Avery,

Please be advised that no disciplinary action relative to "Adverse Action" as defined under Section 1110.230(a)(1) of the Review Board Rules has been adjudicated against The University of Chicago Medical Center or against any health care facility owned or operated by it, directly or indirectly, within three (3) years preceding the filing of the permit application.

Thomas Jackiewicz
President

Notarization:
Subscribed and sworn before me
this 21st day of October, 2021

Signature of Notary Public

BONITA ESCOBEDO ALCANTAR
OFFICIAL SEAL
Notary Public - State of Illinois
My Commission Expires Oct 30, 2023

ATTACHMENT 11

AT THE FOREFRONT
UChicago Medicine

Thomas Jackiewicz
President

MC 1000, S-115
5841 South Maryland Avenue
Chicago, Illinois 60637-1470
phone (773) 702-8908
fax (773) 702-1897

October 19, 2021

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

Re: UCMC Orland Park MOB
Permit Application – Access to Information

Dear Ms. Avery,

I hereby authorize the State Board and State Agency access to information from any licensing/certification agency in order to verify any and all documentation or information submitted in relation to this permit application. I further authorize the Illinois Department of Public Health to obtain any additional documentation or information that said agency deems necessary for the review of the application as it pertains to Section 1100.230(a)(3)(C) of the Review Board Rules.

Thomas Jackiewicz
President

Notarization:
Subscribed and sworn before me
this 21st day of October, 2021

Bonita Alcantar
Signature of Notary Public

BONITA ESCOBEDO ALCANTAR
OFFICIAL SEAL
Notary Public - State of Illinois
My Commission Expires Oct 30, 2023

ATTACHMENT 11

Section III, Purpose of Project

Attachment 12

Overview of Purpose

The Medical Center opened its Orland Park medical office building ("Orland Park MOB") in December 2016, bringing specialized medicine to a community setting for patients seeking care closer to home. In our original application to the Review Board for the Medical Office Building, Project No. 14-023, we proposed shell space on the fourth floor of the MOB with a projection for robust growth in demand in Planning Area A-04.

The purpose of the Project is to expand access to multi-specialty outpatient care, high-quality cancer screening, and diagnostic imaging to meet the demand we anticipated and to continue to address the disparate distribution of needed health care resources in the communities that UCMC serves. For the current fiscal year (FY21), 51% of the Medical Center's patient care was delivered in an outpatient setting, a figure that has grown steadily over time.

UCMC now seeks authority from the Review Board to build out the remainder of this shell space on the fourth floor, to reconfigure existing space on the second and third floors of the Orland Park medical office building, and to expand diagnostic imaging (the "Project").

Specifically, UCMC proposes to complete the build out of the fourth floor of the Orland Park MOB with 18 multi-specialty exams rooms (17 net new multi-specialty exam rooms and 1 relocated exam room), a procedure suite with two rooms equipped for GI endoscopy, colonoscopy[1] and other similar office-based procedures, and dedicated space for cardiac and vascular imaging. Additionally, UCMC proposes to expand diagnostic imaging with one (1) additional MRI and one (1) PET scan in the existing diagnostic imaging suite on the second floor.

Based on current and planned provider FTEs, the new space on the 4th floor will result in an approximately 20% increase in clinical capacity exams in the building. The Project is expected to be complete by May 31, 2023.

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.

UCMC has been serving the City of Chicago since 1927 and is one of the nation's leading academic medical institutions. Its mission is to provide superior health care in a compassionate manner, ever mindful of each patient's dignity and individuality. To accomplish this mission, UCMC relies upon the skills and expertise of all who work together to advance medical innovation,

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[1] The Project is an extension of UCMC's commitment to community service and to improve access to services in which our own community has been historically underserved. Our 2016 community needs health assessment identified cancer screening as a priority for the patients that we serve. The expansion of colon and bowel cancer screening and diagnostics throughout Chicago is a key priority for UCMC.

serve the health needs of the community and further the knowledge of those dedicated to caring for patients.

UCMC is a nationally recognized leader in patient care, research and medical education and is the primary teaching hospital for the University of Chicago, Pritzker School of Medicine. Renowned for treating some of the most complex medical cases, UCMC brings the very latest medical treatments to patients in Chicago and continues to invest in the capital resources necessary to maintain this effort. Moreover, UCMC routinely ranks among the top providers of Medicaid services in Illinois. The Project would provide current and future patients in the immediately adjacent Planning Area A-04 with expanded access to the same high-quality, patient care and groundbreaking research and treatments currently available to patients at UCMC's Hyde Park Campus. Through the Project, UCMC seeks to facilitate access to integrated, multi-specialty ambulatory care, to reduce wait times for appointments, and to minimize travel distances for existing patients who currently commute from south suburban locations.

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

As a major national academic medical center, UCMC essentially has two market areas. First, it serves much of the South Side of the City of Chicago, as well as South Suburbs. In addition, for its highly specialized tertiary and quaternary services, as well as primary care essential to the coordinated delivery of specialty medicine, UCMC serves much of the Chicago metropolitan area, the state and the Midwest, and even includes international patients. UCMC seeks to provide greater access to its patients who come from surrounding areas, including suburbs south of UCMC's main campus in Hyde Park, by bringing these services closer to the patient.

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

Over the past twenty-five (25) years, the delivery of health care has shifted to an even greater emphasis on the ambulatory setting. In fact, at UCMC, outpatient care, as a percentage of total patient care, exceeds inpatient care, and has more than doubled from 20% to 51% during this time period. Changes in technology, the standards of care, reimbursement methodologies, the expectations of health care consumers and, more recently, the public health emergency, all account for this shift. As a result, robust outpatient centers no longer need be adjacent to acute, inpatient hospitals, but can be located closer to the patients that they serve. In fact, patients demand this accessibility.

A. Orland Park MOB is operating at capacity. UCMC has maximized throughput in the existing configuration, which is now insufficient for timely patient care.

- From October 2018 to September 2021, monthly clinic visits at the Orland Park MOB have increased by 80%.
- During this same period, the average time from making an appointment to coming in for the clinic visit for new patients has increased 20%.

ATTACHMENT 12

B. Patients of the Orland Park MOB currently must travel to other locations for PET scans, which are frequently ordered with MRI and CT already available on-site.

- Not only is this a dissatisfier for patients, it leads to a disjointed delivery of care.

C. There is a persistent disparity in cancer screening and mortality for minorities in Chicago, as well as effective management of chronic disease, with a higher concentration on the south and west sides of Chicago.

- The primary health care priorities identified by UCMC's 2019 Community Health Needs Assessment (CHNA) are preventing and managing chronic diseases (asthma and diabetes) and reducing health inequities .
- These issues mirror some of the concerns found in the 2016 CHNA, which also identified cancer, asthma and diabetes as health priorities for the Medical Center's South Side service area.

This Project will help to address these issues by increasing access to multi-specialty ambulatory medical care for more patients as the nation's healthcare system continues to shift to an outpatient delivery model.

4. Cite the sources of the information provided as documentation

UCMC undertakes ongoing internal utilization studies and the source of this information includes those reports and other information reported to EMS, IDFPR and IDPH. UCMC also relied upon Sg2 data its own records, and UCMC's 2016 and 2019 CHNAs.

5. Detail how the project will address or improve the previously referenced issues or problems.

The Project is a direct response to increased demand for ambulatory care. The Project will address incremental demand for exam rooms, physicians, and diagnostic imaging in Planning Area A-04. Having an expanded array of specialists and subspecialists together in an integrated facility is convenient for patients with complex, chronic illness and better for patient care. The expansion into the 4th floor by completing shelled space will create necessary additional capacity. Patients of the Orland Park MOB who need PET scans, perhaps in conjunction with other imaging or a biopsy, can now obtain all of these services on site, in comfortable, familiar surroundings and ready access to established clinicians. UCMC will increase access and enhance clinical excellence by offering the benefits of an academic medical center setting, diagnostic imaging advanced technology, all of which have been found to have an effective and material impact on inequality and health disparities.

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

UCMC's prevailing objective is to increase access to comprehensive high-quality outpatient care, with a full line of diagnostic imaging services for the safety and convenience of

ATTACHMENT 12

UCMC's patients, alongside the ancillary diagnostic and treatment modalities required for their medical care. Specifically, the Project will expand the Orland Park MOB to meet the increased demand for ambulatory care because of incremental changes in clinical practice, as well as a normative shift from the current public health emergency, and will streamline the delivery of medical care to patients in the ambulatory care setting. By expanding its satellite ambulatory facility and increasing the availability of cancer screening in closer proximity to current and future patients, UCMC will help to mitigate disparities including for cancer screening and management of chronic illness.

These goals can be achieved within the timeframe for Project completion.

Section III, Alternatives

Attachment 13

Alternatives

1. **Project of Greater or Lesser Scope and Cost**

Because UCMC seeks to maximize care delivery within the footprint of its existing medical office footprint and this is the final shell space area in the building, it did not consider a project of greater scope with an additional location or undertaking construction at the Orland Park site. A Project of lesser scope, without the addition of the PET scanner, was considered. The cost savings would have been Three Million Dollars ($3,000,000.00). This was not pursued because patient volume is already such that it will make sufficient use of the PET scans within the required timeframe. More importantly, the combination of PET-MRI and PET-CT is a valuable diagnostic tool for providers and an important convenience to patients, especially with the trend of moving away from hospital-centric care. It was determined that a Project without a PET scanner was not adequate for the expected growth in demand especially after adding an additional MRI and exam rooms to meet capacity needs.

2. **Joint Venture with Other Providers**

A joint venture with other parties was not considered for this Project but was successfully pursued with Project 19-013. That joint venture is with Solis, which specializes in breast health and is known for providing women's imaging in dedicated suites that are welcoming and comforting to women. UCMC benefited by quickly bringing this high service level expertise to its patients, while Solis gained a strong and highly respected partner for its first centers in Illinois. The additional services proposed in this project will complement the Mammography Services already offered, and will add to the spectrum of cancer screening services available at the Orland Park MOB.

3. **Utilize Other Available Health Resources**

While continuing with the present arrangement is a $0 cost option, there are many drawbacks, including no room to accommodate additional demand, longer wait time for appointments, and more limited ability to bring cancer and other diagnostic screening to the community.

4. **Proposed Alternative**

The proposed Project is the alternative selected. UCMC has chosen to make a substantial commitment to serving the needs of patients in Planning Area A-04 by completing the medical facility it opened in this growing area. UCMC anticipates that the proposed expansion of the facility will be well utilized as evidenced by the high demand for its existing resources. UCMC believes that having a tightly integrated multi-disciplinary team of clinical staff centrally located in the community is the best alternative and will maximize the availability to high quality patient care for which there is strong demand.

Alternative	Cost	Pros	Cons
Project of Greater Scope	N/A	• Capacity for growth	• Higher cost • Greater business risk • Need for space beyond existing building footprint
Project of Lesser Scope	$15,530,768	• Lower cost • Less programmatic risk	• Less convenient for patients needing combined PET-CT or PET-MRI exams
Joint Venture	N/A	• Shared risk / losses • Gain experience of partner	• Challenge to manage • More complicated application
Utilize Existing Facilities	$0	• Less cost to UCMC	• Longer wait times for clinic appointments and ancillary services • Remaining square footage in the Orland Park MOB continues to go unused
Proposed Project	$18,530,768	• Patient-centric co-location of specialty and ancillary services • Convenience for patients needing imaging • Ideal layout and modalities for imaging • Efficiently and effectively utilize the remaining square footage in the Orland Park MOB to increase needed capacity	• Temporary disruption to current services during construction

ATTACHMENT 13

Section IV, Project Scope, Utilization, and Unfinished/Shell Space

Attachment 14

Project Scope, Utilization and Unfinished/Shell Space

The amount of proposed physical space is necessary and not excessive.

SIZE OF PROJECT				
DEPARTMENT/SERVICE	**PROPOSED BGSF/DGSF**	**STATE STANDARD**	**DIFFERENCE**	**MET STANDARD?**
Ambulatory Care (20 exam rooms and 3 office-based procedure rooms)	12,451 DGSF	800 DGSF/Exam x 23 = 18,400 DGSF	5,949 DGSF	Yes
MRI (1)	1,624 DGSF	1,800 DGSF/Unit	176 DGSF	Yes
PET Scan (1)	1,674 DGSF	1,800 DGSF/Unit	124 DGSF	Yes

As summarized in the table above, there are state space standards for Ambulatory Care and Diagnostic Imaging. During the initial planning phases of the Orland Park MOB. the University of Chicago Medical Center ("UCMC") forecast a clear and growing need for general and specialty outpatient medicine and promised to return to the Review Board for approval to build out the 4th floor. The need for such space is demonstrated by actual utilization, and for which we project continued growth. The Project is within each of these state standards.

The proposed Orland Park project will complete construction of the remaining shelled space areas of the original building. When the Orland Park CAC was first built, the first three floors were finished, and the 4th floor was constructed as shelled space for future expansion. In 2019 the Review Board approved a permit to complete a portion of the shelled space on the 4th floor for the Solis/UCM JV for Mammography, and the common areas needed including, reception, exit corridors, electrical, and storage space.

The proposed new space on the 4th floor will include a suite of exam rooms for multispecialty services, including the women's and heart and vascular services, as well as other specialties, and will relocate current equipment for stress echo testing and vascular testing. Space will also be created for minor procedures including GI endoscopy and colonoscopy, pain treatment, and other office based procedures that do not require higher levels of facilities like those at an ASC. A blood draw area will also be on the 4th floor to support the ambulatory care and testing. The remaining space will be built out as general office and support space.

Imaging services on the 2nd floor will be expanded to include a PET scanner and a 2nd MRI scanner. To make room for the additional imaging services, our heart and vascular services will be relocated to new space on the 4th floor, including current equipment used for stress echo tests.

Existing clinical services at the facility include Radiation Oncology and Infusion Therapy to treat cancer patients, a full range of imaging services and devices, and exam rooms to support specialty services such as Orthopedics, Medical Oncology, Cardiology, Gastroenterology, Women's Health, and Surgical Consulting, which could include such disciplines as General, Vascular, Colorectal, Urology, and ENT.

Space Standards for Specific Clinical Areas.

A. Ambulatory Care.

The Project would create 18 exam rooms (17 net new exam rooms and 1 relocated exam room) and 3 office-based procedure rooms on the 4th floor, and relocate 2 exam rooms in renovated space on the 2nd floor. The ambulatory care space includes the outpatient clinic, minor procedure suite, cardiology testing area, and blood draw area on level 4, plus renovated space on level 3 and level 2. The state standard for ambulatory care is 800 DGSF per exam room which, for the proposed 20 exam rooms and 3 minor procedure rooms, yields a total of 18,400 DGSF allowable square feet compared to the Project's proposed 12,451 DGSF. Thus, the Project meets this state standard.

B. Diagnostic Imaging.

The Project would add one (1) MRI, and (1) PET scanner to the Diagnostic Imaging Suite on the second floor. The Orland Park MOB would then have two (2) MRIs, one (1) CT scanner, (1) PET scanner within this self-contained second floor suite. On Level 3 in the Orthopaedic Suite, there are (3) existing radiographic devices to remain.

The modernized area on Level 2 for the new MRI and PET scanner is 3,298 DGSF. The MRI space totals 1,624 DGSF compared to the 1,800 DGSF allowed by state standard. The PET space totals 1,674 DGSF compared to the 1,800 DGSF allowed by state standard. Thus the Project meets these state standards.

The reviewable space described above total 15,984 BGSF including Ambulatory Care and Diagnostic Imaging.

The non-reviewable spaces include non-clinical support spaces, offices, building support and public waiting and circulation areas. This totals 7,116 BGSF for a total project of 23,100 BGSF.

A table summarizing the space program is attached.

ATTACHMENT 14

Orland Park Expansion
Space Program

Reviewable	Room Type	Quantity	NSF	DGSF	BGSF
Outpatient Clinic Level 4	Exam	18	2,078	2,140	
	Minor Procedure	1	147	151	
	Soiled Holding	1	88	91	
	Clean Supplies	2	196	202	
	Team Station	3	690	711	
	Equipment Alcove	3	98	101	
	Patient Toilet	4	241	248	
	Staff Toilet	1	53	55	
	Linen Alcove	1	34	35	
	Work Room	2	205	211	
	Circulation		1,801	1,855	
	Total		**5,631**	**5,800**	**5,887**
Minor Procedure Suite Level 4	Minor Procedure	2	578	595	
	Prep/Recovery	6	653	673	
	Patient Changing	2	68	70	
	Patient Toilet	2	129	133	
	WC/Equipment Storage	1	168	173	
	Team Station	1	333	343	
	Meds./Nourishment	1	93	96	
	Equipment Alcove	1	14	14	
	Equip/Clean Supply	1	214	220	
	Office	1	100	103	
	Staff Lockers	1	93	96	
	Staff Toilet	2	117	121	
	Soiled Holding	1	94	97	
	Scope Storage	1	91	94	
	Sterilization Room	1	153	158	
	Decontamination	1	211	217	
	Work Alcove	1	26	27	
	Equip. Alcove	1	14	14	
	Circulation		1,189	1,225	
	Total		**4,338**	**4,468**	**4,535**

ATTACHMENT 14

39140930.7

Cardiology Testing Level 4	Stress Echo Testing (Relocated)	1	191	197	
	Vascular Testing (Relocated)	1	206	212	
	Mobile Cardiac Imaging	1	167	172	
	Work Room	1	122	126	
	Crash Cart Alcove	1	9	9	
	Work Alcove	1	17	18	
	Circulation		356	367	
	Total		**1,068**	**1,100**	**1,117**
Blood Draw Level 4	Blood Draw Stations	4	208	214	
	POC Testing	1	33	34	
	Work Area	1	113	116	
	Circulation		107	110	
	Total		461	**475**	**482**
Level 3 Renovation	Blood Draw Stations	2	139	143	
	Work Area	1	39	40	
	Total		**178**	**183**	**186**
Diagnostic Imaging Level 2	MRI	1	391	403	
	MRI Control Room	1	155	160	
	MRI Equipment Room	1	169	174	
	PET CT	1	478	492	
	PET CT Control Room	1	142	146	
	PET CT Equipment Room	1	146	150	
	Injection Room	4	490	505	
	Patient Toilet	1	52	54	
	Patient Changing Room	2	105	108	
	Check-in Station	1	121	125	
	Storage Room	1	176	181	
	Office	1	121	125	
	Vestibule	1	36	37	
	Circulation		619	638	
	Total		**3,201**	**3,297**	**3,346**
Level 2 Renovation	Team Station	1	230	237	
	Exam Room (Relocated)	2	182	187	
	Total		**412**	**424**	**431**
Total Reviewable:					**15,984**

ATTACHMENT 14

39140930.7

Non-Reviewable	Room Type	Quantity	NSF	DGSF	BGSF
Public	General Waiting	1	1118	1,152	
Level 4	Toilet	1	50	52	
	Exit Corridor Upgrade	1	1351	1,392	
	Total		**2,519**	**2,595**	**2,633**
Non-Clinical Staff Support	Reception	1	358	369	
Level 4	Staff Lockers	1	164	169	
	Staff Toilet	3	170	175	
	Lactation	1	66	68	
	Staff Lounge	1	340	350	
	Conference	1	250	258	
	Supplies	1	122	126	
	Total		**1,470**	**1,514**	**1,537**
Building Support	Electrical Closet	1	91	94	
Level 4	Med Gas Tank Room	1	83	85	
	Chemo Waste	1	147	151	
	Linen Storage	1	204	210	
	Trash	1	110	113	
	Circulation			10	
	Total			654	**664**
Administrative	Open Work Room	1	1704	1,755	
Level 2 & 4	Private Office	4	358	369	
	Shared Office	1	121	125	
	Total		**2,183**	**2,248**	**2,282**
Total Non-Clinical Reviewable (BGSF):					**7,116**

Grand Total (BGSF):	**23,100**

ATTACHMENT 14

39140930.7

Section IV, Project Services Utilization

Attachment 15

Appendix B, Project Services Utilization

1110.120 c) Project Size Utilization – For areas for which there are utilization standards as shown in Appendix B

Imaging – MRI

Utilization	Dept./Service	Historical Utilization	Projected Utilization	State Standard	Meet Standard?	Units
FY18	Imaging (MRI)	1,788		0-2,500 procedures/ year	Yes	1
FY19		1,961		0-2,500	Yes	1
FY20		2,920		0-2,500	Yes	1
FY21		3,771		0-2,500	Yes	1
FY22			4,321	0-2,500	Yes	1
FY23			4,753	2,500-5,000	Yes	2
FY24			5,185	2,500-5,000	Yes	2

* Estimate based on first two months of FY22 being pro-rated to an annual rate
** Estimate based on MRI procedure growth of 20% from FY21 rate which is proportional to the estimated increased provider capacity for exams, divided into a 10% increase in FY23 and an additional 10% increase in FY24

One (1) additional MRI is requested for the Diagnostic Imaging Suite. The MRI currently supports a number of specialties offered at Orland Park, and since FY20, has been running over the state standard for machines. In the first two months of FY22, the MRI has been running at a rate of 4,321 procedures per year. At the conclusion of this project, the capacity for provider visits in the building will increase by 20% above current levels. A conservative estimate for the increase in MRI procedures is growth of MRI procedures proportional to provider capacity for visits. This scale up of growth is expected to happen over two years of operation, and results in meeting the state standard of 5,000 procedures over two machines. Finally, 5,185 exams are expected for FY2024 for the two (2) MRI scanners, which surpasses the state standard of 2,500 exams per machine.

Imaging – PET

Utilization	Dept./Service	Historical Utilization	Projected Utilization	State Standard	Meet Standard?	Units
FY18	PET	N/A				0
FY19		N/A				0
FY20		N/A				0
FY21		N/A				0
FY22		N/A				0
FY23			450	0-3,600 visits/ year	Yes	1
FY24			600	0-3,600	Yes	1

A positron emission tomography (PET) scanner is requested for the Diagnostic Imaging Suite. A PET scanner detects early signs of cancer, heart disease and brain disorders.

A PET scan is an imaging test that can help reveal the metabolic or biochemical function of your tissues and organs. The PET scan uses a radioactive drug (tracer) to show both normal and abnormal metabolic activity. A PET scan can often detect diseases before the disease shows up on other imaging tests, such as computerized tomography (CT) and magnetic resonance imaging (MRI).

The PET images are typically combined with CT or MRI and are called PET-CT or PET-MRI scans to enhance diagnostic precision. Many types of solid tumors can be detected by PET-CT and PET-MRI including brain, breast, cervical, colorectal esophageal, lung, pancreatic, prostate cancers. PET scans can also show if decreased areas of blood circulation in the heart that may indicate a need for certain heart procedures, such as coronary artery bypass surgery, and can help visualize the presence of seizures and Alzheimer's. For this reason, the PET scanner will complement and enhance the existing capability of the Diagnostic Suite and further reduce the need for patients to travel to the hospital for additional testing.

Projections for utilization are based on our experience at other University of Chicago Medical Center ambulatory clinics. Based on the clinics that are currently at the Orland Park MOB, and those that will be added as part of the Project, we project 600 visits per year in the second year of operation, and growing to more than 1,000 visits per year in future years.

Using Sg2 Market Forecast, a 3rd party forecasting tool commonly used by hospitals across the country to estimate demand for specific services in a geographic market, the demand for PET scans in the A-04 planning area are projected to grow 12% between 2021 and 2029.

Customarily in CON reviews, there is a "rounding up" convention. Because there will be just one PET scanner, the projected 600 annual scans in the second year of operation meets the standard set by the Review Board.

ATTACHMENT 15

Section V, Clinical Service Areas Other Than Categories of Service

Attachment 30

Clinical Services Other Than Categories of Service

Service	# Existing Key Rooms	# Proposed Key Rooms
Imaging		
MRI	1	2
PET	0	1
Clinic Exam Rooms	3	20
Minor Procedure Rooms	0	3
Mobile Cardiac Imaging Room	0	1
Stress Echo Testing Room	2	1
Vascular Testing Room	1	1

1. **Indicate Changes by Service.**

The Medical Center opened its Orland Park medical office building ("Orland Park MOB") in December 2016, bringing specialized medicine to a community setting for patients seeking care closer to home. In our original application to the Review Board, we proposed shell space on the fourth floor of the MOB with a projection for robust growth in demand in Planning Area A-04.

The proposed Project is to build out the remainder of this shell space on the fourth floor, to reconfigure existing space on the second and third floors of the Orland Park medical office building, and to expand diagnostic imaging (the "Project").

Specifically, UCMC proposes to complete the build out of the fourth floor of the Orland Park MOB with 18 multi-specialty exams rooms (17 new net exam rooms and 1 relocated room) and 1 minor procedure room in an outpatient clinic, a minor procedure suite with two minor procedure rooms equipped for GI endoscopy, colonoscopy[2] and other similar office-based procedures, dedicated space for cardiac and vascular testing, and a blood draw area. Additionally, UCMC proposes to expand diagnostic imaging with one (1) additional MRI and one (1) PET scan in the existing diagnostic imaging suite on the second floor. Additional small renovated spaces on the second and third floor, including 2 renovated exam rooms and a relocated blood draw area are also part of the clinical space changes.

Based on current and planned provider FTEs, the new space on the 4th floor will result in an approximately 20% increase in clinical capacity exams in the building. The Project is expected to be complete at the end of the first quarter of calendar year 2023 .

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2. **Necessary Expansion**

The main thrust of this Project is an expansion of existing outpatient services in order to accommodate current and growing demand for coordinated, efficient and high quality ambulatory care. The Project includes a material expansion in Diagnostic Imaging Services, including a PET scan and MRI that will join an existing MRI, CT, ultrasound, mammography, radiographic, and fluoroscopic.

3. **Major Medical Equipment**

There is no major medical equipment in this Project.

4. **Utilization (services with utilization standards)**

Imaging – MRI

Utilization	Dept./Service	Historical Utilization	Projected Utilization	State Standard	Meet Standard?	Units
FY18	Imaging (MRI)	1,788		0-2,500 procedures/ year	Yes	1
FY19		1,961		0-2,500	Yes	1
FY20		2,920		0-2,500	Yes	1
FY21		3,771		0-2,500	Yes	1
FY22			4,321*	0-2,500	Yes	1
FY23			4,753**	2,500-5,000	Yes	2
FY24			5,185**	2,500-5,000	Yes	2

* Estimate based on first two months of FY22 being pro-rated to an annual rate
** Estimate based on MRI procedure growth of 20% from FY21 rate which is proportional to the estimated increased provider capacity for exams, divided into a 10% increase in FY23 and an additional 10% increase in FY24

One MRI in a Diagnostic Imaging Suite (Project #14-023) has already been approved.

The use of the MRI has been steady and growing, with the single MRI in use justifying twice the number of machines. To determine workload and how many devices were needed, UCMC used the ratio of outpatient imaging exams to outpatient visits currently performed at the Orland Park MOB. The ratio was applied to forecast outpatient demand for a second MRI. Clinic expansion from the Project is expected to result in 20% more outpatient visits, and MRI volumes are estimated proportionally. UCMC expects that in the second year of operation, 2024, the proposed machines will experience 5,185 exams combined, meeting the state standard of 2,500 exams per machine.

ATTACHMENT 30

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Imaging – PET

Utilization	Dept./Service	Historical Utilization	Projected Utilization	State Standard	Meet Standard?	Units
FY18	PET	N/A				0
FY19		N/A				0
FY20		N/A				0
FY21		N/A				0
FY22		N/A				0
FY23			450	0-3,600 visits/ year	Yes	1
FY24			600	0-3,600	Yes	1

There will be one (1) PET scanner in the proposed Project. Projections are based on estimates of PETs ordered by similar clinics at other University of Chicago Medical Center locations. With the planned outpatient clinic programming at the Orland Park MOB, we expect to have 600 visits per year in the second year of operation, and continued growth to greater than 1,000 visits per year in future years.

Using Sg2 Market Forecast, a 3rd party forecasting tool commonly used by hospitals across the country to estimate demand for specific services in a geographic market, the demand for PET scans in the A-04 planning area are projected to grow 12% between 2021 and 2029.

Customarily in CON reviews, there is a "rounding up" convention. Because there will be just one PET scanner, the projected 600 annual scans in the second year of operation meets the standard set by the Applicants.

5. Utilization (services without utilization standards)

Cardiac Testing Rooms

Vascular, Stress Echo and other cardiac testing will be in included in the proposed Project to address demand for testing ancillary to, or resulting from, specialty visits. In addition to providing dedicated space for vascular and stress echo testing relocated from the third floor, this suite will provide space for mobile cardiac imaging that may be provided in the testing space in the future. Demand for imaging in the outpatient context has grown significantly over the past decade as more chronically and acutely ill patients have been managed in the community setting, and UCMC seeks to make imaging more accessible and convenient, and thereby enhance patient follow-up. There is no state standard for utilization for cardiac imaging.

Exam Rooms and Minor Procedure Rooms

17 net new and 3 relocated exam rooms will be included in the proposed Project, resulting in 18 on the 4th floor, and 2 on the 2nd floor. From October 2020 to September 2021, clinic exam visits at the Orland Park MOB have increased 80%, and wait time for new clinic appointments increased 20%, demonstrating the need for additional exam room space.

ATTACHMENT 30

Three minor procedure rooms will also be included in the project, with two in an office-based procedure suite on the 4^{th} floor, and one in the outpatient clinic suite on the 4^{th} floor. These rooms will be used for GI endoscopy, colonoscopy[3] and other similar office-based procedures, in support of the multi-specialty clinics offered at Orland Park MOB.

Sg2 Market Forecast forecasts that in the A-04 Planning Area, minor procedures delivered at physician office and outpatient clinics – excluding ASC and hospital based ORs – will grow from more than 555,000 procedures per year to almost 599,000 per year from 2021 to 2029. That is an 8% increase in 8 years. Adding the minor procedure rooms to the Orland Park MOB are consistent with this growing need.

Section VI, Availability of Funds

Attachment 33

Because UCMC 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, this Section is not applicable. A copy of UCMC's bond ratings letters are included in Attachment 34.

Attachment 34

Financial Viability Waiver

UCMC's most recent bond ratings from Fitch Ratings (AA-), Standard & Poor's (AA-) and Moody's (A1) are attached.

ATTACHMENT 34

MOODY'S
INVESTORS SERVICE

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

March 31, 2020

Ms. Ann McColgan
Vice President, Chief Treasury Officer
The University of Chicago Medical Center
150 Harvester Drive, Suite 300
Burr Ridge, IL 60527

Dear Ms. McColgan:

We wish to inform you that on December 3, 2019, Moody's Investors Service downgraded UCMC's long term rating to **A1** from **Aa3**. At the same time, Moody's upgraded Ingalls Health System's (IL) rating to **A1** from **Baa2**. The outlook for both UCMC and Ingalls Health System has been revised to **stable** from **negative**.

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

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

Moody's Credit Ratings or any corresponding outlook, if assigned, will be subject to revision, suspension or withdrawal, or may be placed on review, by Moody's at any time, without notice, in the sole discretion of Moody's. For the most current Credit Rating, please visit www.moodys.com.

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

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

March 31, 2020

Ms. Ann McColgan
Vice President, Chief Treasury Officer
The University of Chicago Medical Center
150 Harvester Drive, Suite 300
Burr Ridge, IL 60527

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

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

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

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

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

Sincerely,

Moody's Investors Service Inc.
Moody's Investors Service Inc.

