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: Lurie Children's Outpatient Center in Schaumburg
Street Address: 3 Hillcrest Boulevard
City and Zip Code: Schaumburg, IL 60195
County: Cook Health Service Area: 7 Health Planning Area:
Applicant(s) [Provide for each applicant (refer to Part 1130.220)]
Exact Legal Name: Ann & Robert H. Lurie Children's Hospital of Chicago
Street Address: 225 E. Chicago Avenue
City and Zip Code: Chicago, IL 60611
Name of Registered Agent: Fatema Zanzi
Registered Agent Street Address: 225 E. Chicago Avenue, Box 261
Registered Agent City and Zip Code: Chicago, IL 60611
Name of Chief Executive Officer: Thomas P. Shanley, M.D.
CEO Street Address: 225 E. Chicago Avenue
CEO City and Zip Code: Chicago, IL 60611
CEO Telephone Number: 312-227-4327
Type of Ownership of Applicants
Non-section Destruction
☑ 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.
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: Ann Sherline
Title: Senior Associate General Counsel
Company Name: Ann & Robert H. Lurie Children's Hospital of Chicago
Address: 225 E. Chicago Avenue, Box 261, Chicago, IL 60611
Telephone Number: 312-227-4312
E-mail Address: asherline@luriechildrens.org
Fax Number: 312-227-9532
Additional Contact [Person who is also authorized to discuss the application for permit]
Name: Ralph Weber
Title: Consultant
Company Name: Weber Alliance
Address: 920 Hoffman Lane, Riverwoods, IL 60015
Telephone Number: 847-791-0830
E-mail Address: mweber90@gmail.com
Fax Number: None

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD APPLICATION FOR PERMIT

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Name: Ralph Weber
Title: Consultant
Company Name: Weber Alliance
Address: 920 Hoffman Lane, Riverwoods, IL 60015
Telephone Number: 847-791-0830
E-mail Address: mweber90@gmail.com
Fax Number: None

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: Ann Sherline Title: Senior Associate General Counsel Company Name: Ann & Robert H. Lurie Children's Hospital of Chicago Address: 225 E. Chicago Avenue, Box 261, Chicago, IL 60611 Telephone Number: 312-227-4312 E-mail Address: asherline@luriechildrens.og Fax Number: 312-227-9532 Site Ownership [Provide this information for each applicable site] Exact Legal Name of Site Owner: Schaumburg Office Center, LLC Des Plaines, IL 60018 Address of Site Owner: 1111 E. Touhy Ave. Suite 230 Street Address or Legal Description of the Site: 3 Hillcrest Blvd, Schaumburg, IL Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statements, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease, or a lease. APPEND DOCUMENTATION AS ATTACHMENT 2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. Operating Identity/Licensee Provide this information for each applicable facility and insert after this page.] Exact Legal Name: Ann & Robert H. Lurie Children's Hospital of Chicago Address: 225 E. Chicago Avenue, Chicago, IL 60611 Non-profit Corporation Partnership For-profit Corporation Governmental \Box Limited Liability Company Sole Proprietorship Other o Corporations and limited liability companies must provide an Illinois Certificate of Good 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. Persons with 5 percent or greater interest in the licensee must be identified with the %

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

Organizational Relationships

ownership.

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 <u>ATTACHMENT 5.</u> 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 <u>ATTACHMENT 6,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

DESCRIPTION OF PROJECT

1. [Check	those applicable - refer to Part 1110.20 and Part 1120.20(b)
Part 1	110 Classification :
	Substantive
X	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.

Ann & Robert H. Lurie Children's Hospital of Chicago ("Lurie Children's") and Children's Hospital of Chicago Medical Center, as co-applicants, propose to construct an outpatient care center at 3 Hillcrest Boulevard, on the northwest corner of Hillcrest Boulevard and Roselle Road in Schaumburg. The vacant property is also referred to as 405 Arbor Glen Boulevard. The process for acquisition of the property is underway.

The outpatient care center will include 40 exam/treatment rooms for pediatric primary and specialty care, diagnostic imaging (x-ray and ultrasound) and cardiac testing (ECG, ECHO and stress testing). Clinical services will include an ambulatory infusion center with three additional exam rooms, a blood bank and pharmacy. Other services are audiology; physical, occupational and speech therapy, prosthetics & orthotics; and a pathology lab with phlebotomy service.

The three-story building will total 70,000 departmental gross sq ft (dgsf), of which 16,099 sq ft will be clinical space and 53,901sq ft non clinical space. Of the 53,901 sq ft, 14,911dgsf will be unfinished/shelled space. As required, a separate permit application will be submitted when the plan for use of the shelled space is completed, most likely by late 2028. All space is new construction. Surface parking for 240 – 260 cars is included in the project. The total capital cost associated with the project is \$55,894,541.

Construction on the project will start in late 2023 or early 2024, following review and permitting by local and State agencies. The project will be completed by December 31, 2025.