ATTACHMENT 3

FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms University of Chicago Medical Center's (IL) IDR at 'AA-'; Outlook Stable

Thu 18 Mar, 2021 - 2:00 PM ET

Fitch Ratings - Chicago - 18 Mar 2021: Fitch Ratings has affirmed University of Chicago Medical Center's (UCMC) 'AA-' Issuer Default Rating (IDR) and the 'AA-' rating on approximately $584 million of revenue bonds issued by the Illinois Finance Authority on behalf of the UCMC obligated group.

The Rating Outlook remains Stable.

SECURITY

Debt payments are secured by a pledge of unrestricted receivables of the UCMC obligated group. The obligated group includes the majority of UCMC activities. The obligated group was amended in June 2019 to include the majority of Ingalls Health System operations (including Ingalls Memorial Hospital). Ingalls is now the core of UCMC's Community Health and Hospital Division (CHHD). The University of Chicago (UChicago, IDR: AA+) is not obligated on UCMC bonds.

(Unless otherwise noted, "UCMC" refers collectively to the flagship academic medical center (AMC) medical center campus located on the UChicago campus and CHHD.)

Feedback

ANALYTICAL CONCLUSION

The 'AA-' rating is driven by UCMC's strong financial profile assessment in the context of the system's midrange revenue defensibility and strong operating risk profile assessments. UCMC's operating margins continue to be affected by the coronavirus pandemic. Fitch believes that the system's operating platform remains fundamentally strong, in part because of the very tight alignment with UChicago and UCMC's broad reach of high-acuity services. Fitch expects UCMC's capital-related ratios to remain strong in its forward-looking scenario analysis. These characteristics are balanced by a high degree of competition in the Chicago area and continued challenges at CHHD.

ATTACHMENT 3

The outbreak of coronavirus created an uncertain and generally challenging environment for the entire healthcare industry. While Fitch expects the not-for-profit healthcare sector to continue to face uncertainty and considerable pressure in the coming months, with the rollout of coronavirus vaccines, the long-term outlook for the sector should stabilize.

UCMC's Outlook remains Stable, although capital-related ratios are on the lower end of the 'AA' financial profile when subjected to a stress event in its forward-looking scenario analysis. If the coronavirus or any other operating disruption affects UCMC disproportionally a downgrade could be warranted over the longer term.

KEY RATING DRIVERS

Revenue Defensibility: 'bbb'

Broad Reach for High-Acuity Services in a Competitive Market

UCMC faces significant competition in the Chicago area, including from other prominent AMCs. The system has considerable reach for high-acuity academic services. Moreover, UCMC is a component unit of the UChicago. The service area quality of the broad Chicago area is generally stable, despite the ongoing pressures from the coronavirus and related economic challenges.

Operating Risk: 'a'

Operating Margins Pressured by Coronavirus, Long-Term Rebound Expected

UCMC's operating risk profile is considered reasonably strong, despite the pressures from the coronavirus pandemic. Over the longer term, Fitch expects the system's operating EBITDA margin to remain broadly consistent with a strong profile. Capital spending plans are manageable and remain flexible.

Feedback

Financial Profile: 'aa'

Strong Capital-Related Ratios in the Forward Look Despite the Pandemic

UCMC's financial profile remains strong, despite pressures from the coronavirus pandemic.

ASYMMETRIC ADDITIONAL RISK CONSIDERATIONS

ATTACHMENT 3

There are no asymmetric risk factors associated with UCMC's rating.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--Maintenance of adjusted operating EBITDA margin consistently above 9%;

--Considerable rebound in unrestricted liquidity levels leading to much stronger capital-related ratios, such as a cash-to-adjusted debt ratio in excess of 200%.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--Greater and longer than expected compression in operating margins beyond what Fitch currently expects, particularly if the operating EBITDA margin is expected to remain notably below 7% for an extended period, which would lead to an operating risk profile more consistent with a midrange assessment;

--Weaker balance sheet metrics -- either increased liabilities (e.g., defined benefit pension obligations) or lower unrestricted liquidity -- leading to thinner capital-related ratios in the long term more consistent with an 'a' assessment.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit [https://www.fitchratings.com/site/re/10111579].

CREDIT PROFILE

UCMC is a major AMC system, whose flagship location is on the campus of UChicago. In 2016, Ingalls joined UCMC, and now constitutes the majority of UCMC's CHHD. While UChicago is not obligated on UCMC's bonds, UCMC is a component unit of the university and there is very tight alignment between the two organizations (UChicago would be required to assume UCMC's debt only if the university terminated its affiliation agreement or lease with the medical center). UCMC's total operating revenue measured more than $2.5 billion in audited fiscal 2020 (June 30 year-end), which includes CHHD.

Feedback

REVENUE DEFENSIBILITY

UCMC's payor mix is modest. Combined Medicaid and self-pay accounted for roughly 28% of gross revenue in fiscal 2020. As an AMC with trauma services and a sizeable children's hospital (Comer Children's Hospital), high exposure to Medicaid is expected and is not reflective of the overall financial health of UCM. Both Illinois and Indiana expanded Medicaid under the Affordable Care Act (ACA).

Despite facing considerable competition in the service area, Fitch considers UCMC's market position to be consistent with a midrange assessment. The primary service area (PSA) includes the south Chicago metro area and extends well into Northwest Indiana. The total service area (TSA) extends throughout the entirety of the Chicago metro area.

The TSA is very competitive, with no individual hospital capturing more than 4.8% market share (Northwestern Memorial Hospital, flagship of AA+ rated Northwestern Memorial HealthCare). UCMC is the third largest hospital in the TSA by market share, capturing 3.4% TSA share in fiscal 2020 (up steadily from 2.1% in calendar 2012, due to growth strategies in recent years).

UCMC achieves the midrange market position due to the system's considerable reach for very high-acuity services aided by the very tight relationship with UChicago. UCMC is among the industry national leaders for research-oriented academic clinical services, including oncology. The university is the sole corporate member of UCMC and appoints the entirety of the board. To illustrate the level of integration, the UChicago's Biological Sciences Division (BSD), of which UCMC is a fundamental part, comprises roughly half of the university's budget. In addition to governance overlap, there is considerable management integration between UCMC and the university; for example, Dr. Kenneth Polonsky, the Executive Vice President of the BSD is also the President of the UChicago Medicine Health System (of which UCMC is the majority component).

The service area economy is broadly stable, although like the metro region continues to be affected by the current economic environment. Nevertheless, as a major metro area, Chicago benefits from a diversified economy. Population trends in Cook County are stagnant to declining. Will County, immediately south of Cook, has experienced modest population growth. The median household income level in Cook County is just above the national average, and well above average in Will County. The unemployment rate in the Chicago-Naperville-Elgin MSA as of the December 2020 preliminary data was the national average (per the U.S. Bureau of Labor Statistics).

OPERATING RISK

Fitch expects UCMC's operating EBITDA margin in the long-term to remain consistent with a moderately strong profile assessment, although recognizes that the coronavirus pandemic and related economic pressures will continue to present headwinds to operating results. Prior to the outbreak, management was already engaged in a material expense savings initiative and Fitch believes that UCMC's operating platform is fundamentally sound, and long-term the adjusted operating EBITDA margin should remain in the 8% range.

Feedback

Prior to the coronavirus, UCMC's adjusted operating EBITDA margin averaged nearly 8% between fiscal 2015 and fiscal 2019 (Fitch treats equity transfers to the university as an operating expense; while Fitch considers the roughly $72 million transfer as an operating expense, this expense represents investments in UCMC's operating platform supporting areas such as clinical research and physician integration.) UCMC's operating EBITDA margin compressed to 5.9% in fiscal 2018, due in part to continued integration of the CHHD into the system. The margin rebounded to adjusted 7.4% in fiscal 2019.

In fiscal 2020, UCMC's adjusted operating margin measured -0.8% and operating EBITDA margin 6.0%. Like virtually all health systems in the U.S., UCMC faced considerable operating pressure from the coronavirus. Expenses increased above budget as the system secured PPE, ventilators, and other needed equipment as well as incurring labor premium in response to the pandemic. Top-line revenue was affected considerably by the restrictions on elective procedures that were put in place in late March and not lifted until early May.

Operating results in fiscal 2020 were balanced in part by the Coronavirus Aid, Relief and Economic Security (CARES) Act and related stimulus funds. UCMC recognized $149 million in fiscal 2020. While the stimulus funds bolstered margins considerably, they did not balance completely UCMC's revenue loss or added expenses.

The operating results in fiscal 2020 are notable given that prior to the pandemic UCMC faced a nurse labor stoppage in September 2019 and the threat of a second stoppage in November, the combination of which cost the system approximately $25 million.

Management implemented a number of actions in response to the coronavirus, including acquiring PPE (at a premium), developing in-house testing, cutting capital spending, and securing a $100 million line of credit as additional liquidity support. Also, management has a $360 million improvement plan (expense savings and revenue enhancements) much of which was launched prior to the pandemic. The improvement plan includes one-time temporary expense cuts related to the coronavirus (such as senior management wage freezes and suspension of defined contribution pension matches), as well as more fundamental long-term improvements such as continued growth in cancer services, reduced lease expenses as more employees move to a work-from-home environment and a variety of targets at CHHD (e.g., revenue cycle, improved labor productivity, and furlough of non-clinical staff). Also, as part of UCMC's pandemic action plan, management notes that essentially all UCMC employees have been vaccinated.

Moving forward, over the long term, Fitch expects UCMC to generate an adjusted operating EBITDA margin in the 8% range. Because of the receipt of CARES Act and related stimulus funds as well as management's ongoing expense savings plans (which were initiated prior to the pandemic), UCMC's operating margins should be strong in fiscal 2021. Through the first six-months of fiscal 2021, UCMC recorded an operating margin and operating EBITDA margin of 3.4% and 9.7%, respectively (treating the transfers to UChicago as an operating expense). The interim results include approximately $27 million of CARES Act funds, roughly $18 million of which was used to fund employee compensation to recognize the challenging work environment during the pandemic.

Most key volumes have rebounded to levels roughly 95% of trend prior to the pandemic, and management notes that cancer and heart/vascular transplant volumes are ahead of pace. Like most health systems, ED volumes continue to lag. Results in fiscal 2022 should temper as the top-line revenue boost from the stimulus funds fade, but Fitch expects UCMC's operating EBITDA margin to be in the 8% range in the long term.

UCMC's capital expenditure requirements are manageable. The system has invested in property and plant in recent years, as the capital spending ratio averaged approximately 1.3x over the last five years through fiscal 2020. This has translated to a favorably low average age of plant of 9.0 years at FYE 2020 (AA median is 10.5 years). The legacy UCMC deployed the Epic electronic medical record (EMR) system in 2016; Ingalls Hospital currently is on the Cerner EMR, but management is converting the CHHD to Epic. Moving forward, management expects to invest in capital at a pace consistent with cash flow generation.

UCMC does not have new money debt plans in the near term. It is Fitch's opinion that the Chicago market is on a path to further consolidation, even with the coronavirus pandemic. This may present UCMC with strategic decisions to make in the future.

FINANCIAL PROFILE

UCMC's financial profile remains strong, despite pressures from the coronavirus pandemic. Forward-looking capital-related ratios are consistent with a 'aa' financial profile even in a stress scenario, given UCMC's midrange revenue defensibility and strong operating risk assessments.

At FYE 2020 (June 30 year-end), UCMC had just over $1 billion of total direct debt outstanding (inclusive of operating leases, which are now captured on the balance sheet) and unrestricted cash and investments measured better than $1.5 billion (excluding Medicare advance payment funds).

UCMC's debt equivalents are manageable. The system participates in UChicago's defined benefit (DB) pension plan. The UChicago DB pension sits on the university's audit and ultimately is the responsibility of UChicago; per UChicago and UCMC management, UCMC accounts for approximately 40% of the DB plan's contributions and expenses, and therefore Fitch includes 40% of the plans projected benefit obligation (PBO) and 40% of the fair value of plan assets when calculating UCMC's DB pension debt equivalent. Along with a small plan held directly by UCMC, the combined DB pension plans were 76% funded at FYE 2020 compared to a PBO of just under $480 million.

Fitch only includes the portion of DB pensions funded below 80% in the calculation of adjusted debt; consequently, the debt equivalent of UCMC's DB pensions was less than $20 million at FYE 2020. As a result, UCMC's adjusted debt (direct debt plus underfunded DB pension plan below 80% funded) is only marginally more than direct debt. Net adjusted debt (adjusted debt minus unrestricted cash and investments) was favorably negative at FYE 2020, totally approximately -$470 million.

UCMC's capital-related ratios should remain consistent with the lower-end of the 'AA' rating category in Fitch's forward-looking scenario analysis, including in a stress case. Based on fiscal 2020 results, net adjusted debt-to-adjusted EBITDA was favorably negative, measuring -2.3x while cash-to-adjusted debt totaled approximately 145%. In the scenario analysis, net adjusted debt-to-adjusted EBITDA remains favorably negative in each year of the forward-look, including in the stress case. Cash-to-adjusted debt exceeds 120% in every year of the base case (and approaches 160% by year five), and it exceeds 120% by year three of the stress case.

ASYMMETRIC ADDITIONAL RISK CONSIDERATIONS

There are no asymmetric risk factors associated with UCMC's rating.

UCMC's former President, Sharon O'Keefe, retired in 2020. Thomas Jackiewicz was appointed President of UCMC and COO of the UChicago Medicine Health System in May 2020. Mr. Jackiewicz previously served as the CEO of Keck Medicine at the University of Southern California.

Feedback

With more than $1.5 billion in unrestricted cash and investments at FYE 2020, UCMC's cash on hand measured nearly 230 days (excluding Medicare advances). Liquidity does not pose an asymmetric risk.

Debt Structure

UCMC's maximum annual debt service (MADS) is $59 million, inclusive of Ingalls debt. MADS coverage was 3.4x based on fiscal 2020 results and does not pose an asymmetric risk. Just over 50% of debt is variable rate, a portion of which is demand debt in the form of CP and variable rate demand bonds (VRDB). The VRDBs are supported by LOCs with five banks: JPMorgan Chase, PNC, Wells Fargo, Bank of America, and Sumitomo Bank. The LOCs have staggered termination dates, ranging between May 2021 and June 2022. UCMC has three fixed payor interest rate swaps, with a total notional amount outstanding of approximately $363 million at FYE 2020. The combined net termination value of the swaps was a liability to UCMC of nearly $194 million at FYE 2020.

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from Lumesis.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

RATING ACTIONS

ENTITY/DEBT	RATING			PRIOR
University of Chicago Medical Center (IL)	LT IDR	AA- Rating Outlook Stable	Affirmed	AA- Rating Outlook Stable
• University of Chicago Medical Center (IL) /General Revenues/1 LT	LT	AA- Rating Outlook Stable	Affirmed	AA- Rating Outlook Stable

VIEW ADDITIONAL RATING DETAILS

Feedback

FITCH RATINGS ANALYSTS

Mark Pascaris
Director
Primary Rating Analyst
+1 312 368 3135
Fitch Ratings, Inc.
One North Wacker Drive Chicago, IL 60606

Emily Wadhwani
Director
Secondary Rating Analyst
+1 312 368 3347

Kevin Holloran
Senior Director
Committee Chairperson
+1 512 813 5700

MEDIA CONTACTS

Sandro Scenga
New York
+1 212 908 0278
sandro.scenga@thefitchgroup.com

Additional information is available on www.fitchratings.com

APPLICABLE CRITERIA

U.S. Not-For-Profit Hospitals and Health Systems Rating Criteria (pub. 18 Nov 2020) (including rating assumption sensitivity)

Public Sector, Revenue-Supported Entities Rating Criteria (pub. 23 Feb 2021) (including rating assumption sensitivity)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Portfolio Analysis Model (PAM), v1.3.2 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Illinois Finance Authority (IL)	EU Endorsed, UK Endorsed

Feedback

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Feedback

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US Public Finance   Healthcare and Pharma   North America   United States

Feedback

S&P Global
Ratings

130 East Randolph Street
Suite 2900
Chicago, IL 60601
tel 312-233-7000
reference no.: 40275679

October 21, 2021

The University of Chicago Medical Center
150 Harvester Drive, Suite 300
Burr Ridge, IL 60527
Attention: Ms. Ann M. McColgan, Treasurer

Re: ***Illinois Finance Authority, (University of Chicago Medical Center), Illinois***

Dear Ms. McColgan:
S&P Global Ratings hereby affirms its rating of "AA-" for the underlying rating (SPUR) on the above-listed obligations and changed the outlook to stable from negative. A copy of the rationale supporting the rating and outlook is enclosed.
This letter constitutes S&P Global Ratings' permission for you to disseminate the above-assigned ratings to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements or to allow the Issuer to comply with its regulatory obligations) will become effective only after we have released the ratings on standardandpoors.com. Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable. Any such dissemination shall not be done in a manner that would serve as a substitute for any products and services containing S&P Global Ratings' intellectual property for which a fee is charged.

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Please send hard copies to:
S&P Global Ratings
Public Finance Department
55 Water Street
New York, NY 10041-0003

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ATTACHMENT 3 4

S&P Global
Ratings

S&P Global Ratings
Terms and Conditions Applicable To Public Finance Credit Ratings

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Attachment 35

Audited Financial Statements

UCMC's financial statements for the years June 30, 2018, 2019 and 2020 are attached.

ATTACHMENT 35

39140930.7

KPMG

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Financial Statements

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

ATTACHMENT 35

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Table of Contents

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

Independent Auditors' Report

The Board of Trustees
The University of Chicago Medical Center:

We have audited the accompanying consolidated financial statements of The University of Chicago Medical Center, which comprise the consolidated balance sheets as of June 30, 2020 and 2019, and the related consolidated statements of operations and changes in net assets without donor restrictions, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The University of Chicago Medical Center as of June 30, 2020 and 2019, and the results of its consolidated operations and changes in net assets without donor restrictions, changes in its consolidated net assets and of its consolidated cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG

Emphasis of Matter

As discussed in note 2(b) to the consolidated financial statements, in 2019, The University of Chicago Medical Center adopted new accounting guidance for Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2020 supplementary information included in schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Chicago, Illinois
November 4, 2020

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Balance Sheets

June 30, 2020 and 2019

(In thousands)

Assets		2020	2019
Current assets:			
Cash and cash equivalents	$	538,725	174,122
Patient accounts receivable		333,676	399,130
Current portion of investments limited to use		58,500	19,292
Current portion of malpractice self-insurance receivable		14,508	15,266
Current portion of pledges receivable		1,177	1,434
Prepaids, inventory, and other current assets		176,998	155,424
Total current assets		1,123,584	764,668
Investments limited to use, less current portion		1,227,624	1,243,928
Property, plant, and equipment, net		1,558,348	1,567,756
Pledges receivable, less current portion		1,521	1,438
Malpractice self-insurance receivable, less current portion		81,091	85,361
Other assets, net		108,664	54,891
Total assets	$	4,100,832	3,718,042
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses	$	256,369	241,248
Current portion of long-term debt		20,430	18,098
Current portion of other long-term liabilities		11,766	725
Estimated third-party payor settlements and Medicare Advance		536,847	263,259
Current portion of malpractice self-insurance liability		24,441	15,266
Due to University of Chicago		37,649	30,769
Total current liabilities		887,502	569,365
Other liabilities:			
Workers' compensation self-insurance liabilities, less current portion		9,441	6,396
Malpractice self-insurance liability, less current portion		135,029	128,462
Long-term debt, less current portion		966,406	987,858
Interest rate swap liability		193,907	136,186
Other long-term liabilities, less current portion		112,769	40,302
Total liabilities		2,305,054	1,868,569
Net assets:			
Without donor restrictions		1,684,093	1,736,382
With donor restrictions		111,685	113,091
Total net assets		1,795,778	1,849,473
Total liabilities and net assets	$	4,100,832	3,718,042

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Statements of Operations and Changes in Net Assets Without Donor Restrictions

Years ended June 30, 2020 and 2019

(In thousands)

		2020	2019
Operating revenues:			
Patient service revenue	$	2,049,957	2,121,969
Other operating revenues and net assets released from restrictions used for operating purposes		497,747	265,533
Total operating revenues		2,547,704	2,387,502
Operating expenses:			
Salaries, wages, and benefits		1,064,665	992,398
Supplies and other		860,110	767,042
Physician services		301,453	283,142
Insurance		30,055	28,982
Interest		42,257	44,456
Medicaid provider tax		66,640	66,640
Depreciation and amortization		131,609	128,198
Total operating expenses		2,496,789	2,310,858
Operating revenue in excess of expenses		50,915	76,644
Nonoperating gains and losses:			
Investment income, net		31,033	60,092
Change in fair value of nonhedged derivative instruments		(2,318)	(2,003)
Derivative ineffectiveness on hedged derivative instruments		(395)	1,190
Other, net		(3,677)	7,706
Revenue and gains in excess of expenses and losses		75,558	143,629
Other changes in net assets without donor restrictions:			
Net asset transfers to University of Chicago		(71,750)	(71,750)
Change in accrued pension benefits other than net periodic benefit costs		(2,823)	(14,787)
Effective portion of change in valuation of derivatives		(53,268)	(29,233)
Net assets released from restriction for capital purposes		5	462
Distributions and other, net		(11)	(738)
(Decrease) increase in net assets without donor restrictions	$	(52,289)	27,583

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2020 and 2019

(In thousands)

		2020	2019
Net assets without donor restrictions:			
Revenue and gains in excess of expenses and losses	$	75,558	143,629
Net asset transfers to University of Chicago, net		(71,750)	(71,750)
Change in accrued pension benefits other than net periodic benefit cost		(2,823)	(14,787)
Effective portion of change in valuation of derivatives		(53,268)	(29,233)
Net assets released from restrictions for capital purposes		5	462
Distributions and other, net		(11)	(738)
(Decrease) increase in net assets without donor restrictions		(52,289)	27,583
Net assets with donor restrictions:			
Contributions		5,671	4,443
Net assets released from restrictions used for operating purposes		(8,549)	(7,072)
Investment income		1,477	4,714
Net assets released from restrictions for capital purposes		(5)	(462)
Increase (decrease) in temporarily restricted net assets		(1,406)	1,623
Change in net assets		(53,695)	29,206
Net assets at beginning of year		1,849,473	1,820,267
Net assets at end of year	$	1,795,778	1,849,473

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Statements of Cash Flows

Years ended June 30, 2020 and 2019

(In thousands)		2020	2019
Cash flows from operating activities:			
Change in net assets	$	(53,695)	29,206
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Net change in unrealized gains and losses on investments		19,902	(14,057)
Net asset transfers to University of Chicago		71,750	71,750
Restricted contributions and investment return		(7,148)	(9,157)
Realized gains on investments		(38,505)	(31,705)
Net change in valuation of derivatives		57,721	31,774
Change in accrued pension benefits other than net period benefit cost and other		2,823	14,787
Loss on refinancing of long-term debt		2,347	—
Loss on disposal of assets		4,135	—
Net assets released from restrictions for operations		8,549	7,072
Payment of lease obligations		(8,383)	—
Depreciation and amortization		131,609	128,198
Changes in assets and liabilities:			
Patient accounts receivable		65,454	(51,260)
Other assets		(8,719)	(43,412)
Accounts payable and accrued expenses		12,013	(11,694)
Due to University of Chicago		6,880	(6,038)
Estimated settlements with third-party payors and Medicare Advance		273,588	49,075
Self-insurance liabilities		18,787	(303)
Other liabilities		27,642	(9,846)
Net cash provided by operating activities		586,750	154,390
Cash flows from investing activities:			
Purchases of property, plant, and equipment		(117,654)	(90,555)
Change in construction payables		(3,108)	1,518
Purchases of investments		(614,131)	(437,136)
Sales of investments		609,830	428,963
Net cash used in investing activities		(125,063)	(97,210)
Cash flows from financing activities			
Proceeds from issuance of long-term debt, including bond premium		128,360	—
Additional repayment of long-term debt		(120,640)	—
Payment of finance lease obligation		(2,466)	—
Payments on long-term obligations		(29,187)	(25,144)
Draws on revolving credit facility		100,000	—
Payments on revolving credit facility		(100,000)	—
Net asset transfers to University of Chicago, net		(71,750)	(71,750)
Net assets released from restriction for operations		(8,549)	(7,072)
Restricted contributions and investment return		7,148	9,157
Net cash used in financing activities		(97,084)	(94,809)
Net increase (decrease) in cash and cash equivalents		364,603	(37,629)
Cash and cash equivalents:			
Beginning of year		174,122	211,751
End of year	$	538,725	174,122
Non-cash transactions:			
Other assets included for right-of-use assets – operating leases as a result of adopting ASU No. 842, *Leases*		53,043	—

See accompanying notes to consolidated financial statements.

ATTACHMENT 35

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(Dollars in thousands)

(1) Organization and Basis of Presentation

The accompanying consolidated financial statements represent the accounts of The University of Chicago Medical Center and its affiliates (the System). The University of Chicago Medical Center (UCMC) is the parent of an integrated nonprofit health care organization, partnering with the University of Chicago Biological Sciences Division, the University of Chicago Pritzker School of Medicine, and the University of Chicago Physicians Group to provide world-class medical care in an academic setting. UCMC operates the Center for Care and Discovery, the Bernard Mitchell Hospital, the Chicago Lying-In Hospital, the University of Chicago Comer Children's Hospital, the Duchossois Center for Advanced Medicine, the University of Chicago Medicine Care Network, the UCM Community Health and Hospital Division, Inc. (CHHD), and various other outpatient clinics and treatment areas. In May 2018, UCMC opened its Level 1 Trauma Center to serve the South Side of Chicago and surrounding community.

On June 28, 2019 UCMC amended its Obligated Group to include the following entities: UCMC (excludes the University of Chicago Medicine Care Network, UCMC Title Holding Corporation and UCMC Title Holding Corporation II NFP), Ingalls Health System, Ingalls Memorial Hospital, Ingalls Development Foundation, and Ingalls Home Care as presented in the supplemental consolidating schedules. Entities of UCMC that are included in the Non-Obligated Group are the University of Chicago Medicine Care Network, University of Chicago Medicine Medical Group, UCMC Title Holding Corporation, and UCMC Title Holding Corporation II NFP. Entities of CHHD that are included in the Non-Obligated Group are Ingalls Provider Group, Ingalls Care Network, Medcentrix, Ingalls Health Ventures, Ingalls Casualty Insurance, and Ingalls Same Day Surgery. These are presented in the supplemental schedules as "Other Non-Obligated Group Entities" for purposes on consolidation.

The University of Chicago (the University), as the sole corporate member of UCMC, elects UCMC's Board of Trustees and approves its bylaws. The UCMC President reports to the University's Executive Vice President for Medical Affairs. The relationship between UCMC and the University is defined in the Medical Center bylaws, an affiliation agreement, an operating agreement, and several leases. See note 4 for agreements and transactions with the University.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements of the System have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. All significant intercompany accounts and transactions have been eliminated in consolidation.

(b) New Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 which requires entities to recognize all leased assets as assets on the consolidated balance sheet with a corresponding liability. Entities are also required to present additional disclosures as to the nature and extent of leasing activities. The System implemented the new standard effective July 1, 2019. Presentation of the right-of-use (ROU) asset and lease liabilities within the consolidated balance sheets as well as other factors impacting the recording of leases as dictated by ASU No. 2016-02 is included in note 12 to the consolidated financial statements.

(c) *COVID-19 Pandemic and CARES Act Funding*

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. Patient volumes and the related revenues for most of our services were significantly impacted in the last two weeks of the third quarter of fiscal year 2020 and continued to be impacted in the fourth quarter of 2020. Various policies were implemented by federal, state, and local governments in response to the COVID-19 pandemic that have caused many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective surgical procedures by health care facilities. While some of these restrictions have been eased across the U.S. and most states have lifted moratoriums on non-emergent procedures, some restrictions remain in place, and some state and local governments are reimposing certain restrictions due to increasing rates of COVID-19 cases. Patient volumes and revenues experienced gradual improvement beginning in the latter part of April and continuing through the end of the quarter.

During the fourth quarter of fiscal year 2020, the System received approximately $200,643 in general and targeted Provider Relief Fund distributions, as provided for under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. Of this amount, $44,480 was received from the $50 billion general distribution fund, and $156,163 was received from the targeted distributions from the CARES Act Provider Relief Fund. Generally these distributions from the Provider Relief Fund are not subject to repayment, provided the recipient is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for healthcare-related expenses or lost revenue attributable to COVID-19. Such payments are accounted for as government grants and are recognized on a systematic and rational basis as other income once there is reasonable assurance that the applicable terms and conditions required to retain the funds will be met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the impact of the pandemic on operating results through June 30, 2020, the System recognized $149,028, related to these general distribution funds as part of 'other operating revenue' in the consolidated statement of operations and changes in net assets without donor restrictions. The unrecognized amount of general distributions and targeted distributions are recorded as estimated third-party payor settlements and Medicare Advance in the consolidated balance sheet as of June 30, 2020. The System will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the impact of the pandemic on our revenues and expenses. If the System is unable to attest to or comply with current or future terms and conditions, the ability to retain some or all of the distributions received may be impacted.

In addition, during the fourth quarter of fiscal year 2020, the System received $214,500 of accelerated Medicare payments under the Medicare Advanced Payment Program (APP). APP payments allow eligible healthcare facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other healthcare providers. After 120 days of receipt, claims for services provided to Medicare beneficiaries will be applied against the advance payment balance. Any unapplied advance payment amounts must be paid in full within one year from receipt of the advance payments for acute care hospitals and within 120 days for other healthcare providers. As of June 30, 2020, the System has recorded the APP payments as estimated third-party payor settlements and Medicare advance on the consolidated balance sheet.

(Continued)

On September 19, 2020 and again on October 22, 2020, the Department of Health and Human Services provided Post-Payment Notice of Reporting Requirements for providers that received funding under the CARES Act. The provisions within this notice provide new guidance on healthcare related expenses attributable to COVID-19 and "lost revenue." The guidance is considered a Type II subsequent event and are therefore not reflected as of June 30, 2020. The System is in the process of considering the future impact of this new guidance.

On September 30, 2020, federal legislation extended the terms of APP payments such that any claims for services provided to Medicare beneficiaries will be applied against the advance payment balance beginning 365 days after receipt.

The CARES Act also provides for a deferral of payments of the employer portion of social security payroll tax incurred during the pandemic, allowing half of such payroll taxes to be deferred until December 2021 and the remaining half until December 2022. The System has deferred payroll taxes and recorded the deferral under the caption of accrued expenses on the consolidated balance sheet. Additionally, the CARES Act provides for a payroll tax credit designed to encourage retention of employees during the pandemic. The System is evaluating its eligibility and related data for consideration of the employee retention credit.

(d) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(e) Community Benefits

The System's policy is to treat patients in immediate need of medical services without regard to their ability to pay for such services, including patients transferred from other hospitals under the provisions of the Emergency Medical Treatment and Active Labor Act. UCMC also accepts patients through the Perinatal and Pediatric Trauma Networks without regard to their ability to pay for services.

The System developed a Financial Assistance Policy (the Policy) under which patients are offered discounts of up to 100% of charges on a sliding scale. The Policy is based both on income as a percentage of the Federal Poverty Level guidelines and the charges for services rendered. The Policy also contains provisions that are responsive to those patients subject to catastrophic healthcare expenses. Since the System does not pursue collection of these amounts, they are not reported as patient service revenue. The estimated cost of providing care under this Policy, along with the unreimbursed cost of government sponsored indigent healthcare programs, unreimbursed cost to support education, clinical research, and other community programs for the years ended June 30, 2020 and 2019, are reported in note 6.

(Continued)

(f) Fair Value of Financial Instruments

Fair value is defined as the price that the System would receive upon selling an asset or pay to settle a liability in an orderly transaction among market participants.

The System uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the System. Inputs refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 – Quoted market prices in active markets for identical investments

Level 2 – Inputs other than quoted prices for similar investments in active markets, quoted prices for identical or similar investments in markets that are not active, or inputs other than quoted prices that are observable, including model-based valuation techniques

Level 3 – Valuation techniques that use significant inputs that are unobservable because they trade infrequently or not at all.

(g) Cash and Cash Equivalents

Cash equivalents include U.S. Treasury notes, commercial paper, and corporate notes with original maturities of three months or less, excluding investments whose use is limited. Cash equivalents held by investment managers are treated as investing activity in the statement of cash flows.

(h) Inventory

The System values inventories at the lower of cost or market using the first-in, first-out method.

(i) Investments

Investments are classified as trading securities. As such, investment income or loss (including realized or changes in unrealized gains and losses on investments, interest, and dividends) is included in excess of revenue and gains over expenses and losses unless the income is restricted by donor or law.

(Continued)

Investments are recorded in the consolidated financial statements at estimated fair value. If an investment is held directly by an entity and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The System's interests in alternative investment funds, such as private debt, private equity, real estate, natural resources, and absolute return, are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2020 and 2019, the System had no plans to sell investments at amounts different from NAV.

A significant portion of the System's investments are part of the University's Total Return Investment Pool (TRIP). The System accounts for its investments in TRIP on the fair value method based on its share of the underlying securities and, accordingly, records the investment activity as if the System owned the investments directly using the fair value option election. The University does not engage directly in unhedged speculative investments; however, the Board of the University has authorized the use of derivative investments to adjust market exposure within asset class ranges.

A summary of the inputs used in valuing the System's investments as of June 30, 2020 and 2019 is included in note 7.

(j) Investments Limited as to Use

Investments limited as to use primarily include assets held by trustees under debt and other agreements and designated assets set aside by the Board of Trustees (the Board) for future capital improvements and other specific purposes, over which the Board retains control and may at its discretion subsequently use for other purposes. Investments limited as to use also include investments held under swap collateral posting requirements, investments under the workers' compensation self-insurance trust funds, and investments whose use is restricted by donors. Investments limited as to use are reported as net assets without donor restrictions. Investments whose use is restricted by donors are reported as net assets with donor restrictions.

(k) Derivative Instruments

The System accounts for derivatives and hedging activities in accordance with Accounting Standards Codification (ASC) Topic 815, *Derivatives and Hedging*, which requires that all derivative instruments be recorded as either assets or liabilities in the consolidated balance sheet at their respective fair values.

For hedging relationships, the System formally documents the hedging relationship and its risk management objective and strategy for understanding the hedge, the hedging instrument, the nature of the risk being hedged, how the hedging investment's effectiveness in offsetting the hedged risk will be assessed, and a description of the method for measuring ineffectiveness. This process includes linking all derivatives that are presented as cash flow hedges to specific assets and liabilities in the consolidated balance sheet.

(l) Property, Plant, and Equipment

Property, plant, and equipment are reported on the basis of cost, less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over their estimated useful lives, which generally range from three to eighty years. Interest costs incurred during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets with explicit restrictions by donors that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

The System periodically assesses the recoverability of long-lived assets (including property, plant, and equipment) when indications of potential impairment based on estimated, undiscounted future cash flows exist. Management considers factors, such as current results, trends, and future prospects, in addition to other economic factors, in determining whether there is an impairment of the asset. There were no impairments of long-lived assets during 2020 or 2019.

(m) Net Assets

Net assets are classified into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of fees for service and related expenses associated with the core activities of the System: patient care and provision of healthcare services. In addition to these exchange transactions, changes in this category of net assets include investment returns on "funds functioning as endowment" funds, actuarial adjustments to self-insurance liabilities, changes in post retirement benefit obligations, and other types of philanthropic support. The philanthropic support includes gifts without restriction, board designated funds functioning as endowment and restricted gifts whose donor-imposed restrictions were met during the fiscal year, as well as previously restricted gifts and grants for buildings and equipment that have been placed in service.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the System or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt, including gifts and grants for buildings and equipment not yet placed in service; endowment, annuity, and life income gifts; pledges and investment returns on "true" endowment funds, and endowments where the principal may be expended upon the passage of a stated period of time (term endowments). Expirations of restrictions on net assets with donor restrictions, including reclassification of restricted gifts and grants for buildings and equipment when the associated long-lived asset is placed in service, are reported as net assets released from restrictions.

Also included in net assets with donor restrictions are net assets subject to donor-imposed restrictions to be maintained permanently by the System, including gifts and pledges wherein donors stipulate that the principal/corpus of the gift be held in perpetuity and that only the income be made available for program operations. Other permanently restricted items in this net asset category include annuity and life income gifts for which the ultimate purpose of the proceeds is permanently restricted.

(Dollars in thousands)

The description of amounts classified as donor restricted net assets (endowments only) as of June 30, 2020 and 2019 is as follows:

		Perpetual	Time restricted by donor	Time restricted by law	2020 Total
Restricted for pediatric healthcare	$	4,023	—	17,093	21,116
Restricted for adult healthcare		4,061	—	56,337	60,398
Restricted for educational and scientific programs		9,196	—	2,589	11,785
	$	17,280	—	76,019	93,299

		Perpetual	Time restricted by donor	Time restricted by law	2019 Total
Restricted for pediatric healthcare	$	4,058	—	17,673	21,731
Restricted for adult healthcare		4,117	—	57,255	61,372
Restricted for educational and scientific programs		9,323	—	2,862	12,185
	$	17,498	—	77,790	95,288

The endowment component of net assets without donor restrictions comprises of amounts designated by the Board to function as endowment, which amounted to $911,642 and $923,571 included within investments limited to use as of June 30, 2020 and 2019, respectively.

(n) ***Consolidated Statement of Operations and Changes in Net Assets Without Donor Restrictions***

All activities of the System deemed by management to be ongoing, major, and central to the provision of healthcare services are reported as operating revenue and expenses.

The consolidated statement of operations and changes in net assets without donor restrictions includes revenue and gains in excess of expenses and losses. Changes in net assets without donor restrictions that are excluded from revenue and gains in excess of expenses and losses include net asset transfers to the University, contributions of long-lived assets released from restrictions (including assets acquired using contributions, which by donor restriction were to be used for acquisition of System assets), net assets released from restriction for capital purchases, the effective portion of changes in the valuation of derivatives, change in accrued pension benefits other than net periodic benefit costs, and other, net.

ATTACHMENT 35

(Continued)

(o) Patient Service Revenue, Accounts Receivable, Charity Care, and Third Party Settlements

(i) Patient Service Revenues

Gross charges are retail charges and generally do not reflect what the System is ultimately paid and, therefore, are not displayed in the consolidated statements of operations and changes in net assets without donor restrictions. The System is typically paid amounts that are negotiated with insurance companies or are set by the government. Gross charges are used to calculate Medicare outlier payments and to determine certain elements of payment under managed care contracts (such as stop-loss payments). Because Medicare requires that gross charges be the same for all patients (regardless of payer category), gross charges are what is charged to all patients prior to the application of discounts and allowances.

The System recognizes revenue in the period in which it satisfies the performance obligations under contracts by transferring the services to its customers. The performance obligations for patient contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period. In accordance with ASC Topic 606, *Revenue from Contracts with Customers*, the System 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 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. Revenues are recognized in the amounts to which it expects to be entitled, which are the transaction prices allocated to the distinct services.

The System has agreements with governmental and other third-party payors that provide for payments to the System at amounts different from established charges. Payment arrangements for major third-party payors may be based on prospectively determined rates, reimbursed cost, discounted charges, per diem payments, or other methods. The transaction price is determined based on gross charges for services provided, reduced by explicit price concessions provided to third-party payers, discounts provided to uninsured patients in accordance with the Financial Assistance Program, and implicit price concessions provided primarily to uninsured patients. The estimates of explicit price concessions and discounts are based on contractual agreements, discount policies, and historical experience. The estimates of implicit price concessions are based on historical collection experience with these classes of patients using the portfolio approach.

(ii) Charity Care

The System provides charity care to patients who meet the criteria for charity care as published in their Financial Assistance Policy. Patients who qualify are provided care without charge or at amounts less than established rates. System policy is not to pursue collection of amounts determined to qualify as charity care; therefore, they do not report these amounts in patient service revenues. Patient advocates from the System screen patients in the hospital to determine whether those patients meet eligibility requirements for financial assistance programs. They also expedite the process of applying for government programs.

(Continued)

(iii) Third Party Settlements

Revenues under the traditional fee-for-service Medicare and Medicaid programs are based primarily on prospective payment systems. Retrospectively determined cost-based revenues under these programs, which were more prevalent in earlier periods, and certain other payments, such as Indirect Medical Education, Direct Graduate Medical Education, disproportionate share hospital, and bad debt expense reimbursement, which are based on the hospitals' cost reports, are estimated using historical trends and current factors. Cost report settlements under these programs are subject to audit by Medicare and Medicaid auditors and administrative and judicial review, and it can take several years until final settlement of such matters is determined and completely resolved. Because the laws, regulations, instructions, and rule interpretations governing Medicare and Medicaid reimbursement are complex and change frequently, the estimates recorded could change by material amounts.

The System has an estimation process for recording Medicare patient service revenue and estimated cost report settlements. As a result, the System record accruals to reflect the expected final settlements on our cost reports. For filed cost reports, the System records the accrual based on those cost reports and subsequent activity and record a valuation allowance against those cost reports based on historical settlement trends. The accrual for periods for which a cost report is yet to be filed is recorded based on estimates of what are expected to report on the filed cost reports, and a corresponding valuation allowance is recorded as previously described. Cost reports generally must be filed within five months after the end of the annual cost reporting period. After the cost report is filed, the accrual and corresponding valuation allowance may need to be adjusted.

Settlements with third-party payers for retroactive revenue adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care using the most likely outcome method. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payor and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments from the finalization of prior years' cost reports and other third-party settlement estimates resulted in an increase in patient service revenues of $9,152 and $190, for the years ended June 30, 2020 and 2019, respectively.

(p) Hospital Assessment Program/Medicaid Provider Tax

In December 2008, the State of Illinois, after receiving approval by the federal government, implemented a hospital assessment program for the period from July 1, 2008 through June 30, 2013. The program was extended in July 2012 to December 31, 2014 and again in June 2014 to June 30, 2018. In June 2018, the State of Illinois approved SB 1773, which was signed into Illinois Public Law 100-581. The law redesigned the original program as well as the ACA program described below. Under the program, most hospitals in the State of Illinois will provide funding to the state government, which is subsequently matched by the federal government yielding increased Medicaid reimbursement.

In March 2010, the federal government passed the ACA, which expanded Medicaid coverage to millions of low-income Americans and made improvements to both the Medicaid and the Children's Health Insurance Program. Beginning in 2016, coverage for newly eligible adults was expanded to include adults covered by an authorized Medicaid managed care organization, which would be funded by the federal government. Both changes were part of the original assessment program described above and were collapsed into the hospital assessment redesign effective July 1, 2018 through December 31, 2022.

In 2020, reimbursement under the assessment programs resulted in a net increase of $72,489 in operating income, which includes $139,129 in Medicaid payments included in patient service revenue offset by $66,640 in Medicaid provider tax expense. In 2019, reimbursement under the assessment programs resulted in a net increase of $65,962 in operating income, which includes $132,602 in Medicaid payments included in patient service revenue offset by $66,640 in Medicaid provider tax expense.

(q) Other Revenue

Other operating revenue includes revenue from nonpatient care services, clinical space rental revenue, contributions both unrestricted in nature and those released from restriction to support operating activities, related grant income, premium and capitation revenues and other miscellaneous income.

Premium and capitation revenues are received and recognized as revenue ratably over the period for which the enrolled member is entitled to healthcare services. The timing of the System's performance may differ from the timing of the payment received, which may result in the recognition of a contract asset or a contract liability. The System has no material contract assets or liabilities at June 30, 2020 relating to premium and capitation revenue.

Revenue from grants is recognized in accordance with ASC Subtopic 958-605, *Not-for-profit entities – Revenue recognition*, as other operating revenue, when the conditions of the contributions are substantially met.

Revenue from non-grant sources is generally recognized at point of service for these transactions in accordance with ASC Topic 606, *Revenue from Contracts with Customers*.

(r) Income Taxes

The System applies ASC Topic 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements. ASC Topic 740 prescribes a more likely than not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. Under ASC Topic 740, tax positions are evaluated for recognition, derecognition, and measurement using consistent criteria and provide more information about the uncertainty in income tax assets and liabilities. As of June 30, 2020 and 2019, the System does not have an asset or liability recorded for unrecognized tax positions.

UCMC and CHHD Obligated Groups are comprised of subsidiaries that are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and therefore exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. UCMC and CHHD

(Continued)

Non-Obligated Groups consist of several not-for-profit and taxable entities, including University of Chicago Medicine Care Network, LLC; Ingalls Captive Insurance, Ltd; Medcentrix, Inc.; Ingalls Same Day Surgery; and Ingalls Provider Group (IPG), which are taxable entities under applicable sections of the Code.

Deferred income taxes on the taxable entities of the Non-Obligated Groups are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the consolidated financial statement carrying amounts and the tax bases of existing assets and liabilities. As of June 30, 2020 and June 30, 2019, the UCMC and CHHD nonobligated groups have deferred tax assets primarily relating to net operating losses (NOL) of $16,431 and $17,162, respectively; however, it has a full valuation allowance as management believes that it was not more likely than not that the results of future operations would generate sufficient taxable income to realize the NOL.

(s) Reclassifications

Certain 2019 amounts have been reclassified to conform to the 2020 consolidated financial statement presentation.

(t) Subsequent Events

In connection with the preparation of the consolidated financial statements and in accordance with ASC Topic 855, *Subsequent Events*, the System evaluated events and transactions through November 4, 2020, the date the consolidated financial statements were issued, noting no subsequent events requiring recording or disclosure in the consolidated financial statements or related notes to the consolidated financial statements other than the items noted within the notes to the consolidated financial statements.

(Dollars in thousands)

(3) Financial Assets and Liquidity Resources

As of June 30, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows:

		2020	2019
Financial assets:			
Cash and cash equivalents	$	538,725	174,122
Patient accounts receivable		333,676	399,130
Total financial assets available within one year		872,401	573,252
Liquidity resources:			
Bank lines of credit		200,000	100,000
Total financial assets and liquidity resources available within one year	$	1,072,401	673,252
Current liabilities:			
Accounts payable and accrued expenses	$	256,369	241,248
Estimated third-party payor settlements		536,847	263,259
Current portion of long-term debt		20,430	18,098
Other current liabilities		11,766	725
Total current liabilities	$	825,412	523,330

The System's cash flows have seasonal variations during the year attributable to patient service reimbursement from the State of Illinois, payments from patients and insurance. As discussed in note 10(d), to manage liquidity, the System maintains lines of credit with financial institutions to potentially draw funds as needed during the year to manage cash flows. As of June 30, 2020, amounts outstanding under lines of credit amounted to $0. In addition, as of June 30, 2020, the System has $911,642 in funds functioning as endowment and $209,450 of CHHD investments, all available for general expenditure upon Board approval, of which $682,595 is liquid within 12 months. As of June 30, 2019, the System had $923,571 in funds functioning as endowment and $213,383 of CHHD investments, all available for general expenditure upon Board approval, of which $761,284 was liquid within 12 months.

(4) Agreements and Transactions with the University

The affiliation agreement with the University provides, among other things, that all members of the medical staff will have academic appointments in the University. The affiliation agreement has an initial term of 40 years ending October 1, 2026 unless sooner terminated by mutual consent or as a result of a continuing breach of a material obligation therein or in the operating agreement. The affiliation agreement automatically renews for additional successive 10-year terms following expiration of the initial term, unless either party provides the other with at least two years' prior written notice of its election not to renew.

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The operating agreement, as amended, provides, among other things, that the University provides UCMC the right to use and operate certain facilities. The operating agreement is coterminous with the affiliation agreement.

The lease agreements provide, among other things, that UCMC will lease from the University certain of the healthcare facilities and land that UCMC operates and occupies. The lease agreements are coterminous with the affiliation agreement.

UCMC purchases various services from the University, including certain employee benefits, utilities, security, telecommunications, and insurance. In addition, certain UCMC accounting records are maintained by the University. During the years ended June 30, 2020 and 2019, the University charged UCMC $32,392 and $31,036, respectively, for utilities, security, telecommunications, insurance, and overhead.

The University's Division of Biological Sciences provides physician services to UCMC. In 2020 and 2019, UCMC recorded $271,868 and $259,650, respectively, in expense related to these services.

UCMC's Board of Trustees adopted a plan of support under which it would provide annual net asset transfers to the University for support of academic programs in biology and medicine. All commitments under this plan are subject to the approval of UCMC's Board of Trustees and do not represent legally binding commitments until that approval. Unpaid portions of commitments approved by the UCMC Board of Trustees are reflected as current liabilities. UCMC recorded net asset transfers of $71,750 in both 2020 and 2019 for this support.

(5) Patient Service Revenue and Patient Receivables

The System has agreements with third-party payors that provide for reimbursement at amounts different from their established rates. A summary of the reimbursement methodologies with major third-party payors is as follows:

(a) Medicare

The System is paid for various services rendered to Medicare program beneficiaries under prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. The prospectively determined rates are not subject to retroactive adjustment. The System's classification of patients under the prospective payment systems and the appropriateness of the patients' admissions are subject to validation reviews.

Other services rendered to Medicare beneficiaries are reimbursed based on a combination of prospectively determined rates and cost reimbursement methodologies. For the cost reimbursement, the System is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the System and audits by the Medicare fiscal intermediary. UCMC's Medicare reimbursement reports through June 30, 2014 have been audited by the Medicare fiscal intermediary. CHHD's Medicare reimbursement reports through September 30, 2014 have been audited by the Medicare fiscal intermediary.

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(b) Medicaid

The System is paid for inpatient acute care services rendered to Medicaid program beneficiaries under prospectively determined rates per discharge. For inpatient acute care services, payment rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicaid outpatient services are reimbursed based on fee schedules. Medicaid reimbursement methodologies 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 State of Illinois Medicaid program and any such changes could have a significant effect on the System's revenue.

(c) Blue Cross

The System also participates as a provider of healthcare services under reimbursement agreements with Blue Cross under its indemnity program. The provisions of the agreements stipulate that services will be reimbursed at a tentative reimbursement rate and that final reimbursement for these services is determined after the submission of an annual cost report by the System and a review by Blue Cross. UCMC's and CHHD's Blue Cross reimbursement reports for 2019 and prior years have been reviewed by Blue Cross.

(d) Other

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

Patient service revenue recognized in the period from these major payor sources are as follows:

	2020	2019
Medicare	$ 610,312	597,322
Medicaid	467,352	463,259
Managed care	962,261	1,054,753
Patients and other	10,033	6,635
Patient service revenue	$ 2,049,958	2,121,969

Patient service revenue recognized in the period by type of service is as follows:

	2020	2019
Inpatient	$ 1,117,235	1,108,813
Outpatient/Ambulatory care	912,195	987,717
Physician services	20,527	25,439
	$ 2,049,957	2,121,969

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(Continued)

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The mix of receivables from patients and third-party payors as of June 30, 2020 and 2019 is as follows:

	2020	2019
Medicare	23.5 %	19.0 %
Medicaid	31.8	35.1
Managed care	42.0	44.6
Patients and other	2.7	1.3
	100.0 %	100.0 %

(6) Community Benefits

The following is a summary of the System's unreimbursed cost of providing care, as defined under its Financial Assistance Policy, along with the unreimbursed cost of government-sponsored indigent healthcare programs, unreimbursed cost to support education, clinical research, and other community programs for the years ended June 30, 2020 and 2019:

		2020	2019
Uncompensated care:			
Medicaid sponsored indigent healthcare	$	140,705	70,991
Medicare sponsored indigent healthcare – cost report		163,249	162,160
Medicare sponsored indigent healthcare – physician services		43,786	21,751
Total uncompensated care		347,740	254,902
Charity care		47,033	33,266
		394,773	288,168
Unreimbursed education and research:			
Education (unaudited)		62,066	59,528
Research (unaudited)		48,000	48,000
Total unreimbursed education and research		110,066	107,528
Total community benefits	$	504,839	395,696

The System determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries, wages and benefits, supplies, and other operating expenses, to determine a cost-to-charge ratio. The cost to charge ratio is applied to the charity care gross charges to calculate the charity care amount reported above. The System has not amended its financial assistance policies in 2020.

(Dollars in thousands)

(7) Investments Limited as to Use

The composition of investments limited as to use is as follows at June 30, 2020 and 2019:

	2020				
	Separately invested	TRIP	Other	Total	2019
Investments carried at fair value:					
Cash equivalents	$ 157,738	39,241	200	197,179	12,587
Global public equities	27,899	338,192	—	366,091	396,369
Private debt	—	50,082	—	50,082	48,412
Private equity:					
U.S. venture capital	238	73,468	—	73,706	68,637
U.S. corporate finance	—	40,391	—	40,391	37,173
International	—	87,384	—	87,384	66,522
Real assets:					
Real estate	—	56,175	—	56,175	59,443
Natural resources	—	51,808	—	51,808	63,373
Absolute return:					
Equity oriented	—	71,163	—	71,163	60,733
Global macro/relative value	—	31,161	—	31,161	48,038
Multistrategy	—	60,177	—	60,177	65,510
Credit oriented	—	39,622	—	39,622	52,344
Protection oriented	—	19,072	—	19,072	18,402
Fixed income:					
U.S. Treasuries, including TIPS	—	57,011	—	57,011	58,529
Other fixed income	4	—	—	4	163,168
Other:					
Beneficial interests in trust	—	—	9,085	9,085	9,303
Funds in trust	—	—	76,013	76,013	34,677
Total investments	$ 185,879	1,014,947	85,298	1,286,124	1,263,220

Investments classified as other consist of construction and debt proceeds to pay interest, donor restricted investments in beneficial interests in trusts, workers' compensation, self-insurance, and trustee-held funds. Investments limited as to use are classified as current assets to the extent that they are available to meet current liabilities. Investments are presented in the consolidated financial statements as follows:

	2020	2019
Current portion of investments limited to use	$ 58,500	19,292
Investments limited to use, less current portion	1,227,624	1,243,928
Total investments limited to use	$ 1,286,124	1,263,220

(Continued)

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A summary of investments limited as to use for the years ended June 30 is as follows:

	2020			
	UCMC	CHHD	Total	2019
Investments limited as to use:				
By the board for capital improvements/restrictions by donors	$ 160,913	34,250	195,163	267,802
Funds held by custodian/trustee under indenture agreements	145	—	145	185
Funds held by trustee for self-insurance	6,166	14,603	20,769	20,742
Collateral for interest rate swap	53,160	1,940	55,100	13,750
TRIP investments	830,662	184,285	1,014,947	960,741
Total investments limited to use	$ 1,051,046	235,078	1,286,124	1,263,220

The composition of investment income, net is as follows for the years ended June 30:

	2020			
	UCMC	CHHD	Total	2019
Interest and dividend income, net	$ 10,250	2,180	12,430	14,330
Realized gains on sales of securities, net	32,887	5,618	38,505	31,705
Change in unrealized gains and losses on securities, net	(19,354)	(548)	(19,902)	14,057
	$ 23,783	7,250	31,033	60,092

Outside of TRIP, UCMC also invests in private equity limited partnerships. As of June 30, 2020, UCMC has commitments of $1,681 remaining to fund private equity limited partnerships.

Fair Value of Financial Instruments

The overall investment objective of the System is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The System diversifies its investments among various asset classes incorporating multiple strategies and external investment managers, including the University Investment Office. Major investment decisions for investments held in TRIP and managed by the University are authorized by the University Board of Trustee's Investment Committee, which oversees the University's investment program in accordance with established guidelines.

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The carrying amount reported in the consolidated statements of financial position for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, patient accounts receivable, accounts payable and accrued expenses, and estimated payables under third-party reimbursement programs. Cash equivalent investments include cash equivalents and fixed-income investments, with maturities of less than three months, which are valued based on quoted market prices in active markets. The majority of these investments are held in U.S. money market accounts. Global public equity investments consist of separate accounts, commingled funds, and limited partnerships. Securities held in separate accounts and daily traded commingled funds are generally valued based on quoted market prices in active markets. Commingled funds with monthly liquidity are valued based on independently determined NAV. Limited partnership interests in equity-oriented funds are valued based upon NAV provided by external fund managers.

Investments in private debt, private equity, real estate, and natural resources are in the form of limited partnership interests, which typically invest in private securities for which there is no readily determinable market value. In these cases, market value is determined by external managers based on a combination of discounted cash flow analysis, industry comparables, and outside appraisals. Where private equity, real estate, and natural resources managers hold publicly traded securities, these securities are generally valued based on market prices. The value of the limited partnership interests is held at the manager's reported NAV, unless information becomes available indicating the reported NAV may require adjustment. The methods used by managers to assess the NAV of these external investments vary by asset class. The University's Investment Office monitors the valuation methodologies and practices of managers on behalf of the System.

The absolute return portfolio comprises investments of limited partnership interests in hedge funds and drawdown private equity style partnerships whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. The majority of the underlying holdings are marketable securities. The remainder of the underlying holdings is held in marketable securities that trade infrequently or in private investments, which are valued by the manager on the basis of an appraised value, discounted cash flow, industry comparables, or some other method. Most hedge funds that hold illiquid investments designate them in special side pockets, which are subject to special restrictions on redemption.

(Dollars in thousands)

Fixed-income investments consist of directly held actively traded treasuries, separately managed accounts, commingled funds, and bond mutual funds that hold securities, the majority of which have maturities greater than one year. These are valued based on quoted market prices in active markets.

Beneficial interests in trusts represent restricted investments that are assets held by third-party trustees for beneficial interests in perpetual trusts, comprising equities, fixed-income securities, and money market funds.

Funds in trust investments consist primarily of project construction funds and workers' compensation trust funds. Funds in trust comprise 1% cash and cash equivalents, 95% fixed income investments, and 4% equity investments at June 30, 2020 and comprised 1% cash and cash equivalents, 99% fixed income investments and 0% equity investments at June 30, 2019.

The System believes that the reported amount of its investments is a reasonable estimate of fair value as of June 30, 2020 and 2019. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed. Assets and liabilities recorded at fair value as of June 30, 2020 and 2019 were as follows:

Assets		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	2020 Total
Cash and cash equivalents	$	538,725	—	—	538,725
Investments:					
Cash equivalents		197,179	—	—	197,179
Global public equities		97,864	—	—	97,864
Real assets:					
Real estate		10,270	—	—	10,270
Fixed income:					
U.S. Treasuries, including TIPS		57,011	—	—	57,011
Other fixed income		4	—	—	4
Restricted investments		—	—	9,085	9,085
Funds in trust		61,411	14,603	—	76,014
Investments measured at NAV		—	—	—	838,697
Total investments at fair value		962,464	14,603	9,085	1,824,849

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Assets		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	2020 Total
Other assets	$	8,343	—	—	8,343
Total assets at fair value	$	970,807	14,603	9,085	1,833,192
Liabilities					
Interest rate swap payable	$	—	193,871	—	193,871
Total liabilities at fair value	$	—	193,871	—	193,871

Assets		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	2019 Total
Cash and cash equivalents	$	174,122	—	—	174,122
Investments:					
Cash equivalents		12,587	—	—	12,587
Global public equities		166,427	—	—	166,427
Private equity- U.S.					
Venture Capital		5,302	—	—	5,302
Real assets:					
Real estate		16,196	—	—	16,196
Natural resources		9,660	—	—	9,660
Absolute return:					
Global macro/relative value		8,826	—	—	8,826
Fixed income:					
U.S. Treasuries, including TIPS		58,529	—	—	58,529
Other fixed income		163,168	—	—	163,168
Restricted investments		—	—	9,303	9,303
Funds in trust		18,438	16,239	—	34,677
Investments measured at NAV		—	—	—	778,535
Total investments at fair value		633,255	16,239	9,303	1,437,332

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Assets		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	2019 Total
Other assets	$	7,385	—	—	7,385
Total assets at fair value	$	640,650	16,239	9,303	1,444,727
Liabilities					
Interest rate swap payable	$	—	136,186	—	136,186
Total liabilities at fair value	$	—	136,186	—	136,186

1 Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

During 2020, there were no transfers between investment Levels 1 and 2 or between Levels 2 and 3. The interest rate swap arrangement has inputs, which can generally be corroborated by market data and is, therefore classified within Level 2.

The following table presents activity for the year ended June 30, 2020 for assets measured at fair value using unobservable inputs classified in Level 3:

		Level 3 rollforward
Beginning fair value	$	9,303
Change in unrealized gains and losses, net		(218)
Ending fair value	$	9,085

In addition, investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of the System's investments could occur in the next term and that such changes could materially affect the amounts reported in the consolidated financial statements. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the System believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The significant unobservable inputs used in the fair value measurement of the System's long-lived partnership investments include a combination of cost, discounted cash flow analysis, industry comparables, and outside appraisals. Significant changes in any inputs used by investment managers in determining NAVs in isolation would result in a significant changes in fair value measurement.

The System has made investments in various long-lived partnerships and, in other cases, has entered into contractual agreements that may limit its ability to initiate redemptions due to notice periods, lockups, and gates. Details on typical redemption terms by asset class and type of investment are provided below:

	Remaining life	Redemption terms	Redemption restrictions and terms
Cash	N/A	Daily	None
Global public equities:			
Commingled funds	N/A	Daily to triennial with notice periods of 2 to 180 days	Lock-up provisions for up to 3 years; some investments have a portion of capital held in side pockets with no redemptions permitted
Partnerships	N/A	Monthly to biennial with notice periods of 7 to 90 days	Lock-up provisions for up to 4 years; some investments have a portion of capital held in side pockets with no redemptions permitted
Separate accounts	N/A	Daily with notice periods of 1 to 7 days	Lock-up provisions ranging for up to 1 year
Private debt:			
Drawdown partnerships	1 to 11 years	Redemptions not permitted	N/A
Partnerships	N/A	Redemptions not permitted	Capital held in side pockets with no redemptions permitted
Mutual bond and equity funds	N/A	Daily to monthly with notice periods of 1 to 30 days	None
Real estate funds	N/A	Quarterly with notice periods of 45 to 90 days	None
Funds of funds	N/A	Monthly to quarterly with notice periods of 15 to 185 days	None

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	Remaining life	Redemption terms	Redemption restrictions and terms
Private equity:			
Drawdown partnerships	1 to 21 years	Redemptions not permitted	N/A
Separate accounts	N/A	Daily with notice period of 1 day	None
Partnerships	N/A	Semiannual with notice period of 90 days	A portion of capital is held in side pockets with no redemptions permitted
Real estate:			
Drawdown partnerships	1 to 16 years	Redemptions not permitted	N/A
Separate accounts	N/A	Daily with notice period of 5 days	None
Natural resources:			
Drawdown partnerships	1 to 17 years	Redemptions not permitted	N/A
Commingled funds	N/A	Daily with notice period of 1 day	None
Absolute return:			
Commingled funds	N/A	Daily to triennial with notice periods of 1 to 122 days	Lock-up provisions for up to three years; some investments have a portion of capital held in side pockets with no redemptions permitted
Drawdown partnerships	1 to 4 years	Redemptions not permitted	N/A
Partnerships	N/A	Quarterly to triennial with notice periods of 45 to 180 days	Lock-up provisions for up to five years; some investments have a portion of capital held in side pockets with no redemptions permitted
Fixed income:			
Commingled funds	N/A	Weekly to monthly with notice periods of 5 to 10 days	None
Separate accounts	N/A	Daily to monthly with notice periods of 1 to 30 days	None
Funds in trust	N/A	Daily	None

(8) Endowments

The System's endowment consists of individual donor-restricted endowment funds and board-designated endowment funds for a variety of purposes plus the following where the assets have been designated for endowment: pledges receivable, split interest agreements, and other net assets. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. The net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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Illinois is governed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Trustees of UCMC has interpreted UPMIFA as sustaining the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the System classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The System has beneficial interests in trusts. The System has recorded its share of the principal of the trusts as net assets with donor restrictions. Distributions from the trusts are recorded within net assets without restrictions if unrestricted; otherwise, they are classified as net assets with donor restrictions until appropriated for expenditure. In some instances, the historical costs basis of the funds is not available as the System received the shares in 1929. The fair value of assets associated with individual donor-restricted endowment funds may fall below the amount of the original donation as a result of unfavorable market conditions. There were no such deficiencies at June 30, 2020 and 2019, respectively.

The System has the following donor-restricted endowment activities during the years ended June 30, 2020 and 2019 delineated by net asset class:

	2020		
	Without donor restrictions	With donor restrictions	Total
Changes in the fair value of endowment investments:			
Investment return:			
Endowment yield (interest and dividends)	$ 10,250	676	10,926
Net appreciation (realized and unrealized) on investments	13,533	802	14,335
Investment return, net of payout	23,783	1,478	25,261
Endowment payout	(48,014)	(3,883)	(51,897)
Net investment return	(24,231)	(2,405)	(26,636)
Other changes in endowment investments:			
Gifts and pledge payments received in cash	8,302	10	8,312
Other changes	4,000		4,000
Total other changes in endowment investments	12,302	10	12,312
Net change in endowment investments	(11,929)	(2,395)	(14,324)

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	2020		
	Without donor restrictions	With donor restrictions	Total
Endowment investments at:			
Beginning of year	$ 923,571	95,694	1,019,265
End of year	$ 911,642	93,299	1,004,941
Investments by type of fund:			
Donor-restricted "true" endowment:			
Historical gift value	$ —	17,280	17,280
Appreciation	—	76,019	76,019
Board-designated "funds functioning as endowment"	911,642	—	911,642
Total – As above	$ 911,642	93,299	1,004,941

	2019		
	Without donor restrictions	With donor restrictions	Total
Changes in the fair value of endowment investments:			
Investment return:			
Endowment yield (interest and dividends)	$ 12,282	935	13,217
Net appreciation (realized and unrealized) on investments	35,953	3,779	39,732
Investment return, net of payout	48,235	4,714	52,949
Endowment payout	(41,314)	(3,900)	(45,214)
Net investment return	6,921	814	7,735
Other changes in endowment investments:			
Gifts and pledge payments received in cash	89,042	13	89,055
Other changes	3,001	—	3,001
Total other changes in endowment investments	92,043	13	92,056
Net change in endowment investments	98,964	827	99,791

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		2019		
		Without donor restrictions	**With donor restrictions**	**Total**
Endowment investments at:				
Beginning of year	$	824,607	94,867	919,474
End of year	$	923,571	95,694	1,019,265
Investments by type of fund:				
Donor-restricted "true" endowment:				
Historical gift value	$	—	17,487	17,487
Appreciation		—	78,207	78,207
Board-designated "funds functioning as endowment"		923,571	—	923,571
Total – As above	$	923,571	95,694	1,019,265

Investment and Spending Policies

The System has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. The System expects its endowment funds to provide an average rate of return of approximately 6% annually. To achieve its long-term rate of return objectives, the System relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). Actual returns in any given year may vary from this amount.

For endowments invested in TRIP, the Board of Trustees of the System has adopted the University's method to be used to appropriate endowment funds for expenditure, including following the University's payout formula. The University utilizes the total return concept in allocating endowment income. In accordance with the University's total return objective, between 4.5% and 5.5% of a 12-quarter moving average of the fair value of endowment investments, lagged by one year, is available each year for expenditure in the form of endowment payout. The exact payout percentage, which is set each year by the Board of Trustees with the objective of a 5% average payout over time, was 5.5% for the fiscal years ended June 30, 2020 and 2019. If endowment income received is not sufficient to support the total return objective, the balance is provided from capital gains. If income received is in excess of the objective, the balance is reinvested in the endowment.

For endowments invested apart from TRIP, the System calculates a payout of 4% annually on a rolling 24-month average market value. In establishing this policy, the Board considered the expected long term rate of return on its endowment.

(Dollars in thousands)

(9) Property, Plant, and Equipment

The components of property, plant, and equipment as of June 30 are as follows:

		2020	2019
Land and land rights	$	55,610	55,610
Buildings and improvements		1,914,984	1,847,108
Equipment		753,017	717,720
Construction in progress		21,759	30,237
		2,745,370	2,650,675
Less accumulated depreciation		(1,187,022)	(1,082,919)
Total property, plant, and equipment, net	$	1,558,348	1,567,756

The cost of buildings that are jointly used by the University and the System is allocated based on the lease provisions. In addition, land and land rights include $17,200 and $18,900 for 2020 and 2019, respectively, which represents the unamortized portion of initial lease payments made to the University.

A clinic in the Streeterville area of Chicago is under construction. Spending for this clinic during fiscal year 2020 was $13,900 with a total budget of $17,400. Capitalized interest costs in 2020 and 2019 were approximately $500 and $400, respectively. Construction in progress consists of various routine capital improvements and renovation projects. As of June 30, 2020, the System had total contractual commitments associated with ongoing capital projects of approximately $18,800.

(10) Long-Term Debt

The long-term debt of both UCMC and CHHD is issued pursuant to the second Amended and Restated Master Trust Indenture (MTI) dated as of June 1, 2019, as subsequently amended and supplemented. The Obligated Group Members are UCMC, CHHD, Ingalls Memorial Hospital, Ingalls Home Care, and Ingalls Development Foundation. Each series of bonds is collateralized by the unrestricted receivables of the obligated Group Members and subject to certain restrictions under the MTI.

Effective June 28, 2019, the CHHD Obligated Group was combined with the UCMC Obligated Group, and became subject to the second Amended and Restated Master Trust Indenture (MTI) dated as of June 1, 2019, as subsequently amended and supplemented.

(Continued)

(Dollars in thousands)

Long-term debt at June 30, 2020 and 2019 consists of the following:

	Fiscal year maturity	Interest rate	2020	2019
UCMC:				
Fixed rate:				
Illinois Finance Authority:				
Series 2009A and 2009B, 2009B partially legally defeased in 2017	2027	5.0%	$ 71,970	83,575
Series 2009D1 and 2009D2 (Synthetically fixed rate)	2044	3.9	70,000	70,000
Series 2009E1 and 2009E2 (Synthetically fixed rate)	2044	3.9	70,000	70,000
Series 2010A and 2010B (Synthetically fixed rate)	2045	3.9	92,500	92,500
Series 2011A and 2011B (Synthetically fixed rate)	2045	3.9	92,500	92,500
Series 2012A	2037	4.7	—	60,495
Series 2015A	2030	5.0	21,895	21,895
Series 2016A	2027	5.0	22,830	22,830
Series 2016B	2042	5.0	164,490	164,490
Teachers Insurance and Annuity Association of America (TIAA)				
Series 2017A	2047	4.4	30,000	30,000
New York Life taxable private placement:				
Series 2019E	2037	2.7	63,645	—
Unamortized premium			18,073	24,119
Total fixed rate			717,903	732,404
Variable rate:				
Series 2013A	2050	1.6(2020)/3.0(2019)	68,403	69,801
Illinois Educational Facilities Authority (IEFA)	2038	1.1(2020)/1.6(2019)	62,590	66,029
Total variable rate			130,993	135,830
Unamortized debt issuance costs			(4,891)	(6,030)
Less current portion of long-term debt			(16,625)	(15,208)
Total UCMC long-term portion of debt, less current portion			$ 827,380	846,996

ATTACHMENT 35

(Continued)

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	Fiscal year maturity	Interest rate	2020	2019
UCMC Title Holding Corporation:				
Fixed rate:				
Brownfield Revitalization 40 – Promissory note A	2024	1.5%	$ 4,850	4,850
Urban Development Fund XLVI – Promissory note A	2024	1.5	4,850	4,850
Urban Development Fund LI – Promissory note A	2024	1.8	6,500	6,500
Citi NMTC – QLICI	2032	1.2	3,476	3,476
Citi NMTC – QLICI	2032	1.2	1,620	1,620
URP QLICI – Loan A	2047	1.0	7,334	7,334
URP QLICI – Loan B	2047	1.0	2,666	2,666
SCORE QLICI – Loan A	2047	1.0	4,176	4,176
SCORE QLICI – Loan B	2047	1.0	1,704	1,704
CNI QLICI – Loan A	2047	1.0	3,455	3,455
CNI QLICI – Loan B	2047	1.0	1,545	1,545
Total UCMC Title Holding Corporation debt			$ 42,176	42,176
Less current portion of long-term debt			(275)	—
Total UCMC Title Holding Corporation debt, excluding current portion			$ 41,901	42,176
Community Health and Hospital Division:				
Fixed Rate: Series 2013	2043	3.5–5.0%	$ —	60,145
Fixed Rate: Series 2017	2034	4.6	36,305	38,300
Fixed rate: Series 2019	2043	2.7	64,715	—
Unamortized debt issuance costs			(365)	3,131
Total debt and unamortized premiums (discount)			100,655	101,576
Less current portion of long-term debt			(3,530)	(2,890)
Total CHHD debt, excluding current portion			$ 97,125	98,686
Total notes and bonds payable			$ 986,836	1,005,956
Less current portion			(20,430)	(18,098)
Long-term debt, excluding current portion			$ 966,406	987,858

ATTACHMENT 35

(Continued)

(Dollars in thousands)

Scheduled annual repayments, excluding costs, premiums, or discounts, for the next five years and thereafter are as follows at June 30:

Year ending June 30:		
2021	$	20,430
2022		22,675
2023		23,068
2024		23,003
2025		25,519
Thereafter		859,324
	$	974,019

Letters of Credit

Under its various credit agreements, UCMC is subject to certain financial covenants, including maintaining a minimum debt service coverage ratio; maintaining minimum levels of days' cash on hand; maintaining debt to capitalization at certain levels; limitations on selling, leasing, or otherwise, disposing of UCMC property; and certain other nonfinancial covenants.

Payment on each of the variable rate demand revenue bonds is also collateralized by a letter of credit. The letter of credit that supports the Series 2009D bonds expires in June 2022. The letter of credit that supports the 2009E bonds expires in July 2021. The letters of credit that support the Series 2010A and Series 2010B bonds expire in May 2021 and July 2021, respectively, and the letters of credit that support the Series 2011A and Series 2011B bonds expire in May 2021. Payment of each of the IEFA bonds is collateralized by a letter of credit maturing May 2022. The letters of credit are subject to certain restrictions, which include financial ratio requirements. The most restrictive financial ratio is to maintain a debt service coverage ratio of 1:35:1.

Included in UCMC's debt is $62,590 of commercial paper revenue notes and $325,000 of variable rate demand bonds. In the event that UCMC's remarketing agents are unable to remarket the bonds, the trustee of the bonds will tender them under the letters of credit. Scheduled repayments under the letters of credit are between zero and three years, beginning after a grace period of at least one year from the event, and bear interest rates different from those associated with the original bond issue. Any bonds tendered are still eligible to be remarketed. Bonds subsequently remarketed would be subject to the original bond repayment schedules.

ATTACHMENT 35

(Continued)

(Dollars in thousands)

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

Year ending June 30:		
2021	$	20,430
2022		191,057
2023		143,391
2024		121,889
2025		25,519
Thereafter		471,733
	$	974,019

Recent Financing Activity

In November 2019, the System issued fixed rate debt in the form of a private placement Note with New York Life Insurance Company. The debt attributable to UCMC totaled $63,645 and was used to advance refund UCMC's series 2012A bonds. The debt attributable to CHHD totaled $64,715 and was used to advance refund CHHD's series 2013A bonds.

Subsequent Financing Activity

In August 2020, UCMC issued fixed rate bonds in the amount of $47,270. The Series 2020A bonds were sold to JPMorgan Chase Bank. The purpose of the Series 2020A bonds was to provide for the redemption of UCMC's Series 2009B bonds in full on August 15, 2020.

Lines of Credit

As of June 30, 2020, UCMC has a $200,000 of available lines of credit from commercial banks. As of June 30, 2020 and 2019, no amount was outstanding under these lines. The lines of credit expire April 28, 2021 and September 21, 2021.

Interest Payments

The System paid interest, net of capitalized interest, of approximately $32,800 and $37,700 in 2020 and 2019, respectively.

UCMC Title Holding Corporation

During fiscal years 2017 and 2018, UCMC entered into New Market Tax Credit (NMTC) financing agreements with various entities for the purposes of financing various projects at UCMC that would benefit the surrounding community. The NMTC program was established in 2000 by the United States Congress and is administered by the Department of Treasury to encourage private investment in qualifying low-income communities. Pursuant to Section 45(D) of the Internal Revenue Code, UCMC's NMTC structure consists of an NMTC investor (Investor) who provided qualified equity investments to a community development entity (CDE) who in turn provided debt financing to a separate not for profit tax exempt entity, which is a qualified active low income community business (QALICB).

In August 2017, UCMC was a lender in the NMTC structure for the construction of a new emergency department and adult trauma center. Because UCMC has the power to appoint all board members of UCMC Title Holding Corporation II NFP, the QALICB has been consolidated in the financial statements. The Investor made qualifying equity investments into various CDE funds, including UCMC Trauma Center NMTC Investment Fund, LLC (the CDE Funds), which in turn provided debt financing of $20,880 to UCMC Title Holding Corporation to fund qualified construction costs and equipment, as required under the terms of the agreement. Management anticipates that the NMTC structure will stay in effect through July 2025 when the NMTC tax compliance period expires. At that time, management believes the Investor will exercise its Put Option in the Put and Call Agreement, allowing UCMC to acquire a 100% equity interest in the investment fund. If the Put Option is not exercised, UCMC has the right to call for the purchase of a 100% equity interest in the investment fund at a fair market value. In either case, once the option is exercised, UCMC's loan to the investment fund would be extinguished, the investment fund and the CDE Funds would be dissolved, and the loans from the CDE Funds to UCMC Title Holding Corporation II NFP would be extinguished.

(11) Derivative Instruments

The System has interest rate related derivative instruments to manage its exposure on debt instruments. By using derivative financial instruments to manage the risk of changes in interest rates, the System exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparty owes the System, which creates credit risk for the System. When the fair value of a derivative contract is negative, the System owes the counterparty, and therefore, it does not possess credit risk; however, the System is required to post collateral to the counterparty when certain thresholds as defined in the derivative agreements are met. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. System management also mitigates risk through periodic reviews of their derivative positions in the context of their total blended cost of capital.

The System is required to post collateral under the specific terms and conditions for the various interest rate swap agreements as described below. At June 30, 2020 and 2019, $55,100 and $13,750 was held as collateral, respectively, and was recorded in current portion of investments limited to use and included in Note 7 as funds in trust for disclosure. Collateral postings are primarily driven by the value of the swap as measured at the reset date. Collateral requirements increase if credit ratings were to be downgraded.

The fair value of each swap is the estimated amount UCMC would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value is included in interest rate swap liability on the consolidated balance sheets, while the change in fair value is recorded in other changes in net assets without donor restrictions for the effective portion of the change and in nonoperating gains and losses for the ineffective portion of the change

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UCMC Interest Rate Swap Agreement

In August 2006, UCMC entered into a forward starting swap transaction against contemplated variable rate borrowing for the Center for Care and Discovery. This is a cash flow hedge against interest on the variable rate debt. The fair value of these swap agreements is the estimated amount that UCMC would have to pay or receive to terminate the agreements as of the consolidated balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparty. The swap values are based on the London Interbank Rate (LIBOR). The inputs to the fair value estimate are considered Level 2 in the fair value hierarchy.

In July 2011, UCMC novated the original swap agreement to divide the original notional amount in two equal parts between financial institutions. The fair value of the terminated portion of the hedge on the date of the novation was recorded in net assets in the amount of $35,123 and is being amortized into interest expense over the life of the related debt (approximately $1,300 of amortization in 2020 and 2019), commencing on February 23, 2013, the date the Center for Care and Discovery was placed into service. The new agreement is being accounted for as a hedge. The combined notional amount of the swap is $325,000 with an effective start date of August 2011. Management has determined that the interest rate swaps are effective and have qualified for hedge accounting. The fair value of the UCMC swap agreement liabilities was $182,470 and $127,068 at June 30, 2020 and 2019, respectively, and has been included in other long-term liabilities in the accompanying consolidated balance sheets. The net effective portion of the change in fair value on the UCMC swap agreements of $(53,268) and $(29,233) in 2020 and 2019, respectively, has been included in the change in net assets without donor restrictions in the accompanying 2020 and 2019 consolidated statements of operations and changes in net assets without donor restriction. Management has recognized ineffectiveness of approximately $(395) in 2020 and an ineffectiveness of $1,190 in 2019 in nonoperating gains and losses. This movement reflects the spread between tax-exempt interest rates and LIBOR during the period. The effective portion of these swaps is included in other changes in unrestricted net assets. The interest rate swaps terminate on February 1, 2044. Cash settlement payments related to the swaps are recorded in interest expense.

On July 1, 2020 UCMC entered into a novation of the interest rate swap agreements for a five-year term. The novation to the new parties is under like-kind terms and arrangements that do not require de-designation of the heading relationship and related accounting.

The following summarizes the general terms of each of UCMC's swap agreements:

Effective date	Associated debt series	Original term	Current notional amount	UCMC pays	UCMC receives
August 9, 2011	2009 D/E, 2010 A/B, 2011 A/B	32.5 Years	$ 162,500,000	3.89 %	68% of LIBOR
August 9, 2011	2009 D/E, 2010 A/B, 2011 A/B	32.5 Years	162,500,000	3.97%	68% of LIBOR

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CHHD Swap Agreement

CHHD entered into an interest rate swap agreement on June 28, 2004 to lock in long-term fixed rates on the Series 2004 variable-rate debt issuance, with a notional amount of $38,225 and a maturity date of May 15, 2034. This agreement was amended on March 1, 2013. Under the amended agreement, the notional amount and maturity did not change, and CHHD receives, on a monthly basis, 67% of one-month LIBOR plus 47.5 basis points and makes payments on a monthly basis, an annualized fixed rate of 4.61%. The swap is not designated as a hedging instrument, and therefore, the change in fair value of the 2004 interest rate swap agreement of $(2,318) and $(2,003) in 2020 and 2019, respectively, was recognized as a component of nonoperating gains in the accompanying consolidated statement of operations and changes in net assets without donor restriction. The fair value of the Series 2004 interest rate swap agreement liability of $11,436 and $9,118 at June 30, 2020 and 2019, respectively, is included as a component of other long-term liabilities in the accompanying consolidated balance sheet. The differential to be paid or received under the Series 2004 interest rate swap agreement is recognized monthly and has been included as a component of interest expense in the accompanying consolidated statement of operations and changes in net assets without donor restriction.

A summary of outstanding positions under the interest rate swap agreements for CHHD at June 30, 2020 is as follows:

Series	Notional amount	Maturity date	Rate received	Rate paid
2004 Interest rate swap Agreement:	$ 38,225	May 15, 2034	% of LIBOR	Fixed 4.61%

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(12) Leases

ASC Topic 842, *Leases*, was adopted by the System effective July 1, 2019 using a modified retrospective transition approach, without adjustment to the prior period comparative financial information. ASC Topic 842 requires lessees to recognize leases on the consolidated balance sheet and disclose key information about leasing arrangements. The new standard establishes an ROU model that requires a lessee to recognize an ROU asset and lease liability on the consolidated balance sheet for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the consolidated statement of operations and changes in net assets without donor restriction. In adopting and applying the standard, the System has elected to adopt the package of transition practical expedients and, therefore, has not reassessed (1) whether existing or expired contracts contain a lease, (2) lease classification for existing or expired leases, or (3) the accounting for initial direct costs that were previously capitalized. The System did not elect the practical expedient to use hindsight for leases existing at the adoption date. As of July 1, 2019, the System recorded ROU assets – operating leases of $53,043 and a corresponding operating leasing liability of the same amount. ROU assets for operating leases are recorded in other assets, net and the corresponding liability is recorded between current portion of other long-term liabilities and other long-term liabilities, less current portion. ROU assets for financing leases are presented as property, plant, and equipment (net) on the consolidated balance sheet and the corresponding liability is presented between current portion of other long-term liabilities and other long-term liabilities, net of current portion consistent with prior classification prior to adoption of ASC Topic 842.

The System determines if an arrangement is or contains a lease at contract inception. The System recognizes an ROU asset and a lease liability at the lease commencement date if the lease period exceeds one year. Leases less than one year are expensed monthly as incurred.

For operating leases, the lease liability is initially measured at the present value of the unpaid lease payments at the lease commencement date; it is subsequently measured at the present value of the unpaid lease payments. For finance leases, the lease liability is initially measured in the same manner and date as for operating leases and is subsequently measured at amortized cost using the effective-interest method.

Key estimates and judgments include how the System determines (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) lease term, and (3) lease payments.

ASC Topic 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. ASC Paragraph 842-20-30-3 provides a practical expedient for nonpublic business entities, which allows a lessee to use a risk-free interest rate for a period comparable to the lease term. The System has elected to use the risk-free rate, which is the rate of a U.S. Treasury security for a period comparable to the lease term.

The lease term for all of the System's leases includes the non-cancellable period of the lease plus any additional periods covered by either an option to extend (or not to terminate) the lease that the System is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received.

For operating leases, the ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

For finance leases, the ROU asset is subsequently amortized using the straight-line method from the lease commencement date to the earlier of the end of its useful life or the end of the lease term unless the lease transfers ownership of the underlying asset to the System or the System is reasonably certain to exercise an option to purchase the underlying asset. In those cases, the ROU asset is amortized over the useful life of the underlying asset. Amortization of the ROU asset is recognized and presented separately from interest expense on the lease liability.

Variable lease payments associated with the System's leases are recognized when the event, activity, or circumstance in the lease agreement on which those payments are assessed occurs. Variable lease payments are presented as an operating expense within other expenses in the System's consolidated statements of operations and changes in net assets without donor restriction in the same line item as expense arising from fixed lease payments (operating leases).

The System monitors for events or changes in circumstances that require a reassessment of one of its leases.

The System has elected not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The System recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term. Variable lease payments associated with these leases are recognized and presented in the same manner as for all other leases.

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The components of lease cost for the year ended June 30, 2020 reported as part of other expenses in the consolidated statements of operations and changes in net assets without donor restrictions, were as follows:

		2020
Operating lease expense	$	10,076
Finance lease expense:		
Amortization of right of use assets		4,970
Interest on lease liabilities		1,191
Total finance lease expense		6,161
Total lease expense	$	16,237

Amounts reported in the consolidated balance sheet as of June 30, 2020 were as follows:

Operating leases:		
Right of use assets – operating leases	$	53,043
Accumulated amortization		3,038
Other assets, net		50,005
Current portion of other long-term liabilities		4,596
Other long-term liabilities, less current portion		45,409
Total operating lease liabilities	$	50,005
Finance leases:		
Right of use assets – finance leases	$	38,347
Accumulated amortization		4,970
Property, plant, and equipment, net	$	33,377
Current portion of other long-term liabilities		7,521
Other long-term liabilities		29,466
Total finance lease liabilities	$	36,987

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Other information related to leases as of June 30, 2020 was as follows:

Supplemental cash flow information:

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow from operating leases	$	8,383
Financing cash flow from finance leases		2,466
ROU assets obtained in exchange for lease obligations:		
Operating leases		53,043
Finance leases		27,681
Reductions to ROU assets resulting from reductions to lease obligations:		
Operating leases		3,038
Finance leases		4,970
Weighted average remaining lease term:		
Operating leases		9.1 years
Finance leases		11.2 years
Weighted-average discount rate:		
Operating leases		2.1%
Finance leases		3.3%

Amounts disclosed for ROU assets obtained in exchange for lease obligations include amounts added to the carrying amount of ROU assets resulting from lease modifications and reassessments.

Maturities of lease liabilities under noncancelable leases as of June 30, 2020 are as follows:

		Operating	Finance
2021	$	5,497	8,703
2022		5,414	3,666
2023		5,400	3,393
2024		4,793	2,987
2025 and thereafter		36,466	29,077
	$	57,570	47,826
Less amount representing interest		7,565	10,839
Present value of net minimum lease payments	$	50,005	36,987

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(Dollars in thousands)

Lease Information as of and for the year ended June 30, 2019:

The System leases office space and equipment under leases that are classified as operating leases. Prior to the adoption of ASC Topic 842, future minimum lease payments required under operating lease as of June 30, 2019 that have initial or remaining lease terms in excess of one year:

	Operating	Capital
2020	$ 6,184	1,987
2021	6,569	1,547
2022	6,393	1,468
2023	6,171	1,319
2024 and thereafter	33,583	13,573
	$ 58,900	19,894
Less amount representing interest		7,984
Present value of net minimum capital lease payments		$ 11,910

(13) Insurance

Professional and General Liability

The System maintains separate self-insurance programs for UCMC and CHHD. UCMC is included under certain of the University's insurance programs. Since 1977, UCMC, in conjunction with the University, has maintained a self-insurance program for its medical malpractice liability. This program is supplemented with commercial excess insurance above the University's self-insurance retention, which for the years ended June 30, 2020 and 2019 was $5,000 per claim and unlimited in the aggregate. Claims in excess of $5,000 are subject to an additional self-insurance retention limited to $12,500 per claim and $22,500 in aggregate. There are no assurances that the University will be able to renew existing policies or procure coverage on similar terms in the future.

CHHD maintains a self-insurance program for professional and general liability. Coverage from commercial insurance carriers is maintained for claims in excess of self-insured retentions at various levels by policy year. CHHD established a trust fund with an independent trustee for the administration of assets funded under the malpractice and general liability self-insurance program.

The System has engaged professional consultants for calculating an estimated liability for medical malpractice self-insurance and is actuarially determined based upon estimated claim reserves and various assumptions, and represents the estimated present value of self-insurance claims that will be settled in the future. It considers anticipated payout patterns, as well as interest to be earned on available assets prior to payment. The discount rate used to value the self-insurance liability is a rate commensurate with the duration of anticipated payments.

(Dollars in thousands)

A comparison of the estimated liability for incurred malpractice claims (filed and not filed) and assets available for claims for the combined University and UCMC self-insurance program as of June 30, 2020 and 2019 is presented below:

		2020	2019
Actuarial present value of self-insurance liability for medical malpractice	$	185,822	192,018
Total assets available for claims		259,113	260,084

If the present-value method were not used, the ultimate liability for medical malpractice self-insurance claims would be approximately $20,347 higher at June 30, 2020. The interest rate assumed in determining the present value was 2.5% and 3.5% for 2020 and 2019, respectively. UCMC has recorded its pro rata share of the malpractice self-insurance liability in the amount of $83,620 and $86,408 at June 30, 2020 and June 30, 2019, respectively, with an offsetting receivable from the malpractice trust to cover any related claims. The malpractice self-insurance trust assets consist primarily of funds held in TRIP.

UCMC recognizes as malpractice expense its negotiated pro rata share of the actuarially determined normal contribution, with gains and losses amortized over five years, with no retroactive adjustments, as provided in the operating agreement. For fiscal year 2021, UCMC's expense is estimated to be approximately $10,000 related to malpractice insurance.

On April 30, 2019, CHHD entered into a loss portfolio transfer for the Ingalls Memorial Hospital medical malpractice program by obtaining an occurrence-based policy for claims through June 30, 2018 through a payment of $47,311 to an unrelated insurance company. The loss portfolio transferred was structured through Ingalls Casualty Insurance (the Captive) entity for purposes of additional insurance protection and risk management. At June 30, 2020, there was no additional liability calculated by the programs actuaries that would require additional reserves by CHHD or the Captive. Accruals for CHHD professional and general liabilities are recorded on a discounted basis consistent with the University's insurance program.

(14) Pension Plans

Active Plans

A majority of UCMC's personnel participate in the University's defined benefit and contribution pension plans, which are considered multi-employer pension plans. Under the defined benefit portion of this plan, benefits are based on years of service and the employee's compensation for the five highest paid consecutive years within the last ten years of employment. UCMC and the University make annual contributions to this portion of the plan at a rate necessary to maintain plan funding based on the guidelines set forth by the Employee Retirement Income Security Act of 1974, on an actuarially determined basis. UCMC recognizes its share of net periodic pension cost as expense and any difference in the contribution amount as a transfer of unrestricted net assets. The adjustment to net assets without donor restrictions was $(2,823) and $(14,787) for the years ended June 30, 2020 and 2019. UCMC expects to make contributions not to exceed $2,200 for the fiscal year ending June 30, 2021.

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Effective January 1, 2017, the 401(a) defined benefit pension plan was frozen for UCMC employees participating in the plan and was replaced with an enhanced defined contribution plan. Under the defined contribution portion of the plan, UCMC and plan participants make contributions that accrue to the benefit of the participants at retirement. UCMC's contributions, which are based on a percentage of each covered employee's salary, totaled approximately $24,900 and $23,800 for the years ended June 30, 2020 and 2019, respectively.

UCMC's expense related the multiemployer University's defined benefit plans included in the University's consolidated financial statements for the years ended June 30, 2020 and 2019 is as follows:

Plan name	EIN	Contribution of UCMC 2020	2019
University of Chicago Retirement Income Plan for Employees	36-2177139-002	$ —	—
University of Chicago Pension Plan for Staff Employees	36-2177139-003	—	—
		$ —	—

The benefit obligation, fair value of plan assets, and funded status for the University's defined benefit plan included in the University's consolidated financial statements as of June 30 are shown below.

	2020	2019
Projected benefit obligation	$ 1,057,892	946,250
Fair value of plan assets	786,782	763,789
Deficit of plan assets over benefit obligation	$ (271,110)	(182,461)

The weighted average assumptions used in the accounting for the plan are shown below.

	2020	2019
Discount rate	2.9 %	3.6 %
Expected return on plan assets	6.3	6.3
Rate of compensation increase	3.5	3.5

(Dollars in thousands)

The weighted average asset allocation for the plan is as follows:

	2020	2019
Domestic equities	26 %	23 %
International equity	24	27
Fixed income	50	50
	100 %	100 %

Domestic and international equities are presented as level 1 investments and fixed income securities are presented as Level 2 investments within the fair value hierarchy.

The pension and other postretirement benefit obligation considers anticipated payout patterns as well as investment returns on available assets prior to payment. The discount rate used to value the pension and other postretirement benefit obligation is a risk-adjusted rate commensurate with the duration of anticipated payments. These inputs to the fair value estimate are considered Level 2 in the fair value hierarchy.

Expected future benefit payments excluding plan expenses are as follows:

Fiscal year:		
2021	$	71,791
2022		56,657
2023		54,279
2024		52,983
2025		52,881
2026–2030		274,079

UCMC and CHHD also maintain additional defined contribution retirement plans for employees. The System's pension expense under these distinct defined contribution retirement plans for UCMC was $8,000 and $7,600 for the years ended June 30, 2020 and 2019, respectively.

CHHD expense under these distinct defined contribution retirement plans was $2,900 and $2,800 for the years ended June 30, 2020 and 2019, respectively.

Curtailed and Frozen Plan

In June 2002, UCMC assumed sponsorship of the Louis A. Weiss Memorial Hospital Pension Plan (Employer Identification Number 36-3488183, Plan Number 003), which covers employees of a former affiliate. Participation and benefit accruals are frozen. All benefit accruals are fully vested.

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(Dollars in thousands)

Components of net periodic pension cost and other amounts recognized in net assets without donor restrictions include the following:

		Years ended June 30	
		2020	2019
Net periodic pension cost:			
Service cost	$	—	—
Net periodic pension cost	$	—	—
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:			
Interest cost	$	1,730	1,892
Expected return on plan assets		(2,598)	(2,677)
Amortization of unrecognized net actuarial loss		1,279	949
Total recognized in net periodic pension cost and net assets without donor restrictions	$	411	164

The following table sets forth additional required pension disclosure information for this plan:

		Years ended June 30	
		2020	2019
Changes in projected benefit obligation:			
Benefit obligation at beginning of year	$	51,246	46,955
Interest cost		1,730	1,892
Net actuarial loss		4,929	6,042
Benefits paid		(3,494)	(3,643)
		54,411	51,246
Changes in plan assets:			
Fair value of plan assets at beginning of year		45,121	45,017
Actual return on plan assets		3,837	2,247
Employer contribution		3,000	1,500
Benefits paid		(3,494)	(3,643)
		48,464	45,121
Funded status at end of year	$	(5,947)	(6,125)

(Dollars in thousands)

Amounts recognized in the consolidated balance sheets are included in other noncurrent liabilities.

Accumulated plan benefits equal projected plan benefits. Assumptions used in the accounting for the net periodic pension cost were as follows:

	2020	2019
Discount rate	2.6 %	3.5 %
Expected return on plan assets	6.0	6.0
Rate of compensation increase	N/A	N/A

Weighted average asset allocations for plan assets are as follows:

	2020	2019
Cash	— %	2 %
Fixed income	90	66
Domestic equities	—	21
International equities	10	11
	100 %	100 %

All plan assets are valued using Level 1 inputs in 2020 and 2019. The target asset allocation is 60% equities and 40% fixed income. The expected return on plan assets is based on historical investment returns for similar investment portfolios.

UCMC expects to make contributions of $5,800 to the plan in the fiscal year ended June 30, 2021.

Expected future benefit payments are as follows:

Fiscal year:		
2021	$	3,673
2022		3,789
2023		3,705
2024		3,621
2025		3,523
2026–2030		15,914

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(Dollars in thousands)

(15) Functional Expenses

Total operating expenses by function are as follows for the years ended June 30:

	2020			
	Healthcare services	Admin	Fund raising	Total
Salaries, wages, and benefits	$ 970,553	92,033	2,079	1,064,665
Supplies and other	776,521	82,437	1,152	860,110
Physician services	290,999	10,454	—	301,453
Insurance	29,841	214	—	30,055
Interest	39,490	2,767	—	42,257
Medicaid provider tax	66,640	—	—	66,640
Depreciation and amortization	130,744	865	—	131,609
Total	$ 2,304,788	188,770	3,231	2,496,789

	2019			
	Healthcare services	Admin	Fund raising	Total
Salaries, wages, and benefits	$ 887,053	103,448	1,897	992,398
Supplies and other	675,896	89,515	1,631	767,042
Physician services	271,828	11,314	—	283,142
Insurance	25,682	3,300	—	28,982
Interest	38,079	6,377	—	44,456
Medicaid provider tax	66,640	—	—	66,640
Depreciation and amortization	112,468	15,730	—	128,198
Total	$ 2,077,646	229,684	3,528	2,310,858

(16) Contingencies

(a) Litigation

The System is subject to various legal proceedings and claims that are incidental to its normal business activities. In the opinion of the System, the amount of ultimate liability with respect to these actions will not materially affect the consolidated operations or net assets of the System.

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(Dollars in thousands)

(b) Regulatory Investigation and Other

The U.S. Department of Justice and other federal agencies routinely conduct regulatory investigations and compliance audits of healthcare providers. The System is subject to these regulatory efforts. Additionally, the laws and regulations governing the Medicare, Medicaid, and other government healthcare programs are extremely complex and subject to interpretation, making compliance an ongoing challenge for the System and other healthcare organizations. Recently, the federal government has increased its enforcement activity, including audits and investigations related to billing practices, clinical documentation, and related matters. The System maintains a system wide compliance program and conducts audits and other activities to identify potential compliance issues, including overpayments by governmental payors. Compliance reviews may result in liabilities to government healthcare program, which could have an adverse impact on the System's net patient service revenue

(c) Tax Exemption for Sales Tax and Property Tax

Effective June 14, 2012, the governor of Illinois signed into law, Public Act 97-0688, which created new standards for state sales tax and property tax exemptions in Illinois. The law establishes new standards for the issuance of charitable exemptions, including requirements for a nonprofit hospital to certify annually that in the prior year, it provided an amount of qualified services and activities to low-income and underserved individuals with a value at least equal to the hospital's estimated property tax liability. The System certified in 2020 and 2019 and has not recorded a liability for related property taxes based upon management's current determination of qualified services provided.

Schedule 1

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidating Balance Sheet Information

June 30, 2020

(Dollars in thousands)

Assets		The University of Chicago Medical Center	Ingalls Heath System	Ingalls Memorial Hospital	Ingalls Development Foundation	Ingalls Home Care	Eliminations	Obligated Group Consolidation	Other Non-Obligated Group UCMC Entities	Other Non-Obligated Group CHHD Entities	Eliminations	Consolidated total
Current assets:												
Cash and cash equivalents	$	458,899	68,219	113	756	—	—	527,987	6,552	4,186	—	538,725
Patient accounts receivable		297,124	—	32,002	—	3,480	—	332,606	953	117	—	333,676
Current portion of investments limited to use		53,305	2,876	—	—	—	—	56,181	—	2,319	—	58,500
Current portion of malpractice self-insurance receivable		14,508	—	—	—	—	—	14,508	—	—	—	14,508
Current portion of pledges receivable		1,177	—	—	—	—	—	1,177	—	—	—	1,177
Due from affiliates		61,630	1,551	118,877	—	11,782	(35,712)	158,128	1,947	2,449	(162,524)	—
Prepaids, inventory, and other current assets		116,933	1,561	12,547	285	117	—	131,443	3,528	43,173	(1,146)	176,998
Total current assets		1,003,576	74,207	163,539	1,041	15,379	(35,712)	1,222,030	12,980	52,244	(163,670)	1,123,584
Investments, limited as to use, less current portion		997,741	7,663	140,840	61,396	15,878	(3,711)	1,219,807	—	7,817	—	1,227,624
Property, plant, and equipment, net		1,338,180	7,094	188,711	—	18	—	1,534,003	18,567	5,778	—	1,558,348
Pledges receivable, less current portion		1,521	—	—	—	—	—	1,521	—	—	—	1,521
Malpractice self-insurance receivable, less current portion		81,091	—	—	—	—	—	81,091	—	—	—	81,091
Other assets, net		407,118	(5,263)	88	—	1	(327,069)	74,875	59,651	2,540	(28,402)	108,664
Total assets	$	3,829,227	83,701	493,178	62,437	31,276	(366,492)	4,133,327	91,198	68,379	(192,072)	4,100,832
Liabilities and Net Assets												
Current liabilities:												
Accounts payable and accrued expenses	$	196,740	(8,302)	51,281	823	2,214	—	242,756	3,966	17,776	(8,129)	256,369
Current portion of long-term debt		16,625	—	3,530	—	—	—	20,155	275	—	—	20,430
Current portion of other long-term liabilities		11,374	—	—	—	—	—	11,374	1,538	—	(1,146)	11,766
Estimated third-party payor settlements and Medicare Advance		450,409	—	80,155	—	3,152	—	533,716	—	3,131	—	536,847
Current portion of malpractice self-insurance liability		14,508	7,019	—	—	—	—	21,527	—	2,914	—	24,441
Due to affiliates		—	91,474	1,564	61	512	(35,713)	57,898	55,448	41,048	(154,394)	—
Due to the University of Chicago		37,649	—	—	—	—	—	37,649	—	—	—	37,649
Total current liabilities		727,305	90,191	136,530	884	5,878	(35,713)	925,075	61,227	64,869	(163,669)	887,502
Workers' compensation self-insurance liability, less current portion		7,600	1,841	—	—	—	—	9,441	—	—	—	9,441
Malpractice self insurance liability, less current portion		81,091	2,995	—	—	—	—	84,086	—	50,943	—	135,029
Long-term debt, excluding current installments		827,380	—	97,125	—	—	—	924,505	41,901	—	—	966,406
Interest rate swap liability		182,471	—	11,436	—	—	—	193,907	—	—	—	193,907
Other long-term liabilities, less current portion		116,081	2,839	10,124	—	117	(2,357)	126,804	24,609	42	(38,686)	112,769
Total liabilities		1,941,928	97,866	255,215	884	5,995	(38,070)	2,263,818	127,737	115,854	(202,355)	2,305,054
Net assets (deficit):												
Without donor restrictions		1,775,283	(14,165)	234,257	48,762	25,276	(311,589)	1,757,824	(36,539)	(47,475)	10,283	1,684,093
With donor restrictions		112,016	—	3,706	12,791	5	(16,833)	111,685	—	—	—	111,685
Total net assets (deficit)		1,887,299	(14,165)	237,963	61,553	25,281	(328,422)	1,869,509	(36,539)	(47,475)	10,283	1,795,778
Total liabilities and net assets	$	3,829,227	83,701	493,178	62,437	31,276	(366,492)	4,133,327	91,198	68,379	(192,072)	4,100,832

See accompanying independent auditors' report.

Schedule 2

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions

Year ended June 30, 2020

(Dollars in thousands)

	The University of Chicago Medical Center	Ingalls Heath System	Ingalls Memorial Hospital	Ingalls Development Foundation	Ingalls Home Care	Eliminations	Obligated Group Consolidation	Other Non-Obligated Group UCMC Entities	Other Non-Obligated Group CHHD Entities	Eliminations	Consolidated total
Revenue:											
Patient service revenue	$ 1,742,319	—	271,749	—	11,257	—	2,025,325	4,405	22,423	(2,196)	2,049,957
Other operating revenue and net assets released from restrictions	444,299	13,120	32,244	2,229	465	(12,912)	479,445	6,953	25,802	(14,453)	497,747
Total operating revenues	2,186,618	13,120	303,993	2,229	11,722	(12,912)	2,504,770	11,358	48,225	(16,649)	2,547,704
Operating expenses:							—				
Salaries, wages, and benefits	875,049	2,577	134,432	121	8,919	—	1,021,098	12,909	32,117	(1,459)	1,064,665
Supplies and other	723,730	2,882	119,565	2,439	1,585	(1,501)	848,700	2,255	12,137	(2,982)	860,110
Physician services	272,690	810	24,786	20	242	(4,632)	293,916	409	15,775	(8,647)	301,453
Insurance	13,311	6,849	10,226	—	212	(6,777)	23,621	1,190	6,813	(1,769)	30,055
Interest	38,636	—	4,461	—	—	—	43,097	952	—	(1,792)	42,257
Medicaid provider tax	49,518	—	17,122	—	—	—	66,640	—	—	—	66,640
Depreciation and amortization	113,675	535	15,633	—	10	—	129,853	934	822	—	131,609
Total operating expenses	2,086,609	13,653	326,225	2,580	10,968	(12,910)	2,427,125	18,649	67,664	(16,649)	2,496,789
Operating revenue in excess (deficit) of expenses	100,009	(533)	(22,232)	(351)	754	(2)	77,645	(7,291)	(19,439)	—	50,915
Nonoperating gains (losses), net:							—				
Investment income, net	23,783	254	4,499	1,923	589	—	31,048	—	(15)	—	31,033
Change in fair value of nonhedged derivative instruments	—	—	(2,318)	—	—		(2,318)	—	—	—	(2,318)
Derivative ineffectiveness on hedged derivative instruments	(395)	—	—	—	—		(395)	—	—	—	(395)
Other, net	(1,285)	(4,219)	(2,102)	(206)	(63)	—	(7,877)	—	(482)	4,682	(3,677)
Net nonoperating gains (losses)	22,103	(3,965)	79	1,715	526	—	20,458	—	(497)	4,682	24,643
Revenue and gains in excess (deficient) of expenses and losses	122,112	(4,498)	(22,153)	1,364	1,280	(2)	98,103	(7,291)	(19,936)	4,682	75,558
Other changes in net assets without donor restriction:							—				
Net asset transfers to University of Chicago, net	(71,750)	—	—	—	—	—	(71,750)	—	—	—	(71,750)
Change in accrued pension benefits other than net periodic benefit costs	(2,823)	—	—	—	—	—	(2,823)	—	—	—	(2,823)
Effective portion of change in valuation of derivatives	(53,268)	—	—	—	—	—	(53,268)	—	—	—	(53,268)
Net assets released from restriction for capital purposes	3	—	—	—	—	—	3	—	2	—	5
Distributions and other, net	—	(1)	1	—	—	3	3	—	(13)	(1)	(11)
Increase (decrease) in net assets without donor restrictions	$ (5,726)	(4,499)	(22,152)	1,364	1,280	1	(29,732)	(7,291)	(19,947)	4,681	(52,289)

See accompanying independent auditors' report.

Schedule 3

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidating Statement of Changes in Net Assets Information

Year ended June 30, 2020

(Dollars in thousands)

	The University of Chicago Medical Center	Ingalls Health System	Ingalls Memorial Hospital	Ingalls Development Foundation	Ingalls Home Care	Eliminations	Obligated Group Consolidation	Other Non-Obligated Group UCMC Entities	Other Non-Obligated Group CHHD Entities	Eliminations	Consolidated total
Net assets without donor restrictions:											
Revenue and gains in excess (deficient) of expenses and losses	$ 122,112	(4,498)	(22,153)	1,364	1,280	(2)	96,103	(7,291)	(19,936)	4,682	75,558
Net asset transfers to University of Chicago, net	(71,750)	—	—	—	—	—	(71,750)	—	—	—	(71,750)
Change in accrued pension benefits other than net periodic benefit cost	(2,823)	—	—	—	—	—	(2,823)	—	—	—	(2,823)
Effective portion of change in valuation of derivatives	(53,268)	—	—	—	—	—	(53,268)	—	—	—	(53,268)
Net assets released from restriction for capital purposes	3	—	—	—	—	—	3	—	2	—	5
Distributions and other, net	—	(1)	1	—	—	3	3	—	(13)	(1)	(11)
Increase (decrease) in net assets without donor restrictions	(5,726)	(4,499)	(22,152)	1,364	1,280	1	(29,732)	(7,291)	(19,947)	4,681	(52,289)
Net assets with donor restrictions:											
Contributions	4,881	—	—	790	—	—	5,671	—	—	—	5,671
Change in net interest in Foundation	—	—	(355)	—	—	356	1	—	1		2
Net assets released from restrictions used for operating purposes	(7,405)	—	—	(1,146)	—	—	(8,551)	—	—	—	(8,551)
Net assets released from restrictions used for capital purposes	(3)	—	—	—	—	(2)	(5)	—	—	—	(5)
Investment income	1,695	—		(218)	—	—	1,477	—	—	—	1,477
Increase (decrease) in net assets with donor restrictions	(832)	—	(355)	(574)	—	354	(1,407)	—	1	—	(1,406)
Change in net assets	(6,558)	(4,499)	(22,507)	790	1,280	355	(31,139)	(7,291)	(19,946)	4,681	(53,695)
Net assets (deficit) at beginning of year	1,893,857	(9,666)	260,470	60,763	24,001	(328,777)	1,900,648	(29,248)	(27,529)	5,602	1,849,473
Net assets (deficit) at end of year	$ 1,887,299	(14,165)	237,963	61,553	25,281	(328,422)	1,869,509	(36,539)	(47,475)	10,283	1,795,778

See accompanying independent auditors' report.

KPMG

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Financial Statements

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

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KPMG

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

Independent Auditors' Report

The Board of Trustees
The University of Chicago Medical Center:

We have audited the accompanying consolidated financial statements of The University of Chicago Medical Center, which comprise the consolidated balance sheets as of June 30, 2019 and 2018, and the related consolidated statements of operations and changes in net assets without donor restrictions, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The University of Chicago Medical Center as of June 30, 2019 and 2018, and the results of its consolidated operations, changes in its consolidated net assets and of its consolidated cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG

Emphasis of Matter

As discussed in note 2(b) to the consolidated financial statements, The University of Chicago Medical Center adopted new accounting guidance for Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customer (Topic 606)* and ASU No. 2016-14, *Presentation of Financial Statements for Not-for-profit Entities*. Our opinion is not modified with respect to these matters.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2019 supplementary information included in schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Chicago, Illinois
November 20, 2019

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Balance Sheets

June 30, 2019 and 2018

(In thousands)

Assets		**2019**	**2018**
Current assets:			
Cash and cash equivalents	$	174,122	211,751
Patient accounts receivable, net of estimated uncollectibles of $160,307 in 2018		399,130	347,870
Current portion of investments limited to use		19,292	8,872
Current portion of malpractice self-insurance receivable		15,266	17,491
Current portion of pledges receivable		1,434	1,052
Prepaids, inventory, and other current assets		155,424	111,563
Total current assets		764,668	698,599
Investments limited to use, less current portion		1,243,928	1,200,413
Property, plant, and equipment, net		1,567,756	1,602,751
Pledges receivable, less current portion		1,438	1,435
Malpractice self-insurance receivable, less current portion		85,361	86,319
Other assets, net		54,891	52,542
Total assets	$	3,718,042	3,642,059
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses	$	241,248	251,424
Current portion of long-term debt		18,098	17,323
Current portion of other long-term liabilities		725	208
Estimated third-party payor settlements		263,259	214,184
Current portion of malpractice self-insurance liability		15,266	17,491
Due to University of Chicago		30,769	36,807
Total current liabilities		569,365	537,437
Other liabilities:			
Workers' compensation self-insurance liabilities, less current portion		6,396	5,782
Malpractice self-insurance liability, less current portion		128,462	127,154
Long-term debt, less current portion		987,858	1,011,129
Interest rate swap liability		136,186	104,412
Other long-term liabilities, less current portion		40,302	35,878
Total liabilities		1,868,569	1,821,792
Net assets:			
Without donor restrictions		1,736,382	1,708,799
With donor restrictions		113,091	111,468
Total net assets		1,849,473	1,820,267
Total liabilities and net assets	$	3,718,042	3,642,059

See accompanying notes to consolidated financial statements.

ATTACHMENT 35

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Statements of Operations and Changes in Net Assets Without Donor Restrictions

Years ended June 30, 2019 and 2018

(In thousands)

		2019	2018
Operating revenues:			
Net patient service revenue	$	2,121,969	2,183,011
Provision for doubtful accounts		—	182,894
Net patient service revenue after provision for doubtful accounts		2,121,969	2,000,117
Other operating revenues and net assets released from restrictions used for operating purposes		265,533	211,898
Total operating revenues		2,387,502	2,212,015
Operating expenses:			
Salaries, wages, and benefits		992,398	943,550
Supplies and other		767,042	679,490
Physician services		283,142	280,780
Insurance		28,982	46,690
Interest		44,456	43,924
Medicaid provider tax		66,640	59,773
Depreciation and amortization		128,198	125,032
Total operating expenses		2,310,858	2,179,239
Operating revenue in excess of expenses		76,644	32,776
Nonoperating gains and losses:			
Investment income, net		60,092	65,503
Change in fair value of nonhedged derivative instruments		(2,003)	2,356
Derivative ineffectiveness on hedged derivative instruments		1,190	(62)
Other, net		7,706	604
Revenue and gains in excess of expenses and losses		143,629	101,177
Other changes in net assets without donor restrictions:			
Net asset transfers to University of Chicago, net		(71,750)	(71,750)
Change in accrued pension benefits other than net periodic benefit costs		(14,787)	(7,853)
Effective portion of change in valuation of derivatives		(29,233)	24,635
Net assets released from restriction for capital purposes		462	—
Distributions and other, net		(738)	(449)
Increase in net assets without donor restrictions	$	27,583	45,760

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2019 and 2018

(In thousands)

		2019	2018
Net assets without donor restrictions:			
Revenue and gains in excess of expenses and losses	$	143,629	101,177
Net asset transfers to University of Chicago, net		(71,750)	(71,750)
Change in accrued pension benefits other than net periodic benefit cost		(14,787)	(7,853)
Effective portion of change in valuation of derivatives		(29,233)	24,635
Net assets released from restrictions for capital purposes		462	—
Distributions and other, net		(738)	(449)
Increase in net assets without donor restrictions		27,583	45,760
Net assets with donor restrictions:			
Contributions		4,443	5,090
Net assets released from restrictions used for operating purposes		(7,072)	(7,295)
Investment income		4,714	5,767
Net assets released from restrictions for capital purposes		(462)	—
Increase in temporarily restricted net assets		1,623	3,562
Change in net assets		29,206	49,322
Net assets at beginning of year		1,820,267	1,770,945
Net assets at end of year	$	1,849,473	1,820,267

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidated Statements of Cash Flows

Years ended June 30, 2019 and 2018

		2019	2018
Cash flows from operating activities:			
Change in net assets	$	29,206	49,322
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Net change in unrealized gains and losses on investments		(14,057)	544
Net asset transfers to University of Chicago		71,750	71,750
Restricted contributions and investment return		(9,157)	(10,857)
Realized gains on investments		(31,705)	(52,157)
Net change in valuation of derivatives		31,774	(25,038)
Change in accrued pension benefits other than net period benefit cost and other		14,787	7,853
Provision for doubtful accounts		—	182,824
Net assets released from restrictions for operations		7,072	7,295
Depreciation and amortization		128,198	125,032
Changes in assets and liabilities:			
Patient accounts receivable, net		(51,260)	(98,594)
Other assets		(43,412)	(21,269)
Accounts payable and accrued expenses		(11,694)	33,972
Due to University of Chicago		(6,038)	8,082
Estimated settlements with third-party payors		49,075	36,003
Self-insurance liabilities		(303)	(8,229)
Other liabilities		(9,846)	(16,434)
Net cash provided by operating activities		154,390	290,099
Cash flows from investing activities:			
Purchases of property, plant, and equipment		(90,555)	(100,325)
Change in construction payables		1,518	(5,143)
Purchases of investments		(437,136)	(451,471)
Sales of investments		428,963	517,379
Net cash used in investing activities		(97,210)	(39,560)
Cash flows from financing activities			
Proceeds from issuance of long-term debt, including bond premium		—	61,220
Payments on long-term obligations		(25,144)	(65,917)
Payments on revolving credit facility		—	(3,000)
Payments for bond issuance costs		—	(349)
Net asset transfers to University of Chicago, net		(71,750)	(71,750)
Net assets released from restriction for operations		(7,072)	(7,295)
Restricted contributions and investment return		9,157	10,857
Net cash used in financing activities		(94,809)	(76,234)
Net (decrease) increase in cash and cash equivalents		(37,629)	174,305
Cash and cash equivalents:			
Beginning of year		211,751	37,446
End of year	$	174,122	211,751

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

(1) Organization and Basis of Presentation

The accompanying consolidated financial statements represent the accounts of The University of Chicago Medical Center and its affiliates (the System). The University of Chicago Medical Center (UCMC) is the parent of an integrated nonprofit health care organization, partnering with the University of Chicago Biological Sciences Division, the University of Chicago Pritzker School of Medicine, and the University of Chicago Physicians Group to provide world-class medical care in an academic setting. UCMC operates the Center for Care and Discovery, the Bernard Mitchell Hospital, the Chicago Lying-In Hospital, the University of Chicago Comer Children's Hospital, the Duchossois Center for Advanced Medicine, the University of Chicago Medicine Care Network, the UCM Community Health and Hospital Division, Inc. (CHHD), and various other outpatient clinics and treatment areas. In May 2018, UCMC opened its Level 1 Trauma Center to serve the South Side of Chicago and surrounding community.

On October 1, 2016, UCMC acquired Ingalls Health System (IHS) through an affiliation and member substitution. As a result of this transaction, IHS became a wholly owned subsidiary of UCMC through the newly created CHHD of UCMC.

On June 28, 2019 UCMC amended its Obligated Group to include the following entities: UCMC (excludes the University of Chicago Medicine Care Network, UCMC Title Holding Corporation and UCMC Title Holding Corporation II NFP), Ingalls Health System, Ingalls Memorial Hospital, Ingalls Development Foundation, and Ingalls Home Care as presented in the supplemental consolidating schedules. Entities of UCMC that are included in the Non-Obligated Group are the University of Chicago Medicine Care Network, University of Chicago Medicine Medical Group, UCMC Title Holding Corporation, and UCMC Title Holding Corporation II NFP. Entities of CHHD that are included in the Non-Obligated Group are Ingalls Provider Group, Ingalls Care Network, Medcentrix, Ingalls Health Ventures, Ingalls Casualty Insurance, and Ingalls Same Day Surgery. These are presented in the supplemental schedules as "Other Non-Obligated Group Entities" for purposes on consolidation.

The University of Chicago (the University), as the sole corporate member of UCMC, elects UCMC's Board of Trustees and approves its bylaws. The UCMC President reports to the University's Executive Vice President for Medical Affairs. The relationship between UCMC and the University is defined in the Medical Center bylaws, an affiliation agreement, an operating agreement, and several leases. See note 4 for agreements and transactions with the University.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements of the System have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. All significant intercompany accounts and transactions have been eliminated in consolidation.

(b) New Accounting Pronouncements

In August 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities.* ASU No. 2016-14 represents phase 1 of FASB's not-for-profit financial reporting project, and results reduce the number of net asset classes, require expense presentation by functional and natural classification, require quantitative and qualitative information in liquidity, retain the option to present the cash flow statement on a direct or indirect method, as well as include various other additional disclosure requirements. The requirements of this statement were effective for the System for the year ending June 30, 2019. The impact on financial statement presentation and disclosure includes previous classifications as permanently and temporarily restricted net assets were combined and now presented as net assets with donor restrictions in concurrence with the standard. Additional disclosures were modified to reflect this classification change along with disclosure of liquidity of assets and current liabilities and to disclose the operating expenses by function.

On July 1, 2018, the System adopted ASU No. 2014-09 following the modified retrospective method of application for the adoption of the guidance to all contracts existing on July 1, 2018, resulting in no impact to the System's existing revenue streams. At the adoption of ASU No. 2014-09, the majority of what was previously classified as the provision for bad debts (which would have approximated $201,012 for the year ended June 30, 2019) is now reflected as an implicit price concession (as defined in ASU No. 2014-09) and, therefore, is included as a reduction to net patient service revenue in the accompanying 2019 consolidated statements of operations and changes in net assets without donor restriction. Such amounts were also reclassified in the 2019 consolidated statements of cash flows to the change in patient accounts receivable. For changes in credit issues not assessed at the date of service, the System will prospectively recognize those amounts as bad debt expense in operating expenses in the accompanying consolidated statements of operations and changes in net assets without donor restriction. For periods prior to the adoption of ASU No. 2014-09, the provision for bad debts has been presented consistent with previous presentation prior to adoption of the new ASU.

The System uses a portfolio approach to apply the new model to classes of payors with similar characteristics and analyzes cash collection trends over an appropriate collection look-back period depending on the payor. The System completed an initial assessment of the impact of the new standard on various reimbursement programs that represent variable consideration and concluded that accounting for these programs under the new standard is substantially consistent with the System's historical accounting practices.

In February 2016, FASB issued ASU No. 2016-02, *Leases.* ASU No. 2016-02 requires entities to recognize all leased assets as assets on the consolidated balance sheet with a corresponding liability. Entities will also be required to present additional disclosures as to the nature and extent of leasing activities. The System implemented the new standard effective July 1, 2019, which is expected to result in the establishment of a right of use asset and lease liability of approximately $27,700 to $30,900 in the consolidated balance sheet.

(Continued)

(c) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(d) Community Benefits

The System's policy is to treat patients in immediate need of medical services without regard to their ability to pay for such services, including patients transferred from other hospitals under the provisions of the Emergency Medical Treatment and Active Labor Act. UCMC also accepts patients through the Perinatal and Pediatric Trauma Networks without regard to their ability to pay for services.

The System developed a Financial Assistance Policy (the Policy) under which patients are offered discounts of up to 100% of charges on a sliding scale. The Policy is based both on income as a percentage of the Federal Poverty Level guidelines and the charges for services rendered. The Policy also contains provisions that are responsive to those patients subject to catastrophic healthcare expenses. Since the System does not pursue collection of these amounts, they are not reported as net patient service revenue. The estimated cost of providing care under this Policy, along with the unreimbursed cost of government sponsored indigent healthcare programs, unreimbursed cost to support education, clinical research, and other community programs for the years ended June 30, 2019 and 2018, are reported in note 6.

(e) Fair Value of Financial Instruments

Fair value is defined as the price that the System would receive upon selling an asset or pay to settle a liability in an orderly transaction among market participants.

The System uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the System. Inputs refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 – Quoted market prices in active markets for identical investments

Level 2 – Inputs other than quoted prices for similar investments in active markets, quoted prices for identical or similar investments in markets that are not active, or inputs other than quoted prices that are observable, including model-based valuation techniques

(Continued)

Level 3 – Valuation techniques that use significant inputs that are unobservable because they trade infrequently or not at all

(f) Cash and Cash Equivalents

Cash equivalents include U.S. Treasury notes, commercial paper, and corporate notes with original maturities of three months or less, excluding investments whose use is limited.

(g) Inventory

The System values inventories at the lower of cost or market using the first-in, first-out method.

(h) Investments

Investments are classified as trading securities. As such, investment income or loss (including realized or unrealized gains and losses on investments, interest, and dividends) is included in excess of revenue and gains over expenses and losses unless the income is restricted by donor or law.

Investments are recorded in the consolidated financial statements at estimated fair value. If an investment is held directly by an entity and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The System's interests in alternative investment funds, such as private debt, private equity, real estate, natural resources, and absolute return, are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2019 and 2018, the System had no plans to sell investments at amounts different from NAV.

A significant portion of the System's investments are part of the University's Total Return Investment Pool (TRIP). The System accounts for its investments in TRIP on the fair value method based on its share of the underlying securities, and accordingly, records the investment activity as if the System owned the investments directly using the fair value option election. The University does not engage directly in unhedged speculative investments; however, the Board of the University has authorized the use of derivative investments to adjust market exposure within asset class ranges.

A summary of the inputs used in valuing the System's investments as of June 30, 2019 and 2018 is included in note 7.

(i) Investments Limited as to Use

Investments limited as to use primarily include assets held by trustees under debt and other agreements and designated assets set aside by the Board of Trustees (the Board) for future capital improvements and other specific purposes, over which the Board retains control and may at its discretion subsequently use for other purposes. Investments limited as to use also include investments held under swap collateral posting requirements, investments under the workers' compensation self-insurance trust funds, and investments whose use is restricted by donors. Investments limited as to use are reported as net assets without donor restrictions. Investments whose use is restricted by donors are reported as net assets with donor restrictions.

(j) Derivative Instruments

The System accounts for derivatives and hedging activities in accordance with Accounting Standards Codification (ASC) Topic 815, *Derivatives and Hedging*, which requires that all derivative instruments be recorded as either assets or liabilities in the balance sheet at their respective fair values.

For hedging relationships, the System formally documents the hedging relationship and its risk management objective and strategy for understanding the hedge, the hedging instrument, the nature of the risk being hedged, how the hedging investment's effectiveness in offsetting the hedged risk will be assessed, and a description of the method for measuring ineffectiveness. This process includes linking all derivatives that are presented as cash flow hedges to specific assets and liabilities in the balance sheet.

(k) Property, Plant, and Equipment

Property, plant, and equipment are reported on the basis of cost, less accumulated depreciation and amortization. Depreciation of property, plant, and equipment is calculated by use of the straight-line method at rates intended to depreciate the cost of assets over their estimated useful lives, which generally range from three to eighty years. Interest costs incurred during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets with explicit restrictions by donors that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

The System periodically assesses the recoverability of long-lived assets (including property, plant, and equipment) when indications of potential impairment based on estimated, undiscounted future cash flows exist. Management considers factors, such as current results, trends, and future prospects, in addition to other economic factors, in determining whether there is an impairment of the asset.

(l) Asset Retirement Obligation

The System recognizes a liability for the fair value of a legal obligation to perform asset retirement activities in which the timing or method of settlement are conditional on a future event if the amount can be reasonably estimated. Upon recognition of a liability, the asset retirement cost is recorded as an increase in the carrying value of the related long-lived asset and then depreciated over the life of the asset. The System's asset retirement obligations arise primarily from regulations that specify how to dispose of asbestos if facilities are demolished or undergo major renovations or repairs. The System's obligation to remove asbestos was estimated using site-specific surveys where available and a per square foot estimate where surveys were unavailable.

(Continued)

(m) Other Assets and Liabilities

Goodwill and intangible assets principally relate to physician practice acquisitions. Intangible assets are being amortized over a period, generally not to exceed five years. Intangible assets, net of accumulated amortization, were $210 and $438 for the years ended June 30, 2019 and 2018, respectively, and are included within other assets, net in the consolidated balance sheets. The System follows the provisions of ASC Subtopic 958-805, *Not-for-Profit Entities – Business* Combinations, which requires goodwill to be reviewed for impairment at least annually using a two-step test. Goodwill at June 30, 2019 and 2018 was $2,906 and $2,412, respectively, and is included in other assets, net within the consolidated balance sheets. No goodwill impairment was recorded by the System in 2019 and 2018.

(n) Net Assets

Net assets are classified into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of fees for service and related expenses associated with the core activities of the System: patient care and provision of healthcare services. In addition to these exchange transactions, changes in this category of net assets include investment returns on "funds functioning as endowment" funds, actuarial adjustments to self-insurance liabilities, changes in post retirement benefit obligations, and other types of philanthropic support. The philanthropic support includes gifts without restriction, board designated funds functioning as endowment and restricted gifts whose donor-imposed restrictions were met during the fiscal year, as well as previously restricted gifts and grants for buildings and equipment that have been placed in service.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the System or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt, including gifts and grants for buildings and equipment not yet placed in service; endowment, annuity, and life income gifts; pledges and investment returns on "true" endowment funds, and endowments where the principal may be expended upon the passage of a stated period of time (term endowments). Expirations of restrictions on net assets with donor restrictions, including reclassification of restricted gifts and grants for buildings and equipment when the associated long-lived asset is placed in service, are reported as net assets released from restrictions.

Also included in net assets with donor restrictions are net assets subject to donor-imposed restrictions to be maintained permanently by the System, including gifts and pledges wherein donors stipulate that the principal/corpus of the gift be held in perpetuity and that only the income be made available for program operations. Other permanently restricted items in this net asset category include annuity and life income gifts for which the ultimate purpose of the proceeds is permanently restricted.

(Dollars in thousands)

The description of amounts classified as donor restricted net assets (endowments only) as of June 30, 2019 and 2018 is as follows:

	Perpetual	Time restricted by donor	Time restricted by law	2019 Total
Restricted for pediatric healthcare	$ 4,058	—	17,673	21,731
Restricted for adult healthcare	4,117	—	57,255	61,372
Restricted for educational and scientific programs	9,323	—	2,862	12,185
	$ 17,498	—	77,790	95,288

	Perpetual	Time restricted by donor	Time restricted by law	2018 Total
Restricted for pediatric healthcare	$ 3,951	—	17,478	21,429
Restricted for adult healthcare	4,320	—	57,114	61,434
Restricted for educational and scientific programs	9,216	—	2,788	12,004
	$ 17,487	—	77,380	94,867

The endowment component of net assets without donor restrictions comprises of amounts designated by the Board to function as endowment, which amounted to $923,571 and $824,607 as of June 30, 2019 and 2018, respectively.

(o) Consolidated Statement of Operations and Changes in Net Assets Without Donor Restrictions

All activities of the System deemed by management to be ongoing, major, and central to the provision of healthcare services are reported as operating revenue and expenses.

The consolidated statement of operations and changes in net assets without donor restrictions includes revenue and gains in excess of expenses and losses. Changes in net assets without donor restrictions that are excluded from revenue and gains in excess of expenses and losses include net asset transfers to the University, contributions of long-lived assets released from restrictions (including assets acquired using contributions, which by donor restriction were to be used for acquisition of System assets), net assets released from restriction for capital purchases, the effective portion of changes in the valuation of derivatives, change in accrued pension benefits other than net periodic benefit costs, and other, net.

(p) Patient Service Revenue, Accounts Receivable, Charity Care, and Third Party Settlements

(i) Patient Service Revenues

Gross charges are retail charges and generally do not reflect what a hospital is ultimately paid and, therefore, are not displayed in the consolidated statements of operations and changes in net assets without donor restrictions. The system is typically paid amounts that are negotiated with insurance companies or are set by the government. Gross charges are used to calculate Medicare outlier payments and to determine certain elements of payment under managed care contracts (such as stop-loss payments). Because Medicare requires that gross charges be the same for all patients (regardless of payer category), gross charges are what is charged to all patients prior to the application of discounts and allowances.

The System recognizes net operating revenue in the period in which it satisfies the performance obligations under contracts by transferring the services to its customers. The performance obligations for patient contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period. As provided for under the guidance, the System 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 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. Net operating revenues are recognized in the amounts to which it expects to be entitled, which are the transaction prices allocated to the distinct services.

The System has agreements with governmental and other third-party payors that provide for payments to the System at amounts different from established charges. Payment arrangements for major third-party payors may be based on prospectively determined rates, reimbursed cost, discounted charges, per diem payments, or other methods. The transaction price is determined based on gross charges for services provided, reduced by explicit price concessions provided to third-party payers, discounts provided to uninsured patients in accordance with the Financial Assistance Program, and implicit price concessions provided primarily to uninsured patients. The estimates of explicit price concessions and discounts are based on contractual agreements, discount policies, and historical experience. The estimates of implicit price concessions are based on historical collection experience with these classes of patients using the portfolio approach.

(ii) Premium and Capitation Revenue

Premium and capitation revenues are received and recognized as revenue ratably over the period for which the enrolled member is entitled to healthcare services. The timing of the System's performance may differ from the timing of the payment received, which may result in the recognition of a contract asset or a contract liability. The System has no material contract assets or liabilities at June 30, 2019.

(iii) Allowance for Bad Debts

As a result of adopting ASU No. 2014-09 as described, The System continues to maintain an allowance for bad debts related to performance obligations satisfied prior to July 1, 2018. The System provided for an allowance against patient accounts receivable for amounts that could become uncollectible. The System estimated this allowance based on the aging of accounts receivable, historical collection experience by payor, and other relevant factors. These various factors that can impact the collection, trends, such as changes in the economy, which in turn have an impact on unemployment rates and the number of uninsured and underinsured patients, the increased burden of copayments to be made by patients with insurance coverage and business practices related to collection efforts. These factors continuously change and can have an impact on collection trends the estimation process used by the System. The System recorded a provision for bad debts in the period of services on the basis of past experience, which has historically indicated that many patients are unresponsive or are otherwise unwilling to pay the portion of their bill for which they are financially responsible. There were no revisions to the allowance for doubtful accounts in 2019.

(iv) Charity Care

The System provides charity care to patients who meet the criteria for charity care as published in their Financial Assistance Policy. Patients who qualify are provided care without charge or at amounts less than established rates. System policy is not to pursue collection of amounts determined to qualify as charity care; therefore, they do not report these amounts in net patient revenues. Patient advocates from the System screen patients in the hospital to determine whether those patients meet eligibility requirements for financial assistance programs. They also expedite the process of applying for these government programs.

(v) Third Party Settlements

Revenues under the traditional fee-for-service Medicare and Medicaid programs are based primarily on prospective payment systems. Retrospectively determined cost-based revenues under these programs, which were more prevalent in earlier periods, and certain other payments, such as Indirect Medical Education, Direct Graduate Medical Education, disproportionate share hospital, and bad debt expense reimbursement, which are based on the hospitals' cost reports, are estimated using historical trends and current factors. Cost report settlements under these programs are subject to audit by Medicare and Medicaid auditors and administrative and judicial review, and it can take several years until final settlement of such matters is determined and completely resolved. Because the laws, regulations, instructions, and rule interpretations governing Medicare and Medicaid reimbursement are complex and change frequently, the estimates recorded could change by material amounts.

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The System has an estimation process for recording Medicare net patient service revenue and estimated cost report settlements. As a result, the System record accruals to reflect the expected final settlements on our cost reports. For filed cost reports, the System records the accrual based on those cost reports and subsequent activity, and record a valuation allowance against those cost reports based on historical settlement trends. The accrual for periods for which a cost report is yet to be filed is recorded based on estimates of what are expected to report on the filed cost reports, and a corresponding valuation allowance is recorded as previously described. Cost reports generally must be filed within five months after the end of the annual cost reporting period. After the cost report is filed, the accrual and corresponding valuation allowance may need to be adjusted.

Settlements with third-party payers for retroactive revenue adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care using the most likely outcome method. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations. Adjustments from the finalization of prior years' cost reports and other third-party settlement estimates resulted in an increase in net patient service revenues of $190 and $3,506, for the years ended June 30, 2019 and 2018, respectively.

(q) Hospital Assessment Program/Medicaid Provider Tax

In December 2008, the State of Illinois, after receiving approval by the federal government, implemented a hospital assessment program for the period from July 1, 2008 through June 30, 2013. The program was extended in July 2012 to December 31, 2014 and again in June 2014 to June 30, 2018. In June 2018, the State of Illinois approved SB 1773, which was signed into Illinois Public Law 100-581. The law redesigned the original program as well as the ACA program described below. Under the program, most hospitals in the State of Illinois will provide funding to the state government, which is subsequently matched by the federal government yielding increased Medicaid reimbursement.

In March 2010, the federal government passed the ACA, which expanded Medicaid coverage to millions of low-income Americans and made improvements to both the Medicaid and the Children's Health Insurance Program. Beginning in 2016, coverage for newly eligible adults was expanded to include adults covered by an authorized Medicaid managed care organization, which would be funded by the federal government. Both changes were part of the original assessment program described above and were collapsed into the hospital assessment redesign effective July 1, 2018.

In 2019, reimbursement under the assessment programs resulted in a net increase of $65,962 in operating income, which includes $132,602 in Medicaid payments included in net patient service revenue offset by $66,640 in Medicaid provider tax expense. In 2018, reimbursement under the assessment programs resulted in a net increase of $64,065 in operating income, which includes $123,838 in Medicaid payments included in net patient service revenue offset by $59,773 in Medicaid provider tax expense.

(r) Income Taxes

The System applies ASC Topic 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in a company's consolidated financial statements. ASC Topic 740 prescribes a more likely than not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. Under ASC Topic 740, tax positions are evaluated for recognition, derecognition, and measurement using consistent criteria and provide more information about the uncertainty in income tax assets and liabilities. As of June 30, 2019 and 2018, the System does not have an asset or liability recorded for unrecognized tax positions.

UCMC and a substantial number of its subsidiaries are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The University of Chicago Medicine Care Network, LLC and several entities within CHHD, including Ingalls Captive Insurance, Ltd (ICI), Medcentrix, Inc. (MCX), and Ingalls Provider Group (IPG) are taxable entities under applicable sections of the Code.

Deferred income taxes on taxable entities are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the consolidated financial statement carrying amounts and the tax bases of existing assets and liabilities. As of June 30, 2019 and 2018, ICI has net deferred tax assets primarily relating to net operating losses (NOL) of $244 and $398, respectively, which are included within prepaids, inventory, and other current assets in the consolidated balance sheet. A net valuation allowance of $1,129 and $1,521 against the gross ICI deferred tax asset of $1,373 and $1,919, respectively, were considered necessary, as management believed that it was not more likely than not that the results of future operations would generate sufficient taxable income to realize a portion of the deferred tax assets. IPG has an NOL of $88 and $153 at June 30, 2019 and 2018, respectively; however, it has a full valuation allowance as future realization of the NOL is not likely. As of June 30, 2019 and 2018, MCX has an NOL of $17,074 and $15,206, respectively; however, it has a full valuation allowance as future realization of the NOL is not likely. Income tax expense for the year ended June 30, 2019 and 2018 were $153 and $43, respectively, and are related to ICI. This amount is recorded within supplies and other on the consolidated statement of operations and changes in net assets without donor restrictions.

(s) Reclassifications

Certain 2018 amounts have been reclassified to conform to the 2019 consolidated financial statement presentation. As a result of the adoption of ASU No. 2016-14, the way the System reports classes of net assets changed from the previously required three classes to two. As of June 30, 2018, temporarily restricted net assets of $93,981 and permanently restricted net assets of $17,487 have been combined for presentation as net assets with donor restrictions for 2019.

(Continued)

(Dollars in thousands)

(t) ***Subsequent Events***

In connection with the preparation of the consolidated financial statements and in accordance with ASC Topic 855, *Subsequent Events*, the System evaluated events and transactions through November 20, 2019, the date the consolidated financial statements were issued noting no subsequent events requiring recording or disclosure in the consolidated financial statements or related notes to the consolidated financial statements other than the item noted in note 16(c).

(3) Financial Assets and Liquidity Resources

As of June 30, 2019 financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows:

Financial assets:		
Cash and cash equivalents	$	174,122
Patient accounts receivable		399,130
Total financial assets available within one year		573,252
Liquidity resources:		
Bank lines of credit		50,000
Total financial assets and liquidity resources available within one year	$	623,252
Current liabilities:		
Accounts payable and accrued expenses	$	241,248
Estimated third-party payor settlements		263,259
Current portion of long-term debt		18,098
Other current liabilities		46,760
Total current liabilities	$	569,365

The System's cash flows have seasonal variations during the year attributable to patient service reimbursement from the State of Illinois, payments from patients and insurance. As discussed in note 10(d), to manage liquidity, the System maintains a line of credit with a financial institution to potentially draw funds as needed during the year to manage cash flows. As of June 30, 2019, amounts outstanding under the line of credit facility amounted to $0. In addition, as of June 30, 2019, the System has $923,571 in funds functioning as endowment and $213,383 of CHHD investments, all available for general expenditure upon Board approval, of which $761,284 is liquid within 12 months.

(4) Agreements and Transactions with the University

The affiliation agreement with the University provides, among other things, that all members of the medical staff will have academic appointments in the University. The affiliation agreement has an initial term of 40 years ending October 1, 2026 unless sooner terminated by mutual consent or as a result of a continuing breach of a material obligation therein or in the operating agreement. The affiliation agreement automatically renews for additional successive 10-year terms following expiration of the initial term, unless either party provides the other with at least two years' prior written notice of its election not to renew.

The operating agreement, as amended, provides, among other things, that the University gives UCMC the right to use and operate certain facilities. The operating agreement is coterminous with the affiliation agreement.

The Lease Agreements provide, among other things, that UCMC will lease from the University certain of the healthcare facilities and land that UCMC operates and occupies. The lease agreements are coterminous with the affiliation agreement.

UCMC purchases various services from the University, including certain employee benefits, utilities, security, telecommunications, and insurance. In addition, certain UCMC accounting records are maintained by the University. During the years ended June 30, 2019 and 2018, the University charged UCMC $31,036 and $28,706, respectively, for utilities, security, telecommunications, insurance, and overhead.

The University's Division of Biological Sciences provides physician services to UCMC. In 2019 and 2018, UCMC recorded $259,650 and $252,587, respectively, in expense related to these services.

UCMC's Board of Trustees adopted a plan of support under which it would provide annual net asset transfers to the University for support of academic programs in biology and medicine. All commitments under this plan are subject to the approval of UCMC's Board of Trustees and do not represent legally binding commitments until that approval. Unpaid portions of commitments approved by the UCMC Board of Trustees are reflected as current liabilities. UCMC recorded net asset transfers of $71,750 in 2019 and 2018 for this support.

(5) Net Patient Service Revenue and Patient Receivables

The System has agreements with third-party payors that provide for reimbursement at amounts different from their established rates. A summary of the reimbursement methodologies with major third-party payors is as follows:

(a) Medicare

The System is paid for various services rendered to Medicare program beneficiaries under prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. The prospectively determined rates are not subject to retroactive adjustment. The System's classification of patients under the prospective payment systems and the appropriateness of the patients' admissions are subject to validation reviews.

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(Dollars in thousands)

Other services rendered to Medicare beneficiaries are reimbursed based on a combination of prospectively determined rates and cost reimbursement methodologies. For the cost reimbursement, the System is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the System and audits by the Medicare fiscal intermediary. UCMC's Medicare reimbursement reports through June 30, 2013 have been audited by the Medicare fiscal intermediary. CHHD's Medicare reimbursement reports through September 30, 2013 have been audited by the Medicare fiscal intermediary.

(b) Medicaid

The System is paid for inpatient acute care services rendered to Medicaid program beneficiaries under prospectively determined rates per discharge. For inpatient acute care services, payment rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicaid outpatient services are reimbursed based on fee schedules. Medicaid reimbursement methodologies 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 State of Illinois Medicaid program and any such changes could have a significant effect on the System's revenue.

(c) Blue Cross

The System also participates as a provider of healthcare services under reimbursement agreements with Blue Cross under its indemnity program. The provisions of the agreements stipulate that services will be reimbursed at a tentative reimbursement rate and that final reimbursement for these services is determined after the submission of an annual cost report by the System and a review by Blue Cross. UCMC's and CHHD's Blue Cross reimbursement reports for 2018 and prior years have been reviewed by Blue Cross.

(d) Other

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

Net patient service revenue recognized in the period from these major payor sources are as follows:

	2019	2018
Medicare	$ 597,322	532,943
Medicaid	463,259	360,813
Managed care	1,054,753	1,094,905
Patients and other	6,635	11,456
Net patient service revenue after provision for doubtful accounts	$ 2,121,969	2,000,117

(Continued)

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

The mix of receivables from patients and third-party payors as of June 30, 2019 and 2018 are as follows:

	2019	2018
Medicare	19.0 %	18.2 %
Medicaid	35.1	28.5
Managed care	44.6	50.5
Patients and other	1.3	2.8
	100.0 %	100.0 %

A summary of the System's utilization percentages based upon gross patient service revenue is as follows:

	2019	2018
Medicare	39.2 %	39.0 %
Medicaid	25.1	23.1
Managed care	33.4	35.4
Patients and other	2.3	2.5
	100.0 %	100.0 %

(Dollars in thousands)

(6) Community Benefits

The following is a summary of the System's unreimbursed cost of providing care, as defined under its Financial Assistance Policy, along with the unreimbursed cost of government sponsored indigent healthcare programs, unreimbursed cost to support education, clinical research, and other community programs for the years ended June 30, 2019 and 2018:

		2019	2018
Uncompensated care:			
Medicaid sponsored indigent healthcare	$	70,991	100,417
Medicare sponsored indigent healthcare – cost report		162,160	150,818
Medicare sponsored indigent healthcare – physician services		21,751	2,703
Total uncompensated care		254,902	253,938
Charity care		33,266	26,967
		288,168	280,905
Unreimbursed education and research:			
Education (unaudited)		59,528	70,983
Research (unaudited)		48,000	48,000
Total unreimbursed education and research		107,528	118,983
Total community benefits	$	395,696	399,888

The System determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries, wages and benefits, supplies, and other operating expenses, to determine a cost-to-charge ratio. The cost to charge ratio is applied to the charity care gross charges to calculate the charity care amount reported above. The System has not amended its financial assistance policies in 2019.

(Dollars in thousands)

(7) Investments Limited as to Use

The composition of investments limited as to use is as follows at June 30 2019 and 2018:

	2019				
	Separately invested	TRIP	Other	Total	2018
Investments carried at fair value:					
Cash equivalents	$ 2,292	9,922	373	12,587	12,928
Global public equities	86,866	309,503	—	396,369	346,269
Private debt	—	48,412	—	48,412	41,107
Private equity:					
U.S. venture capital	5,795	62,842	—	68,637	54,507
U.S. corporate finance	—	37,173	—	37,173	31,321
International	5	66,517	—	66,522	54,328
Real assets:					
Real estate	—	59,443	—	59,443	55,485
Natural resources	—	63,373	—	63,373	67,378
Absolute return:					
Equity oriented	—	60,733	—	60,733	90,477
Global macro/relative value	—	48,038	—	48,038	52,934
Multistrategy	—	65,510	—	65,510	67,111
Credit oriented	—	52,344	—	52,344	50,245
Protection oriented	—	18,402	—	18,402	16,816
Fixed income:					
U.S. Treasuries, including TIPS	—	58,529	—	58,529	55,883
Other fixed income	162,450		718	163,168	164,949
Other:					
Beneficial interests in trust	—	—	9,303	9,303	9,316
Funds in trust	—	—	34,677	34,677	38,231
Total investments	$ 257,408	960,741	45,071	1,263,220	1,209,285

Investments classified as other consist of construction and debt proceeds to pay interest, donor restricted investments in beneficial interests in trusts, workers' compensation, self-insurance, and trustee-held funds. Investments limited as to use are classified as current assets to the extent they are available to meet current liabilities. Investments are presented in the consolidated financial statements as follows:

	2019	2018
Current portion of investments limited to use	$ 19,292	8,872
Investments limited to use, less current portion	1,243,928	1,200,413
Total investments limited to use	$ 1,263,220	1,209,285

(Continued)

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

A summary of investments limited as to use for the years ended June 30 is as follows:

	2019			
	UCMC	CHHD	Total	2018
Investments limited as to use:				
By the board for capital improvements/restrictions by donors	$ 222,972	44,830	267,802	295,835
Funds held by custodian/trustee under indenture agreements	185	—	185	164
Funds held by trustee for self-insurance	4,503	16,239	20,742	32,413
Collateral for interest rate swap	13,750	—	13,750	—
TRIP investments	782,884	177,857	960,741	880,873
Total investments limited to use	$ 1,024,294	238,926	1,263,220	1,209,285

The composition of investment income, net is as follows for the years ended June 30:

	2019			
	UCMC	CHHD	Total	2018
Interest and dividend income, net	$ 12,282	2,048	14,330	13,890
Realized gains on sales of securities, net	25,884	5,821	31,705	52,157
Change in unrealized gains and losses on securities, net	10,069	3,988	14,057	(544)
	$ 48,235	11,857	60,092	65,503

Investment income, net within the System's restricted investments was $4,714 and $5,767 for the year ended June 30, 2019 and 2018, respectively.

Outside of TRIP, UCMC also invests in private equity limited partnerships. As of June 30, 2019, UCMC has commitments of $1,700 remaining to fund private equity limited partnerships.

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(Dollars in thousands)

Fair Value of Financial Instruments

The overall investment objective of the System is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The System diversifies its investments among various asset classes incorporating multiple strategies and external investment managers, including the University Investment Office. Major investment decisions for investments held in TRIP and managed by the University are authorized by the University Board of Trustee's Investment Committee, which oversees the University's investment program in accordance with established guidelines.

The carrying amount reported in the consolidated statements of financial position for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, patient accounts receivable, accounts payable and accrued expenses, and estimated payables under third-party reimbursement programs. Cash equivalent investments include cash equivalents and fixed-income investments, with maturities of less than one year, which are valued based on quoted market prices in active markets. The majority of these investments are held in U.S. money market accounts. Global public equity investments consist of separate accounts, commingled funds with liquidity ranging from daily to monthly, and limited partnerships. Securities held in separate accounts and daily traded commingled funds are generally valued based on quoted market prices in active markets. Commingled funds with monthly liquidity are valued based on independently determined NAV. Limited partnership interests in equity-oriented funds are valued based upon NAV provided by external fund managers.

Investments in private debt, private equity, real estate, and natural resources are in the form of limited partnership interests, which typically invest in private securities for which there is no readily determinable market value. In these cases, market value is determined by external managers based on a combination of discounted cash flow analysis, industry comparables, and outside appraisals. Where private equity, real estate, and natural resources managers hold publicly traded securities, these securities are generally valued based on market prices. The value of the limited partnership interests is held at the manager's reported NAV, unless information becomes available indicating the reported NAV may require adjustment. The methods used by managers to assess the NAV of these external investments vary by asset class. The University's Investment Office monitors the valuation methodologies and practices of managers on behalf of the System.

The absolute return portfolio comprises investments of limited partnership interests in hedge funds and drawdown private equity style partnerships whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. The majority of the underlying holdings are marketable securities. The remainder of the underlying holdings is held in marketable securities that trade infrequently or in private investments, which are valued by the manager on the basis of an appraised value, discounted cash flow, industry comparables, or some other method. Most hedge funds that hold illiquid investments designate them in special side pockets, which are subject to special restrictions on redemption.

Fixed-income investments consist of directly held actively traded treasuries, separately managed accounts, commingled funds, and bond mutual funds that hold securities, the majority of which have maturities greater than one year. These are valued based on quoted market prices in active markets.

Beneficial interests in trusts represent restricted investments that are assets held by third-party trustees for beneficial interests in perpetual trusts, comprising equities, fixed-income securities, and money market funds.

Funds in trust investments consist primarily of project construction funds and workers' compensation trust funds. Funds in trust comprise 1% cash and cash equivalents, 99% fixed income investments and 0% equity investments at June 30, 2019 and comprised 4% cash and cash equivalents, 88% fixed income investments, and 8% equity investments at June 30, 2018.

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(Dollars in thousands)

The System believes that the reported amount of its investments is a reasonable estimate of fair value as of June 30, 2019 and 2018. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed. Assets and liabilities recorded at fair value as of June 30, 2019 and 2018 were as follows:

Assets		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	2019 Total fair value
Cash and cash equivalents	$	174,122	—	—	174,122
Investments:					
Cash equivalents		12,587	—	—	12,587
Global public equities		166,427	—	—	166,427
Private equity – U.S.					
Venture Capital		5,302	—	—	5,302
Real assets:					
Real estate		16,196	—	—	16,196
Natural resources		9,660	—	—	9,660
Absolute return:					
Global macro/relative value		8,836	—	—	8,836
Fixed income:					
U.S. Treasuries, including TIPS		58,529	—	—	58,529
Other fixed income		163,168	—	—	163,168
Restricted investments		—	—	9,303	9,303
Funds in trust		18,438	16,239	—	34,677
Investments measured at net asset value[1]		—	—	—	778,535
Total investments at fair value		633,265	16,239	9,303	1,437,342
Other assets		7,385	—	—	7,385
Total assets at fair value	$	640,650	16,239	9,303	1,444,727
Liabilities					
Interest rate swap payable	$	—	136,186	—	136,186
Total liabilities at fair value	$	—	136,186	—	136,186

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(Dollars in thousands)

Assets		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	2018 Total fair value
Cash and cash equivalents	$	211,751	—	—	211,751
Investments:					
Cash equivalents		12,928	—	—	12,928
Global public equities		173,926	13,549	—	187,475
Private equity – U.S.					
Venture Capital		5,613	—	—	5,613
Real assets:					
Real estate		14,533	—	—	14,533
Natural resources		9,326	—	—	9,326
Absolute return:					
Global macro/relative value		9,239	2,997	—	12,236
Fixed income:					
U.S. Treasuries, including TIPS		55,883	—	—	55,883
Other fixed income		164,949	—	—	164,949
Restricted investments		—	—	9,316	9,316
Funds in trust		7,632	30,599	—	38,231
Investments measured at net asset value[1]		—	—	—	698,795
Total investments at fair value		665,780	47,145	9,316	1,421,036
Other assets		6,590	—	—	6,590
Total assets at fair value	$	672,370	47,145	9,316	1,427,626
Liabilities					
Interest rate swap payable	$	—	104,414	—	104,414
Total liabilities at fair value	$	—	104,414	—	104,414

1 Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheets.

During 2019, there were no transfers between investment Levels 1 and 2 or between Levels 2 and 3. The interest rate swap arrangement has inputs, which can generally be corroborated by market data and is, therefore classified within Level 2.

The following table presents activity for the year ended June 30, 2019 for assets measured at fair value using unobservable inputs classified in Level 3:

		Level 3 rollforward
Beginning fair value	$	9,316
Change in unrealized gains and losses, net		(13)
Ending fair value	$	9,303

In addition, investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of the System's investments could occur in the next term and that such changes could materially affect the amounts reported in the consolidated financial statements. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the System believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The significant unobservable inputs used in the fair value measurement of the System's long-lived partnership investments include a combination of cost, discounted cash flow analysis, industry comparables, and outside appraisals. Significant changes in any inputs used by investment managers in determining NAVs in isolation would result in a significant changes in fair value measurement.

(Dollars in thousands)

The System has made investments in various long-lived partnerships and, in other cases, has entered into contractual agreements that may limit its ability to initiate redemptions due to notice periods, lockups, and gates. Details on typical redemption terms by asset class and type of investment are provided below:

	Remaining life	Redemption terms	Redemption restrictions and terms
Cash	N/A	Daily	None
Global public equities:			
Commingled funds	N/A	Daily to triennial with notice periods of 2 to 180 days	Lock-up provisions for up to 3 years; some investments have a portion of capital held in side pockets with no redemptions permitted
Partnerships	N/A	Monthly to biennial with notice periods of 7 to 90 days	Lock-up provisions for up to 4 years; some investments have a portion of capital held in side pockets with no redemptions permitted
Separate accounts	N/A	Daily with notice periods of 1 to 7 days	Lock-up provisions ranging for up to 1 year
Private debt:			
Drawdown partnerships	1 to 11 years	Redemptions not permitted	N/A
Partnerships	N/A	Redemptions not permitted	Capital held in side pockets with no redemptions permitted
Mutual bond and equity funds	N/A	Daily to monthly with notice periods of 1 to 30 days	None
Real estate funds	N/A	Quarterly with notice periods of 45 to 90 days	None
Funds of funds	N/A	Monthly to quarterly with notice periods of 15 to 185 days	None

	Remaining life	Redemption terms	Redemption restrictions and terms
Private equity:			
Drawdown partnerships	1 to 21 years	Redemptions not permitted	N/A
Separate accounts	N/A	Daily with notice period of 1 day	None
Partnerships	N/A	Semiannual with notice period of 90 days	A portion of capital is held in side pockets with no redemptions permitted
Real estate:			
Drawdown partnerships	1 to 16 years	Redemptions not permitted	N/A
Separate accounts	N/A	Daily with notice period of 5 days	None
Natural resources:			
Drawdown partnerships	1 to 17 years	Redemptions not permitted	N/A
Commingled funds	N/A	Daily with notice period of 1 day	None

(Continued)

	Remaining life	Redemption terms	Redemption restrictions and terms
Absolute return:			
Commingled funds	N/A	Daily to triennial with notice periods of 1 to 122 days	Lock-up provisions for up to 3 years; some investments have a portion of capital held in side pockets with no redemptions permitted
Drawdown partnerships	1 to 4 years	Redemptions not permitted	N/A
Partnerships	N/A	Quarterly to triennial with notice periods of 45 to 180 days	Lock-up provisions for up to 5 years; some investments have a portion of capital held in side pockets with no redemptions permitted
Fixed income:			
Commingled funds	N/A	Weekly to monthly with notice periods of 5 to 10 days	None
Separate accounts	N/A	Daily to monthly with notice periods of 1 to 30 days	None
Funds in trust	N/A	Daily	None

(8) Endowments

The System's endowment consists of individual donor-restricted endowment funds and board-designated endowment funds for a variety of purposes plus the following where the assets have been designated for endowment: pledges receivable, split interest agreements, and other net assets. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. The net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Illinois is governed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Trustees of UCMC has interpreted UPMIFA as sustaining the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the System classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The System has beneficial interests in trusts. The System has recorded its share of the principal of the trusts as net assets with donor restrictions. Distributions from the trusts are recorded within net assets without restrictions if unrestricted; otherwise, they are classified as net assets with donor restrictions until appropriated for expenditure. In some instances the historical costs basis of the funds is not available as the System received the shares in 1929. The fair value of assets associated with individual donor-restricted endowment funds may fall below the amount of the original donation as a result of unfavorable market conditions. There were no such deficiencies at June 30, 2019 and 2018, respectively.

(Dollars in thousands)

The System has the following donor-restricted endowment activities during the years ended June 30, 2019 and 2018 delineated by net asset class:

	2019		
	Without donor restrictions	With donor restrictions	Total
Changes in the fair value of endowment investments:			
Investment return:			
Endowment yield (interest and dividends)	$ 12,282	935	13,217
Net appreciation (realized and unrealized) on investments	35,953	3,779	39,732
Investment return, net of payout	48,235	4,714	52,949
Endowment payout	(41,314)	(3,900)	(45,214)
Net investment return	6,921	814	7,735
Other changes in endowment investments:			
Gifts and pledge payments received in cash	89,042	13	89,055
Other changes	3,001	—	3,001
Total other changes in endowment investments	92,043	13	92,056
Net change in endowment investments	98,964	827	99,791
Endowment investments at:			
Beginning of year	824,607	94,867	919,474
End of year	$ 923,571	95,694	1,019,265
Investments by type of fund:			
Donor-restricted "true" endowment:			
Historical gift value	$ —	17,487	17,487
Appreciation	—	78,207	78,207
Board-designated "funds functioning as endowment"	923,571	—	923,571
Total – As above	$ 923,571	95,694	1,019,265

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(Dollars in thousands)

	2018		
	Without donor restrictions	With donor restrictions	Total
Changes in the fair value of endowment investments:			
Investment return:			
Endowment yield (interest and dividends)	$ 10,748	719	11,467
Net appreciation (realized and unrealized) on investments	37,964	5,081	43,045
Investment return, net of payout	48,712	5,800	54,512
Endowment payout	(41,431)	(4,819)	(46,250)
Net investment return	7,281	981	8,262
Other changes in endowment investments:			
Gifts and pledge payments received in cash	—	1,234	1,234
Other changes	3,333	—	3,333
Total other changes in endowment investments	3,333	1,234	4,567
Net change in endowment investments	10,614	2,215	12,829
Endowment investments at:			
Beginning of year	813,993	92,652	906,645
End of year	$ 824,607	94,867	919,474
Investments by type of fund:			
Donor-restricted "true" endowment:			
Historical gift value	$ —	17,487	17,487
Appreciation	—	77,380	77,380
Board-designated "funds functioning as endowment"	824,607	—	824,607
Total – As above	$ 824,607	94,867	919,474

Investment and Spending Policies

The System has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. The System expects its endowment funds to provide an average rate of return of approximately 6% annually. To achieve its long-term rate of return objectives, the System relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). Actual returns in any given year may vary from this amount.

(Dollars in thousands)

For endowments invested in TRIP, the Board of Trustees of the System has adopted the University's method to be used to appropriate endowment funds for expenditure, including following the University's payout formula. The University utilizes the total return concept in allocating endowment income. In accordance with the University's total return objective, between 4.5% and 5.5% of a 12-quarter moving average of the fair value of endowment investments, lagged by one year, is available each year for expenditure in the form of endowment payout. The exact payout percentage, which is set each year by the Board of Trustees with the objective of a 5% average payout over time, was 5.5% for the fiscal years ended June 30, 2019 and 2018. If endowment income received is not sufficient to support the total return objective, the balance is provided from capital gains. If income received is in excess of the objective, the balance is reinvested in the endowment.

For endowments invested apart from TRIP, the System calculates a payout of 4% annually on a rolling 24-month average market value. In establishing this policy, the Board considered the expected long term rate of return on its endowment.

(9) Property, Plant, and Equipment

The components of property, plant, and equipment as of June 30 are as follows:

		2019	2018
Land and land rights	$	55,610	55,587
Buildings and improvements		1,847,108	1,824,214
Equipment		717,720	686,998
Construction in progress		30,237	33,295
		2,650,675	2,600,094
Less accumulated depreciation		(1,082,919)	(997,343)
Total property, plant, and equipment, net	$	1,567,756	1,602,751

The System's net property, plant, and equipment cost includes $7,800 and $8,300 at June 30, 2019 and 2018 representing assets under capital leases with the University. The cost of buildings that are jointly used by the University and the System is allocated based on the lease provisions. In addition, land and land rights include $18,900 and $20,700 for 2019 and 2018, respectively, which represents the unamortized portion of initial lease payments made to the University.

A clinic in the Streeterville area of Chicago is under construction. Spending for this clinic during fiscal year 2019 was $3,800 with a total budget of $17,100. Capitalized interest costs in 2019 and 2018 were approximately $400 and $1,100, respectively. Construction in progress consists of various routine capital improvements and renovation projects. As of June 30, 2019, the System had total contractual commitments associated with ongoing capital projects of approximately $18,000.

(Continued)

(Dollars in thousands)

(10) Long-Term Debt

The long-term debt of both UCMC and CHHD is issued pursuant to the second Amended and Restated Master Trust Indenture (MTI) dated as of June 1, 2019, as subsequently amended and supplemented. The Obligated Group Members are UCMC, CHHD, Ingalls Memorial Hospital, Ingalls Home Care, and Ingalls Development Foundation. Each series of bonds is collateralized by the unrestricted receivables of the obligated Group Members and subject to certain restrictions under the MTI.

Effective June 28, 2019, the CHHD Obligated Group was combined with the UCMC Obligated Group, and became subject to the second Amended and Restated Master Trust Indenture (MTI) dated as of June 1, 2019, as subsequently amended and supplemented.

Long-term debt at June 30, 2019 and 2018 consists of the following:

	Fiscal year maturity	Interest rate	2019	2018
University of Chicago Medical Center:				
Fixed rate:				
Illinois Finance Authority:				
Series 2009A and 2009B, 2009B partially legally defeased in 2017	2027	5.0%	$ 83,575	94,630
Series 2009D1 and 2009D2 (Synthetically fixed rate)	2044	3.9	70,000	70,000
Series 2009E1 and 2009E2 (Synthetically fixed rate)	2044	3.9	70,000	70,000
Series 2010A and 2010B (Synthetically fixed rate)	2045	3.9	92,500	92,500
Series 2011A and 2011B (Synthetically fixed rate)	2045	3.9	92,500	92,500
Series 2012A	2037	4.7	60,495	62,595
Series 2015A	2029	5.0	21,895	21,895
Series 2016A	2027	5.0	22,830	22,830
Series 2016B	2042	5.0	164,490	164,490
Teachers Insurance and Annuity Association of America (TIAA)				
Series 2017A	2047	4.4	30,000	30,000
Unamortized premium			24,119	26,265
Total fixed rate			732,404	747,705
Variable rate:				
Series 2013A	2020	3.0	69,801	71,159
Illinois Educational Facilities Authority (IEFA)	2038	1.6	66,029	69,353
Total variable rate			135,830	140,512
Unamortized debt issuance costs			(6,030)	(6,630)
Less current portion of long-term debt			(15,208)	(14,513)
Total UCMC long-term portion of debt, less current portion			$ 846,996	867,074

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(Dollars in thousands)

	Fiscal year maturity	Interest rate	2019	2018
UCMC Title Holding Corporation:				
Fixed rate:				
Brownfield Revitalization 40 – Promissory note A	2024	1.5%	$ 4,850	4,850
Urban Development Fund XLVI – Promissory note A	2024	1.5	4,850	4,850
Urban Development Fund LI – Promissory note A	2024	1.8	6,500	6,500
Citi NMTC – QLICI	2032	1.2	3,476	3,476
Citi NMTC – QLICI	2032	1.2	1,620	1,620
URP QLICI – Loan A	2047	1.0	7,334	7,334
URP QLICI – Loan B	2047	1.0	2,666	2,666
SCORE QLICI – Loan A	2047	1.0	4,176	4,176
SCORE QLICI – Loan B	2047	1.0	1,704	1,704
CNI QLICI – Loan A	2047	1.0	3,455	3,455
CNI QLICI – Loan B	2047	1.0	1,545	1,545
Total UCMC Title Holding Corporation debt			$ 42,176	42,176
Community Health and Hospital Division:				
Fixed Rate: Series 2013	2043	3.5–5.0%	$ 60,145	60,915
Fixed Rate: Series 2017	2026	4.6	38,300	40,340
Unamortized debt fair value adjustment as part of acquisition			4,011	4,367
Unamortized debt issuance costs			(880)	(933)
Total debt and unamortized premiums (discount)			101,576	104,689
Less current portion of long-term debt			(2,890)	(2,810)
Total CHHD debt, excluding current portion			$ 98,686	101,879
Total notes and bonds payable			$ 1,005,956	1,028,452
Less current portion			(18,098)	(17,323)
Long-term debt, excluding current portion			$ 987,858	1,011,129

(Dollars in thousands)

Scheduled annual repayments for the next five years and thereafter are as follows at June 30:

Year ending June 30:		
2020	$	18,098
2021		19,230
2022		21,510
2023		21,948
2024		21,938
Thereafter		882,012
	$	984,736

(a) UCMC Obligated Group

Under its various credit agreements, UCMC is subject to certain financial covenants, including maintaining a minimum debt service coverage ratio; maintaining minimum levels of days' cash on hand; maintaining debt to capitalization at certain levels; limitations on selling, leasing, or otherwise, disposing of UCMC property; and certain other nonfinancial covenants.

(i) Letters of Credit

Payment on each of the variable rate demand revenue bonds is also collateralized by a letter of credit. The letter of credit that supports the Series 2009D bonds expires in June 2022. The letter of credit that supports the 2009E bonds expires in July 2021. The letters of credit that support the Series 2010A and Series 2010B bonds expire in November 2020 and July 2021, respectively, and the letters of credit that support the Series 2011A and Series 2011B bonds expire in May 2021. Payment of each of the IEFA bonds is collateralized by a letter of credit maturing May 2022. The letters of credit are subject to certain restrictions, which include financial ratio requirements. The most restrictive financial ratio is to maintain a debt service coverage ratio of 1:25:1.

Included in UCMC's debt is $66,029 of commercial paper revenue notes and $325,000 of variable rate demand bonds. In the event that UCMC's remarketing agents are unable to remarket the bonds, the trustee of the bonds will tender them under the letters of credit. Scheduled repayments under the letters of credit are between zero and three years, beginning after a grace period of at least one year from the event, and bear interest rates different from those associated with the original bond issue. Any bonds tendered are still eligible to be remarketed. Bonds subsequently remarketed would be subject to the original bond repayment schedules.

(b) UCMC Title Holding Corporation

During 2018, UCMC entered into New Market Tax Credit (NMTC) financing agreements with various entities for the purposes of financing various projects at UCMC that would benefit the surrounding community. The NMTC program was established in 2000 by the United States Congress and is administered by the Department of Treasury to encourage private investment in qualifying low-income communities. Pursuant to Section 45(D) of the Internal Revenue Code, UCMC's NMTC structure consists of an NMTC investor (Investor) who provided qualified equity

(Continued)

investments to a community development entity (CDE) who in turn provided debt financing to a separate not for profit tax exempt entity, which is a qualified active low income community business (QALICB).

In August 2017, UCMC was a lender in the NMTC structure for the construction of a new emergency department and adult trauma center. Because UCMC has the power to appoint all board members of UCMC Title Holding Corporation II NFP, the QALICB has been consolidated in the financial statements. The Investor made qualifying equity investments into various CDE funds, including UCMC Trauma Center NMTC Investment Fund, LLC (the CDE Funds), which in turn provided debt financing of $20,880 to UCMC Title Holding Corporation to fund qualified construction costs and equipment, as required under the terms of the agreement. Management anticipates that the NMTC structure will stay in effect through July 2025 when the NMTC tax compliance period expires. At that time, management believes the Investor will exercise its Put Option in the Put and Call Agreement, allowing UCMC to acquire a 100% equity interest in the investment fund. If the Put Option is not exercised, UCMC has the right to call for the purchase of a 100% equity interest in the investment fund at a fair market value. In either case, once the option is exercised, UCMC's loan to the investment fund would be extinguished, the investment fund and the CDE Funds would be dissolved, and the loans from the CDE Funds to UCMC Title Holding Corporation II NFP would be extinguished.

(c) Community Health and Hospital Division

(i) Recent Financing Activity

In December 2017, CHHD issued variable rate bonds, Series 2017, in the amount of $40,340. The Series 2017 bonds were initially sold to JPMorgan Chase Bank. In 2019, the Series 2017 bonds were restructured and now bear interest at a fixed rate until December 28, 2026 when they are subject to mandatory redemption.

(d) Lines of Credit

As of June 30, 2019, UCMC has a $50,000 line of credit from a commercial bank. As of June 30, 2019 and 2018, no amount was outstanding under this line. On September 24, 2019, UCMC renewed the line of credit with an expiration date of September 25, 2020 and the line of credit was increased to $100,000.

(Dollars in thousands)

(i) Other Debt Related Items

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

Year ending June 30:		
2020	$	18,098
2021		158,036
2022		174,847
2023		120,834
2024		21,938
Thereafter		490,983
	$	984,736

The System paid interest, net of capitalized interest, of approximately $37,700 and $37,000 in 2019 and 2018, respectively.

(11) Derivative Instruments

The System has interest rate related derivative instruments to manage its exposure on debt instruments. By using derivative financial instruments to manage the risk of changes in interest rates, the System exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparty owes the System, which creates credit risk for the System. When the fair value of a derivative contract is negative, the System owes the counterparty, and therefore, it does not possess credit risk; however, the System is required to post collateral to the counterparty when certain thresholds as defined in the derivative agreements are met. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. System management also mitigates risk through periodic reviews of their derivative positions in the context of their total blended cost of capital.

The System is required to post collateral under the specific terms and conditions for the various interest rate swap agreements as described below. At June 30, 2019 and 2018, $13,750 and $0 was held as collateral, respectively, and was recorded in current portion of investments limited to use and included in Note 7 as Funds in Trust for disclosure. Collateral postings are primarily driven by the value of the swap as measured at the reset date. Collateral requirements increase if credit ratings were to be downgraded.

The fair value of each swap is the estimated amount UCMC would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value is included in interest rate swap liability on the consolidated balance sheets, while the change in fair value is recorded in net assets without donor restrictions for the effective portion of the change and in nonoperating gains and losses for the ineffective portion of the change

UCMC Interest Rate Swap Agreement

In August 2006, UCMC entered into a forward starting swap transaction against contemplated variable rate borrowing for the Center for Care and Discovery. This is a cash flow hedge against interest on the variable rate debt. The fair value of these swap agreements is the estimated amount that UCMC would have to pay or receive to terminate the agreements as of the consolidated balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparty. The swap values are based on the London Interbank Rate (LIBOR). The inputs to the fair value estimate are considered Level 2 in the fair value hierarchy.

In July 2011, UCMC novated the original swap agreement to divide the original notional amount in two equal parts between financial institutions. The fair value of the terminated portion of the hedge on the date of the novation was recorded in net assets in the amount of $35,123 and is being amortized into interest expense over the life of the related debt (approximately $1,726 of amortization in 2019 and 2018), commencing on February 23, 2013, the date the Center for Care and Discovery was placed into service. The new agreement is being accounted for as a hedge. The combined notional amount of the swap is $325,000 with an effective start date of August 2011. Management has determined that the interest rate swaps are effective, and have qualified for hedge accounting. The fair value of the UCMC swap agreement liabilities was $127,068 and $97,299 at June 30, 2019 and 2018, respectively, and has been included in other long-term liabilities in the accompanying consolidated balance sheets. The net effective portion of the change in fair value on the UCMC swap agreements of $(29,233) and $24,635 in 2019 and 2018, respectively, has been included in the change in net assets without donor restrictions in the accompanying 2019 and 2018 consolidated statements of operations and changes in net assets without donor restriction. Management has recognized ineffectiveness of approximately $1,190 in 2019 and an ineffectiveness of $(62) in 2018 in nonoperating gains and losses. This movement reflects the spread between tax-exempt interest rates and LIBOR during the period. The effective portion of these swaps is included in other changes in unrestricted net assets. The interest rate swaps terminate on February 1, 2044. Cash settlement payments related to the swaps are recorded in interest expense.

(Continued)

(Dollars in thousands)

The following summarizes the general terms of each of UCMC's swap agreements:

Effective date	Associated debt series	Original term	Current notional amount	UCMC pays	UCMC receives
August 9, 2011	2009 D/E, 2010 A/B, 2011 A/B	32.5 Years	$ 162,500,000	3.89 %	68% of LIBOR
August 9, 2011	2009 D/E, 2010 A/B, 2011 A/B	32.5 Years	162,500,000	3.97%	68% of LIBOR

CHHD Swap Agreement

CHHD entered into an interest rate swap agreement on June 28, 2004 to lock in long-term fixed rates on the Series 2004 variable-rate debt issuance, with a notional amount of $40,125 and a maturity date of May 15, 2034. This agreement was amended on March 1, 2013. Under the amended agreement, the notional amount and maturity did not change, and CHHD receives, on a monthly basis, 67% of one-month LIBOR plus 47.5 basis points and makes payments on a monthly basis, an annualized fixed rate of 4.61%. The swap is not designated as a hedging instrument, and therefore, the change in fair value of the 2004 interest rate swap agreement of $(2,003) and $2,356 in 2019 and 2018, respectively, was recognized as a component of nonoperating gains in the accompanying consolidated statement of operations and changes in net assets without donor restriction. The fair value of the Series 2004 interest rate swap agreement liability of $9,118 and $7,115 at June 30, 2019 and 2018, respectively, is included as a component of other long-term liabilities in the accompanying consolidated balance sheet. The differential to be paid or received under the Series 2004 interest rate swap agreement is recognized monthly and has been included as a component of interest expense in the accompanying consolidated statement of operations and changes in net assets without donor restriction.

A summary of outstanding positions under the interest rate swap agreements for CHHD at June 30, 2019 is as follows:

Series	Notional amount	Maturity date	Rate received	Rate paid
2004 Interest rate swap Agreement:	$ 40,125	May 15, 2034	% of LIBOR *	Fixed 4.61%

* Rate received is 67% of one-month LIBOR plus 47.5 basis points.

(Continued)

(Dollars in thousands)

(12) Commitments

Leases

The System leases office space and equipment under leases that are classified as operating leases. Future minimum payments required under noncancelable leases as of June 30 are as follows:

	Operating	Capital
2020	$ 6,184	1,987
2021	6,569	1,547
2022	6,393	1,468
2023	6,171	1,319
2024 and thereafter	33,583	13,573
	$ 58,900	19,894
Less amount representing interest		7,984
Present value of net minimum capital lease payments		$ 11,910

The amount of total assets capitalized under these leases at both June 30, 2019 and June 30, 2018 is $13,600 and $11,300 with related accumulated depreciation of $2,400 and $1,200, respectively. Rental expense was approximately $10,900 and $9,400 for the years ended June 30, 2019 and 2018, respectively.

(13) Insurance

Professional and General Liability

The System maintains separate self-insurance programs for UCMC and CHHD. UCMC is included under certain of the University's insurance programs. Since 1977, UCMC, in conjunction with the University, has maintained a self-insurance program for its medical malpractice liability. This program is supplemented with commercial excess insurance above the University's self-insurance retention, which for the years ended June 30, 2019 and 2018 was $5,000 per claim and unlimited in the aggregate. Claims in excess of $5,000 are subject to an additional self-insurance retention limited to $12,500 per claim and $22,500 in aggregate. There are no assurances that the University will be able to renew existing policies or procure coverage on similar terms in the future.

CHHD maintains a self-insurance program for professional and general liability. Coverage from commercial insurance carriers is maintained for claims in excess of self-insured retentions at various levels by policy year. CHHD established a trust fund with an independent trustee for the administration of assets funded under the malpractice and general liability self-insurance program.

The System has engaged professional consultants for calculating an estimated liability for medical malpractice self-insurance and is actuarially determined based upon estimated claim reserves and various assumptions, and represents the estimated present value of self-insurance claims that will be settled in the

(Continued)

(Dollars in thousands)

future. It considers anticipated payout patterns, as well as interest to be earned on available assets prior to payment. The discount rate used to value the self-insurance liability is a rate commensurate with the duration of anticipated payments.

A comparison of the estimated liability for incurred malpractice claims (filed and not filed) and assets available for claims for the combined University and UCMC self-insurance program as of June 30, 2019 and 2018 is presented below:

		2019	2018
Actuarial present value of self-insurance liability for medical malpractice	$	192,018	201,440
Total assets available for claims		260,084	269,378

If the present-value method were not used, the ultimate liability for medical malpractice self-insurance claims would be approximately $28,651 higher at June 30, 2019. The interest rate assumed in determining the present value was 3.5% and 4% for 2019 and 2018, respectively. UCMC has recorded its pro-rata share of the malpractice self-insurance liability in the amount of $86,408 and $90,648 at June 30, 2019 and June 30, 2018, respectively, with an offsetting receivable from the malpractice trust to cover any related claims. The malpractice self-insurance trust assets consist primarily of funds held in TRIP.

UCMC recognizes as malpractice expense its negotiated pro-rata share of the actuarially determined normal contribution, with gains and losses amortized over five years, with no retroactive adjustments, as provided in the operating agreement. For fiscal year 2020, UCMC's expense is estimated to be approximately $10,000 related to malpractice insurance.

On April 30, 2019, CHHD entered into a loss portfolio transfer for the Ingalls Memorial Hospital medical malpractice program by obtaining an occurrence-based policy for claims through June 30, 2018 through a payment of $47,311 to an unrelated insurance company. The loss portfolio transferred was structured through Ingalls Captive Insurance entity for purposes of additional insurance protection and risk management. At June 30, 2019, there was no additional liability calculated by the programs actuaries that would require additional reserves by CHHD or the captive. Accruals for CHHD professional and general liabilities are recorded on an undiscounted basis.

(14) Pension Plans

Active Plans

A majority of UCMC's personnel participate in the University's defined benefit and contribution pension plans, which are considered multi-employer pension plans. Under the defined benefit portion of this plan, benefits are based on years of service and the employee's compensation for the five highest paid consecutive years within the last ten years of employment. UCMC and the University make annual contributions to this portion of the plan at a rate necessary to maintain plan funding based on the guidelines set forth by the Employee Retirement Income Security Act of 1974, on an actuarially determined basis. UCMC recognizes its share of net periodic pension cost as expense and any difference in the contribution amount as a transfer of unrestricted net assets. The adjustment to net assets was $(14,787) and $(7,853)

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

for the years ended June 30, 2019 and 2018. No contributions were made in the fiscal years ended June 30, 2019 and 2018. UCMC expects to make contributions not to exceed $3,200 for the fiscal year ending June 30, 2020.

Effective January 1, 2017, the 401(a) defined benefit pension plan was frozen for UCMC employees participating in the plan and was replaced with an enhanced defined contribution plan. Under the defined contribution portion of the plan, UCMC and plan participants make contributions that accrue to the benefit of the participants at retirement. UCMC's contributions, which are based on a percentage of each covered employee's salary, totaled approximately $23,800 and $22,300 for the years ended June 30, 2019 and 2018, respectively.

UCMC's expense related the multiemployer University's defined benefit plans included in the University's consolidated financial statements for the years ended June 30, 2019 and 2018 is as follows:

Plan name	EIN		Contribution of UCMC 2019	Contribution of UCMC 2018
University of Chicago Retirement Income Plan for Employees	36-2177139-002	$	—	—
University of Chicago Pension Plan for Staff Employees	36-2177139-003		—	—
		$	—	—

The benefit obligation, fair value of plan assets, and funded status for the University's defined benefit plan included in the University's consolidated financial statements as of June 30 are shown below.

		2019	2018
Projected benefit obligation	$	946,250	921,794
Fair value of plan assets		763,789	745,768
Deficit of plan assets over benefit obligation	$	(182,461)	(176,026)

The weighted average assumptions used in the accounting for the plan are shown below.

	2019	2018
Discount rate	3.6 %	4.2 %
Expected return on plan assets	6.3	6.5
Rate of compensation increase	3.5	3.5

(Dollars in thousands)

The weighted average asset allocation for the plan is as follows:

	2019	2018
Domestic equities	23 %	24 %
International equity	27	26
Fixed income	50	50
	100 %	100 %

The pension and other postretirement benefit obligation considers anticipated payout patterns as well as investment returns on available assets prior to payment. The discount rate used to value the pension and other postretirement benefit obligation is a risk-adjusted rate commensurate with the duration of anticipated payments. These inputs to the fair value estimate are considered Level 2 in the fair value hierarchy.

Expected future benefit payments excluding plan expenses are as follows:

Fiscal year:		
2020	$	62,238
2021		49,753
2022		50,367
2023		49,532
2024		49,772
2025–2029		271,125

UCMC and CHHD also maintain additional defined contribution retirement plans for employees. The System's pension expense under these distinct defined contribution retirement plans for UCMC was $7,600 and $7,100 for the years ended June 30, 2019 and 2018, respectively.

CHHD expense under these distinct defined contribution retirement plans was $2,800 and $3,000 for the years ended June 30, 2019 and 2018, respectively.

Curtailed and Frozen Plan

In June 2002, UCMC assumed sponsorship of the Louis A. Weiss Memorial Hospital Pension Plan (Employer Identification Number 36-3488183, Plan Number 003), which covers employees of a former affiliate. Participation and benefit accruals are frozen. All benefit accruals are fully vested.

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Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

Components of net periodic pension cost and other amounts recognized in unrestricted net assets include the following:

		Year ended June 30	
		2019	2018
Net periodic pension cost:			
Service cost	$	—	—
Net periodic pension cost	$	—	—
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:			
Interest cost	$	1,892	2,187
Expected return on plan assets		(2,677)	(3,001)
Amortization of unrecognized net actuarial loss		949	1,097
Liability for pension benefits		—	(8,362)
Total recognized in net periodic pension cost and unrestricted net assets	$	164	8,645

The following table sets forth additional required pension disclosure information for this plan:

		Year ended June 30	
		2019	2018
Changes in projected benefit obligation:			
Benefit obligation at beginning of year	$	46,955	61,105
Interest cost		1,892	2,187
Net actuarial loss (gain)		6,042	(3,965)
Settlements		—	(8,769)
Benefits paid		(3,643)	(3,603)
		51,246	46,955
Changes in plan assets:			
Fair value of plan assets at beginning of year		45,017	50,522
Actual return on plan assets		2,247	867
Employer contribution		1,500	6,000
Settlements		—	(8,769)
Benefits paid		(3,643)	(3,603)
		45,121	45,017
Funded status at end of year	$	(6,125)	(1,938)

(Dollars in thousands)

Amounts recognized in the consolidated balance sheets are included in other noncurrent liabilities.

Accumulated plan benefits equal projected plan benefits. Assumptions used in the accounting for the net periodic pension cost were as follows:

	2019	2018
Discount rate	3.5 %	4.2 %
Expected return on plan assets	6.0	6.0
Rate of compensation increase	N/A	N/A

Weighted average asset allocations for plan assets are as follows:

	2019	2018
Cash	2 %	1 %
Fixed income	66	61
Domestic equities	21	28
International equities	11	10
	100 %	100 %

All plan assets are valued using Level 1 inputs in 2019 and 2018. The target asset allocation is 60% equities and 40% fixed income. The expected return on plan assets is based on historical investment returns for similar investment portfolios.

UCMC expects to make contributions of $3,000 to the plan in the fiscal year ended June 30, 2020.

Expected future benefit payments are as follows:

Fiscal year:	
2020	$ 3,659
2021	3,767
2022	3,684
2023	3,606
2024	3,527
2025–2029	16,162

(Continued)

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

(15) Functional Expenses

Total operating expenses by function are as follows for the years ended June 30:

	2019				
	Healthcare services	Admin	Fund raising	Total	2018
Salaries, wages, and benefits	$ 887,053	103,448	1,897	992,398	943,525
Supplies and other	675,896	89,515	1,631	767,042	679,541
Physician services	271,828	11,314	—	283,142	280,779
Insurance	25,682	3,300	—	28,982	46,690
Interest	38,079	6,377	—	44,456	43,900
Medicaid provider tax	49,517	17,123	—	66,640	59,773
Depreciation and amortization	112,468	15,730	—	128,198	125,031
Total	$ 2,060,523	246,807	3,528	2,310,858	2,179,239

(16) Contingencies

(a) Litigation

The System is subject to various legal proceedings and claims that are incidental to its normal business activities. In the opinion of the System, the amount of ultimate liability with respect to these actions will not materially affect the consolidated operations or net assets of the System.

(b) Regulatory Investigation and Other

The U.S. Department of Justice and other federal agencies routinely conduct regulatory investigations and compliance audits of healthcare providers. The System is subject to these regulatory efforts. Additionally, the laws and regulations governing the Medicare, Medicaid, and other government healthcare programs are extremely complex and subject to interpretation, making compliance an ongoing challenge for the System and other healthcare organizations. Recently, the federal government has increased its enforcement activity, including audits and investigations related to billing practices, clinical documentation, and related matters. The System maintains a system wide compliance program and conducts audits and other activities to identify potential compliance issues, including overpayments by governmental payors. Compliance reviews may result in liabilities to government healthcare program, which could have an adverse impact on the System's net patient service revenue

(c) Nursing Strike

From September 20, 2019 to September 24, 2019, nurses of the System that were members of the National Nurses Union went on strike. The strike resulted in additional costs being incurred, which included hiring temporary contracted nurses, combined with a loss of patient volume during the time period of the strike. While these nurses subsequently returned to work on September 25, 2019, no formal contract has been agreed to as of the reporting date. While the financial impact of the nursing strike and ongoing negotiations has not been fully estimated, management does not believe the impact will materially affect the consolidated operations or net assets of the Company over the long term.

Schedule 1

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidating Balance Sheet Information

June 30, 2019

(Dollars in thousands)

Assets	The University of Chicago Medical Center	Ingalls Heath System	Ingalls Memorial Hospital	Ingalls Development Foundation	Ingalls Home Care	Eliminations	Obligated Group Consolidation	Other Non-Obligated Group UCMC Entities	Other Non-Obligated Group CHHD Entities	Eliminations	Consolidated total
Current assets:											
Cash and cash equivalents	$ 150,899	10,461	325	981	—	—	162,666	6,435	5,021	—	174,122
Patient accounts receivable, net of estimated uncollectibles of $160,307 in 2018	359,177	—	37,305	—	2,491	—	398,973	249	(92)	—	399,130
Current portion of investments limited to use	13,935	3,038	—	—	—	—	16,973	—	2,319	—	19,292
Current portion of malpractice self-insurance receivable	15,266	—	—	—	—	—	15,266	—	—	—	15,266
Current portion of pledges receivable	1,434	—	—	—	—	—	1,434	—	—	—	1,434
Due from affiliates	34,608	7,030	48,850	65	7,826	(32,972)	65,407	—	730	(66,137)	—
Prepaids, inventory, and other current assets	102,389	1,523	14,428	232	105	—	118,677	3,748	34,062	(1,083)	155,424
Total current assets	677,708	22,052	100,908	1,278	10,422	(32,972)	779,396	10,432	42,060	(67,220)	764,868
Investments, limited as to use, less current portion	1,010,359	7,281	144,948	59,899	15,352	(4,067)	1,233,772	—	10,156	—	1,243,928
Property, plant, and equipment, net	1,364,482	7,629	191,406	—	28	—	1,563,545	1,151	3,060	—	1,567,756
Pledges receivable, less current portion	1,438	—	—	—	—	—	1,438	—	—	—	1,438
Malpractice self-insurance receivable, less current portion	85,361	—	—	—	—	—	85,361	—	—	—	85,361
Other assets, net	374,558	(968)	254	—	—	(327,072)	46,772	39,395	2,955	(34,231)	54,891
Total assets	$ 3,513,906	35,994	437,516	61,177	25,802	(364,111)	3,710,284	50,978	58,231	(101,451)	3,718,042
Liabilities and Net Assets											
Current liabilities:											
Accounts payable and accrued expenses	$ 182,742	3,982	35,075	282	1,683	—	223,764	2,894	14,590	—	241,248
Current portion of long-term debt	15,208	—	2,890	—	—	—	18,098	—	—	—	18,098
Current portion of other long-term liabilities	1,808	—	—	—	—	—	1,808	—	—	(1,083)	725
Estimated third-party payor settlements	240,398	—	22,861	—	—	—	263,259	—	—	—	263,259
Current portion of malpractice self-insurance liability	15,266	—	—	—	—	—	15,266	—	—	—	15,266
Due to affiliates	—	33,885	315	132	118	(32,972)	1,478	33,596	31,063	(66,137)	—
Due to the University of Chicago	30,769	—	—	—	—	—	30,769	—	—	—	30,769
Total current liabilities	486,191	37,867	61,141	414	1,801	(32,972)	554,442	36,490	45,653	(67,220)	569,365
Workers' compensation self-insurance liability, less current portion	6,396	—	—	—	—	—	6,396	—	—	—	6,396
Malpractice self insurance liability, less current portion	85,361	2,994	—	—	—	—	88,355	—	40,107	—	128,462
Long-term debt, excluding current installments	846,996	—	98,686	—	—	—	945,682	42,176	—	—	987,858
Interest rate swap liability	127,068	—	9,118	—	—	—	136,186	—	—	—	136,186
Other long-term liabilities, less current portion	68,037	4,799	8,101	—	—	(2,362)	78,575	1,560	—	(39,833)	40,302
Total liabilities	1,620,049	45,660	177,046	414	1,801	(35,334)	1,809,838	80,226	85,760	(107,053)	1,868,569
Net assets (deficit):											
Without donor restrictions	1,781,009	(9,666)	256,408	47,398	23,996	(311,588)	1,787,557	(29,248)	(27,529)	5,602	1,736,382
With donor restrictions	112,848	—	4,062	13,365	5	(17,189)	113,091	—	—	—	113,091
Total net assets (deficit)	1,893,857	(9,666)	260,470	60,763	24,001	(328,777)	1,900,648	(29,248)	(27,529)	5,602	1,849,473
Total liabilities and net assets	$ 3,513,906	35,994	437,516	61,177	25,802	(364,111)	3,710,284	50,978	58,231	(101,451)	3,718,042

See accompanying independent auditors' report.

Schedule 2

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions

Year ended June 30, 2019

(Dollars in thousands)

	The University of Chicago Medical Center	Ingalls Heath System	Ingalls Memorial Hospital	Ingalls Development Foundation	Ingalls Home Care	Eliminations	Obligated Group Consolidation	Other Non-Obligated Group UCMC Entities	Other Non-Obligated Group CHHD Entities	Eliminations	Consolidated total
Revenue:											
Net patient service revenue	1,796,247	—	287,806	—	12,478	—	2,096,531	5,135	22,506	(2,203)	2,121,969
Other operating revenue and net assets released from restrictions	233,457	18,427	8,299	2,568	9	(17,191)	245,569	5,937	28,471	(14,444)	265,533
Total operating revenues	2,029,704	18,427	296,105	2,568	12,487	(17,191)	2,342,100	11,072	50,977	(16,647)	2,387,502
Operating expenses:							—				
Salaries, wages, and benefits	828,573	2,064	117,133	86	8,819	—	956,675	12,514	24,825	(1,616)	992,398
Supplies and other	622,494	2,340	123,215	2,108	1,485	(1,315)	750,327	3,487	15,218	(1,990)	767,042
Physician services	262,448	1,842	14,279	35	208	(3,537)	275,275	309	17,198	(9,640)	283,142
Insurance	12,557	12,419	13,516	—	348	(12,339)	26,501	1,101	2,930	(1,550)	28,982
Interest	40,656	—	4,755	—	—	—	45,411	896	—	(1,851)	44,456
Medicaid provider tax	49,518	—	17,122	—	—	—	66,640	—	—	—	66,640
Depreciation and amortization	111,131	535	15,039	—	10	—	126,715	558	925	—	128,198
Total operating expenses	1,927,377	19,200	305,059	2,229	10,870	(17,191)	2,247,544	18,865	61,096	(16,647)	2,310,858
Operating revenue in excess (deficit) of expenses	102,327	(773)	(8,954)	339	1,617	—	94,556	(7,793)	(10,119)	—	76,644
Nonoperating gains (losses), net:							—				
Investment income, net	48,235	291	6,386	4,304	612	—	60,028	—	64	—	60,092
Change in fair value of nonhedged derivative instruments	—	—	(2,003)	—	—	—	(2,003)	—	—	—	(2,003)
Derivative ineffectiveness on hedged derivative instruments	1,190	—	—	—	—	—	1,190	—	—	—	1,190
Other, net	8,035	(1,723)	54	—	—	—	6,366	—	(427)	1,767	7,706
Net nonoperating gains (losses)	57,460	(1,432)	4,437	4,304	812	—	65,581	—	(363)	1,767	66,985
Revenue and gains in excess (deficient) of expenses and losses	159,787	(2,205)	(4,517)	4,643	2,429	—	160,137	(7,793)	(10,482)	1,767	143,629
Other changes in net assets without donor restriction:							—				
Net asset transfers to University of Chicago, net	(71,750)	—	—	—	—	—	(71,750)	—	—	—	(71,750)
Change in accrued pension benefits other than net periodic benefit costs	(14,787)	—	—	—	—	—	(14,787)	—	—	—	(14,787)
Effective portion of change in valuation of derivatives	(29,233)	—	—	—	—	—	(29,233)	—	—	—	(29,233)
Net assets released from restriction for capital purposes	34	—	—	428	—	—	462	—	—	—	462
Distributions and other, net	—	(4,300)	—	(428)	—	—	(4,728)	—	3,990	—	(738)
Increase (decrease) in net assets without donor restrictions	$ 44,051	(6,505)	(4,517)	4,643	2,429	—	40,101	(7,793)	(6,492)	1,767	27,583

See accompanying independent auditors' report.

Schedule 3

THE UNIVERSITY OF CHICAGO MEDICAL CENTER

Consolidating Statement of Changes in Net Assets Information

Year ended June 30, 2019

(Dollars in thousands)

	The University of Chicago Medical Center	Ingalls Heath System	Ingalls Memorial Hospital	Ingalls Development Foundation	Ingalls Home Care	Eliminations	Obligated Group Consolidation	Other Non-Obligated Group UCMC Entities	Other Non-Obligated Group CHHD Entities	Eliminations	Consolidated total
Net assets without donor restrictions:											
Revenue and gains in excess (deficient) of expenses and losses	$ 159,787	(2,205)	(4,517)	4,643	2,429	—	160,137	(7,793)	(10,482)	1,767	143,629
Net asset transfers to University of Chicago, net	(71,750)	—	—	—	—	—	(71,750)	—	—	—	(71,750)
Change in accrued pension benefits other than net periodic benefit cost	(14,787)	—	—	—	—	—	(14,787)	—	—	—	(14,787)
Effective portion of change in valuation of derivatives	(29,233)	—	—	—	—	—	(29,233)	—	—	—	(29,233)
Net assets released from restriction for capital purposes	34	—	—	428	—	—	462	—	—	—	462
Distributions and other, net	—	(4,300)	—	(428)	—	—	(4,728)	—	3,990	—	(738)
Increase (decrease) in net assets without donor restrictions	44,051	(6,505)	(4,517)	4,643	2,429	—	40,101	(7,793)	(6,492)	1,767	27,583
Net assets with donor restrictions:											
Contributions	3,438	—	—	1,005	—	—	4,443	—	—	—	4,443
Change in net interest in Foundation	—	—	(399)	—	—	399	—				—
Net assets released from restrictions used for operating purposes	(6,078)	—	—	(994)	—	—	(7,072)	—	—	—	(7,072)
Net assets released from restrictions used for capital purposes	(34)	—	—	(428)	—	—	(462)	—	—	—	(462)
Investment income	4,727	—	—	(13)	—	—	4,714	—	—	—	4,714
Increase (decrease) in net assets with donor restrictions	2,053	—	(399)	(430)	—	399	1,623	—	—	—	1,623
Change in net assets	46,104	(6,505)	(4,916)	4,213	2,429	399	41,724	(7,793)	(6,492)	1,767	29,206
Net assets (deficit) at beginning of year	1,847,753	(3,161)	265,386	56,550	21,572	(329,176)	1,858,924	(21,455)	(21,037)	3,835	1,820,267
Net assets (deficit) at end of year	$ 1,893,857	(9,666)	260,470	60,763	24,001	(328,777)	1,900,648	(29,248)	(27,529)	5,602	1,849,473

See accompanying independent auditors' report.

Economic Feasibility

Attachment 36

Economic Feasibility

A. **Reasonableness of Financing Arrangements**.

The Project will be financed through cash on hand and securities and a lease. Letters attesting to the reasonableness of the financing arrangements are attached.

B. **Conditions of Debt Financing**.

The Project is being paid for through cash and securities and therefore, these criteria do not apply.

C. **Reasonableness of Project and Related Costs**.

Section IV - Size of Project

University of Chicago Medical Center
Orland Park Expansion

Reviewable	Cost/SF A New	Cost/SF B Modernized	Gross SF C New	Gross SF D Circ.	Gross SF E Modern.	Gross SF F Circ.	Constr. Cost $ G (A x C)	Mod. $ H (B x E)	Total Costs (G + H)
Outpatient Clinics	$268	$342	11,378	32%	992	18%	$3,048,715	$339,700	$3,388,41
Infusion Therapy	$0	$0	0	0%	0	0%	$0	0	
Radiation Oncology	$0	$0	0	0%	0	0%	$0	0	
Diagnostic Imaging	$268	$376	394	20%	3,220	20%	105,572	1,210,600	$1,316,17
Total Reviewable	**$268**	**$368**	**11,772**	**31%**	**4,212**	**19%**	**$3,154,286**	**$1,550,300**	**$4,704,58**
Contingencies	$27	$38					315,428	160,499	$475,92
Grand Total Reviewable	**$295**	**$406**	**11,772**	**31%**	**4,212**	**19%**	**$3,469,714**	**$1,710,799**	**$5,180,51**
Non-Reviewable									
Administrative	$268	$812	2,156	29%	126	24%	$577,696	$102,700	$680,39
Public	$268	$268	1,221	55%	1,412	97%	$327,165	$378,343	$705,50
Staff Support	$268	$0	1,537	20%	0	0%	$411,836	$0	$411,83
Building Support	$268	$0	664	21%	0	0%	$177,918	$0	$177,91
Space to be leased	$0	$0	0	0%	0	0%			
Parking Deck	$0	$0	0	0%	0	0%			
Total Non-Reviewable	**$268**	**$313**	**5,577**	**31%**	**1,539**	**91%**	**$1,494,615**	**$481,043**	**$1,975,65**
Contingencies	$27	$28					149,461	42,635	$192,097
GrandTotal Non-Revie	**$295**	**$340**	**5,577**	**31%**	**1,539**	**91%**	1,644,076	523,678	**$2,167,75**

ATTACHMENT 36

39140930.7

Note: Building gross square footage is used.

We believe the Project meets all state standards for project costs except construction and modernization. A letter from the architect explaining these differences is attached.

D. **Project Operating Costs**

	2024
Operating Costs	$6,159,018
PET, MRI & Exam Visits	24,539
Annual Operating Cost Per Unit	$251
2021 Dollars	

E. **Total Effect of Project on Capital Costs**

Annual Project Depreciation	$1,816,682
Equivalent Patient Days	830,993
Capital Cost per Equiv. Pat. Day	$2.19
UCMC Capital Cost FY18	$18,530,767

ATTACHMENT 36

39140930.7

Section XI, Safety Net Impact Statement

Attachment 37

Since the proposed Project is a non-substantive project, the safety net impact statement is not applicable. Nevertheless, for informational purposes, a copy of UCMC's 2020 Community Benefit Report is included in Attachment 38.

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	**FY18**	**FY19**	**FY20**
Inpatient	363	695	940
Outpatient	12,050	10,535	21,192
Total	**12,413**	**11,230**	**22,132**
Charity (cost in dollars)			
Inpatient	$9,410,323	$12,182,929	$17,320,551
Outpatient	$8,826,675	$11,497,252	$24,157,208
Total	**$18,236,998**	**$23,680,181**	**$41,477,759**
MEDICAID			
Medicaid (# of patients)	**FY18**	**FY19**	**FY20**
Inpatient	10,993	12,278	11,635
Outpatient	137,908	152,071	147,940
Total	**148,901**	**164,349**	**159,576**
Medicaid (revenue)			
Inpatient	$247,072,000	$346,893,000	$334,038,769
Outpatient	$93,329,000	$110,369,000	$88,188,976
Total	**$340,401,000**	**$457,262,000**	**$422,227,745**

Charity Care Information

Attachment 38

Shown below is the amount of charity care provided by UCMC

CHARITY CARE			
	FY18	**FY19**	**FY20**
Net Patient Revenue	**$2,183,011,000**	**$2,121,969,000**	**$2,049,957,000**
Amount of Charity Care (charges)	$94,227,662	$138,262,328	$181,577,629
Cost of Charity Care	$18,236,998	$23,680,181	$41,477,759
Ratio of Charity Care Cost to Net Patient Rev.	0.84%	1.12%	2.02%

#21-033

AT THE FORefront
UChicago
Medicine

AT THE FOREFRONT OF HEALTH EQUITY

2020 Community Benefit Report Highlights

ATTACHMENT 38

#21-033

To you, our community.

Through community benefit programs, partnerships and other investments, the University of Chicago Medicine, with its Urban Health Initiative and its community and healthcare partners, seek to improve health equity for residents of Chicago's South Side. We want to make sure that everyone is able to live their most healthful life.

In 2020, the COVID-19 pandemic highlighted stark health disparities. Our Black and Brown communities bore the heaviest burden of the COVID-19 pandemic, through illness, loss of life and economic hardship. These disparities demonstrate how racism is a public health crisis.

Throughout the pandemic, the University of Chicago Medicine has been focused on providing world-class care to our patients and our community and working with our Community Advisory Council and community partners to continue to advance health equity.

We invite you to learn about our community investment and how we partner with the community to respond to crisis, deal with community health priorities and work to build a healthier South Side.

Kenneth S. Polonsky, MD
Dean and Executive Vice President for Medical Affairs

Tom Jackiewicz
President, University of Chicago Medical Center

Brenda Battle, RN, BSN, MBA
Senior Vice President for Community Health Transformation and Chief Diversity, Equity and Inclusion Officer

TO VIEW THE FULL REPORT, VISIT
Community.UChicagoMedicine.org/2020

COVER: OSCAR SANCHEZ PHOTO

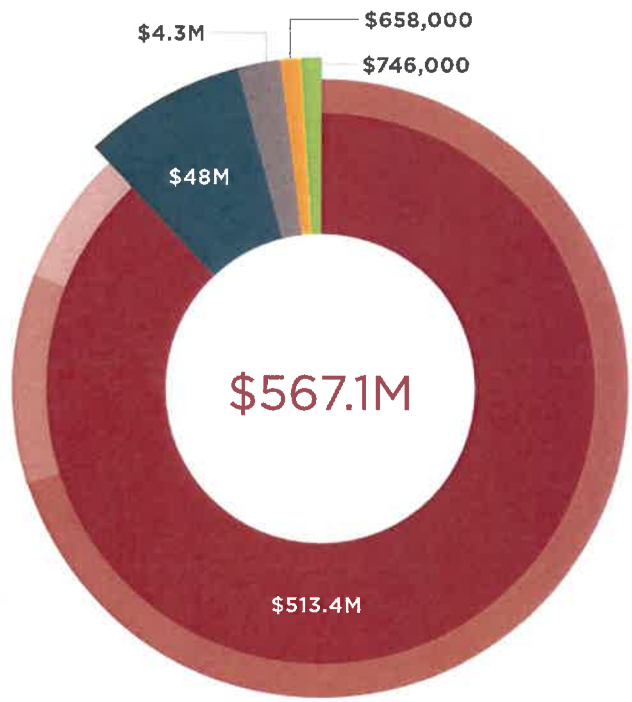
Fiscal 2020 Investment in the Community:

$567.1 Million

Increase of 9.2% over fiscal 2019

This investment included supporting patients who rely on Medicare or Medicaid or who were not able to pay for care. It also included teaching and training future healthcare professionals, funding medical research and donating to community groups for health and wellness programs.

Total Investment: Fiscal 2020



- Uncompensated care
  - $405.6M Medicaid and Medicare program losses
  - $66.3M Unrecoverable patient debt
  - $41.5M Medicaid program losses
- $48M Medical research
- $4.3M Uncategorized community benefits
- $658,000 Cash/in kind
- $746,000 Medical education

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Community.UChicagoMedicine.org/2020

ATTACHMENT 38

HEALTH EQUITY

It is undeniable: Racism is a public health crisis.

UChicago Medicine is working within the medical center, in the community and across the city to end health disparities and promote health equity, including:

> Life expectancy on Chicago's South Side in Englewood is only **60 years old.** Just 9 miles north in Streeterville, the average life expectancy is **90.**
>
> *Source: City Health Dashboard*

- In June 2020, UChicago Medicine and more than 40 healthcare organizations took a health equity pledge to overcome health disparities in minority communities. The open letter was published in the Chicago Sun-Times and Chicago Tribune.
- UChicago Medicine announced a system-wide Equity Plan to identify and address inequities in the workforce, work climate, healthcare delivery and services, and community.
- Along with St. Bernard Hospital and Advocate Trinity Hospital, UChicago Medicine launched the South Side Health Transformation Project to bring together federally qualified health centers (FQHCs), faith leaders, community organizations, elected officials and residents to secure state funding and support for a new South Side health transformation plan. Nearly 500 people have joined the effort.

> In fiscal 2020, the Diversity, Inclusion and Equity Office provided 7,418 hours of cultural competence training to staff — an increase of 121 percent over the prior year.

HEALTH PRIORITIES

#21-033

Health priorities identified in 2018-2019 Community Health Needs Assessment:

» Prevent and manage chronic diseases (asthma, diabetes)

» Build trauma resiliency (violence recovery, mental health)

» Reduce inequities caused by social determinants of health (access to care, food insecurities, employment)

In 2020, UChicago Medicine provided important programs, events* and resources to support community health priorities:

ASTHMA

- 830 in-person and virtual visits made to 279 children and families by community health workers to provide asthma education (via South Side Pediatric Asthma Center (SSPAC))
- 119 attendees for SSPAC's virtual asthma education summit

DIABETES

- 698 attendees for 215 fitness sessions for South Side Fit program
- 94 attendees for 9 workshops for Diabetes Education & Empowerment Program (DEEP™)

TRAUMA RESILIENCY

- 1,500 patients and 586 families served by the Violence Recovery Program, a part of the Block Hassenfeld Casdin (BHC) Collaborative for Family Resilience
- Violence prevention summit hosted by Southland RISE (Resilience Initiative to Strengthen and Empower), a collaboration with Advocate Health Care inspired by U.S. Senator Dick Durbin's Chicago HEAL (Hospital Engagement, Action and Leadership) program
- $100,000 awarded to 14 grassroots organizations by Southland RISE for summer violence prevention programs

*includes virtual and in-person events prior to pandemic

TO VIEW THE FULL REPORT, VISIT
Community.UChicagoMedicine.org/2020

#21-033

COVID-19 RESPONSE

Meeting the community's needs during the pandemic

Since the pandemic started, UChicago Medicine has worked with its partners to quickly identify and respond to the community's needs, providing such resources as:

- PPE donations
- Food pantry
- COVID-19 testing
- Patient contact tracing
- Phase 3 vaccine trials
- Emergency relief funding
- Vaccine distribution and information
- COVID-19 educational resources

Community Health Workers: Healthcare ambassadors to our South Side neighborhoods
Community health workers (CHWs) play an important role in providing care and health-related education to patients, often in their homes. In addition to asthma education offered through the South Side Pediatric Asthma Center, CHWs also provided 124 families with food, transportation and supplies in response to the pandemic.

WORKFORCE AND COMMUNITY INVESTMENT

We can reduce inequities by increasing employment opportunities for our South Side residents

$22 million funds granted for local hiring since 2019, leading to 76 local hires (minimum 3- to 5-year, living wage jobs)

85% 90-day retention rate of South Side hires

24% of total workforce live in the UChicago Medicine service area

Hiring local talent: UChicago Medicine hires local talent like Dwayne Johnson to help build its workforce and strengthen communities. A South Shore resident, Johnson is a founding team member of the Violence Recovery Program, the only hospital-based violence intervention program in Chicago serving adults and children.

We value local and diverse partnerships for purchasing and construction projects

$20.8 million contracts awarded and paid to certified minority and women-owned firms

$4.3 million wages to minority and female construction workers

$1.9 million wages earned by 208 Chicago residents working on UChicago Medicine construction projects

Community benefit service area by ZIP code

60609	60628
60615	60636
60617	60637
60619	60643
60620	60649
60621	60653

TO VIEW THE FULL REPORT, VISIT
Community.UChicagoMedicine.org/2020

ATTACHMENT 38

AT THE FOREFRONT
UChicago Medicine

Thomas Jackiewicz
President

MC 1000, S-115
5841 South Maryland Avenue
Chicago, Illinois 60637-1470
phone (773) 702-8908
fax (773) 702-1897

October 29, 2021

Debra Savage, Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson, 2nd Floor
Springfield, Illinois 62761

Re: University of Chicago Medical Center ("UCMC", the "Medical Center"), UCMC Medical Office Building Completion of Shell Space (the "Project") Application for Permit

Dear Chairperson Savage:

We are pleased to submit our application to the Illinois Health Facilities & Services Review Board ("IHFSRB" or the "Review Board") for approval to build out the remaining shell space in a medical office building owned by the University of Chicago Medical Center ("UCMC" or the "Medical Center") in Orland Park.

The Medical Center opened its Orland Park medical office building ("Orland Park MOB") in December 2016, bringing specialized medicine to a community setting for patients seeking care closer to home. In our original application to the Review Board, we proposed shell space on the fourth floor of the MOB with a projection for robust growth in demand in Planning Area A-04.

The purpose of the Project is to expand access to multi-specialty outpatient care, high-quality cancer screening, and diagnostic imaging to meet the demand we anticipated and to continue to address the disparate distribution of needed health care resources in the communities that UCMC serves. For FY21, 51% of patient care is outpatient care at UCMC, which has grown steadily over time. From October 2018, to September 2021, monthly clinic visits at the Orland Park MOB have gone up 80%. During the same period, the average time from making an appointment to coming in for the clinic visit for new patients has increased 20%.

The COVID-19 crisis has also accelerated ongoing changes in traditional care delivery models. Shifts from hospital sites, both because of advances in medical technology and patients seeking care closer to home, have been occurring for many years, but with acute care resources strained by the public health crisis, and patients hesitant to enter hospitals for elective care, the need for high quality ambulatory care has only become more apparent.

With this Project, UCMC seeks to maximize the availability of patient care within its existing ambulatory footprint, keeping patient safety, patient experience, and patient convenience foremost in mind.

<u>UCMC's Existing Services</u>

The Orland Park MOB offers primary care services and specialty care for people across three key dimensions of outpatient care – initial diagnosis, episodic and procedural care, and chronic disease management – in a state-of-the-art outpatient center. The Orland Park MOB more recently became a destination for screening mammography, alongside bone density testing and a broad spectrum of women's health care.

UCMC's team of clinicians at the Orland Park MOB flex academic expertise in a community setting, using an integrated approach across specialty areas that include cancer, digestive diseases, heart and vascular, neurology, orthopaedics, otolaryngology (ENT), and women's health. At Orland Park, UCMC provides expertise and access, offering extended daytime and weekend hours, same-day appointments, and on-site pharmacy, laboratory and imaging services, all so its patients can receive necessary medical care without a commute.

Since the onset of the COVID-19 crisis, UCMC has been focused on providing world-class care to our patients and the communities we serve. With a commitment to excellence and innovation, we responded to community needs, collaborating with partners and our Community Advisory Council to provide such needed resources as COVID-19 testing, contact tracing, educational resources, PPE and more. UCMC set up a drive-thru COVID-19 testing site in the parking lot of the Orland Park MOB location and has provided 29,673 tests at this location alone since May 2020.

Description of Current Project

On August 27, 2014, the Medical Center received Permit #14-023 from the Review Board to move forward with the construction of a four-story ambulatory medical office building in downtown Orland Park. The fourth floor was reserved as shell space. On June 4, 2019, UCMC received Permit #19-013 from the Review Board to move forward with a Mammography Services Joint Venture to develop and jointly operate a dedicated Mammography Suite with Solis Mammography in a portion of this shell space on the fourth floor.

UCMC now seeks authority from the Review Board to build out the remainder of this shell space on the fourth floor, to reconfigure existing space on the second and third floors of the Orland Park medical office building, and to expand diagnostic imaging (the "Project").

Specifically, UCMC proposes to complete the build out of the fourth floor of the Orland Park MOB with 17 new multi-specialty exams rooms, a procedure suite with two rooms equipped for GI endoscopy, colonoscopy[1] and other similar office-based procedures, and dedicated space for cardiac and vascular imaging. Additionally, UCMC proposes to expand diagnostic imaging with one (1) additional MRI and one (1) PET scan in the existing diagnostic imaging suite on the second floor.

Based on current and planned provider FTEs, the new space on the 4th floor will result in an approximately 20% increase in clinical capacity exams in the building. The Project is expected to be complete at the end of the second quarter of calendar year 2023 .

Need to Address Health Disparities and the Shifting Paradigm of Outpatient Care

[1] The Project is an extension of UCMC's commitment to community service and to improve access to services in which our own community has been historically underserved. Our 2016 community needs health assessment identified cancer screening as a priority for the patients that we serve. The expansion of colon and bowel cancer screening and diagnostics throughout Chicago is a key priority for UCMC.

Programmatically, this Project champions the areas in which UCMC is already serving its community. As one salient example, the expansion of imaging and procedural services to increase access to such needed care is consistent with UCMC's commitment to reduce disparities of health outcomes in cancer and lower rates of cancer screening. Differential access to specialists, health care technology and affiliation with academic medical centers may attribute to this disparity. An inequitable distribution of specially trained providers exists, with a high concentration in Chicago Metro area, but insufficient access in surrounding communities and suburbs. UCMC's addition of colorectal cancer screening and diagnosis is one example of how expansion of its existing MOB addresses this problem by providing access to an academic medical center environment, specialized physicians, and state-of-the-art technology.[2] UCMC seeks to addressing markers of health equity such as differing disease burdens, health risks, and utilization behaviors in all of the communities it serves.

Updating the existing care delivery model is essential to help cope with levels of demand that had been rising for many years before the COVID-19 crisis. In the US, while inpatient stays steadily declined from 2005 through 2015, outpatient visits rose. UCMC's monthly clinic visits at Orland Park MOB have grown 80% from October 2018 through September 2021. A paradigm shift is also vital to help quickly clear the backlog of patients whose care may have been postponed because of the pandemic. UCMC recognizes a unique opportunity to use the momentum for change created by the current crisis to accelerate the transformation of outpatient care.[3]

UCMC remains one of the largest Medicaid providers in the State of Illinois. Additionally, UCMC has robust financial assistance and charity care policies, which are available to patients on the same terms at its Orland Park MOB.

We are pleased to submit our application for completion of UCMC's existing Orland Park MOB to the Review Board and look forward to working with you to continue to bring exceptional care to the patients in the communities we serve.

Very truly yours,

Thomas Jackiewicz
President
The University of Chicago Medical Center

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[2] Colorectal cancer is the second leading cause of cancer deaths in the United States.[1] The U.S. Preventive Services Task Force recommends that all adults ages 45 to 75 get screened for the disease.[2] But in 2015, only about 62% of adults in the United States were screened according to the guidelines. In Illinois, the problem is even more pronounced. The state is in the highest quartile for incidence rates of colorectal cancer in the Nation,[4] and the lowest quartile for screening rates. Within the state, Cook County falls in the lowest quartile for screening rates by county,[5] and screening rates are particularly low among racial and ethnic minorities. https://www.cancer.org/content/dam/cancer-org/research/cancer-facts-and-statistics/colorectal-cancer-facts-and-figures/colorectal-cancer-facts-and-figures-2017-2019.pdf

[3] A Post Covid Paradigm Shift in Outpatient Care, Homer, Gooch, and Labno (May 2020) https://www.bcg.com/publications/2020/paradigm-shift-in-outpatient-care-post-covid