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

Project Costs and Sources of Funds

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

USE OF FUNDS	and Sources of Fund	NONCLINICAL	TOTAL
Preplanning Costs	CLINICAL	NONCLINICAL	TOTAL
Site Survey and Soil Investigation	7: 20: 10 - 10 - 10 - 10 - 10 - 10 - 10 - 10		
Site Preparation		+	
Off Site Work	·	<u> </u>	
New Construction Contracts			
Modernization Contracts			
Contingencies			
Architectural/Engineering Fees			
Consulting and Other Fees			
Movable or Other Equipment (not in construction contracts)			
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment			
Other Costs to Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS			
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities			
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations	-		
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS			

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

Related Project CostsProvide 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
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 \$ 18,169,250
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
Anticipated project completion date (refer to Part 1130.140): December 31, 2025
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 departments 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		Amount of Proposed Total Gross Square Fe			
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 <u>ATTACHMENT 9, IN NUMERIC SEQUENTIAL</u> 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: Ann & Rob Children's Hospital		CITY:	Chicago		
REPORTING PERIOD DATES	REPORTING PERIOD DATES: From: January 1, 2020 to: December 31, 2020				
Category of Service	Authorized Beds	Admissions	Patient Days	Bed Changes	Proposed Beds
Medical/Surgical					
Obstetrics					
Pediatrics	128	5,178	33,709	0	128
Intensive Care	160	3,247*	32,139	0	160
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness	12	523	3,636	0	12
Neonatal Intensive Care	64	487	19,178	0	64
General Long-Term Care					
Specialized Long-Term Care					
Long Term Acute Care					
Other ((identify)					
TOTALS:	364	9,435*	88,662	0	364

Admissions include 3,247 direct admissions to ICU, but do not include 318 transfers to ICU from within Lurie Children's Hospital. 2,296 patient days associated with these 318 transfers are included in the patient days total of 88,662.

CERTIFICATION – CO-APPLICANT

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
- o in the case of a sole proprietor, the individual that is the proprietor.

This Application is filed on the behalf of Ann & Robert H. Lurie Children's Hospital of Chicago 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 P. Shanley, M.D.

PRINTED NAME

President and Chief Executive Officer

PRINTED TITLE

Notarization:

Subscribed and sworn to before me this 14th day of September 2022

Signature of NoteBFICIAL SEAL

LORNA K BROWN

Seal NOTARY PUBLIC - STATE OF ILLINOIS

MY COMMISSION EXPIRES:09/02/24

*Insert the EXACT legal name of the applicant

SIGNATURE

Brenda Davis

PRINTED NAME

Interim Chief Financial Officer

PRINTED TITLE

Notarization:

Subscribed and sworn to before me this 14th day of <u>september</u>, 2022

Signature of Notary

Seal

OFFICIAL SEAL LORNA K BROWN NOTARY PUBLIC - STATE OF ILLINOIS MY COMMISSION EXPIRES:09/02/24

CERTIFICATION – CO-APPLICANT

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

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- in the case of a limited liability company, any two of its managers or members (or the sole manager or member when two or more managers or members do not exist);
- in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist):
- o 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 Children's Hospital 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	Brender Juns SIGNATURE
Thomas P. Shanley, M.D. PRINTED NAME	Brenda Davis PRINTED NAME
President and Chief Executive Officer PRINTED TITLE	Interim Chief Financial Officer PRINTED TITLE
Notarization: Subscribed and sworn to before me this 44 day of 8eptember, 2022	Notarization: Subscribed and sworn to before me this 14th day of 800 tember 2022
Signature of Notary Seal OFFICIAL SEAL LORNA K BROWN NOTARY PUBLIC STATE OF ILLINOIS	Signature of Notary Seal OFFICIAL SEAL LORNA K BROWN NOTARY PUBLIC - STATE OF ILLINOIS

MY COMMISSION EXPIRES:09/02/24

NOTARY PUBLIC - STATE OF ILLINOIS

SECTION II. DISCONTINUATION

Discontinuation is not part of this project.

This Section is applicable to the discontinuation of a health care facility or the discontinuation of more than one category of service in a 6-month period. If the project is solely for a discontinuation of a health care facility the Background of the Applicant(s) and Purpose of Project MUST be addressed. A copy of the Notices listed in Item 7 below MUST be submitted with this Application for Discontinuation Item 7 below <a href="https://www.ilga.gov/legislation/ilcs/documents/002039600K8.7.htm

Criterion 1110.290 - Discontinuation

READ THE REVIEW CRITERION and provide the following information:

GENERAL INFORMATION REQUIREMENTS

- 1. Identify the categories of service and the number of beds, if any that are to be discontinued.
- 2. Identify all the other clinical services that are to be discontinued.
- 3. Provide the anticipated date of discontinuation for each identified service or for the entire facility.
- 4. Provide the anticipated use of the physical plant and equipment after the discontinuation occurs.
- 5. Provide the anticipated disposition and location of all medical records pertaining to the services being discontinued and the length of time the records will be maintained.
- Provide copies of the notices that were provided to the local media that would routinely be notified about facility events.
- 7. For applications involving the discontinuation of an entire facility, provide copies of the notices that were sent to the municipality in which the facility is located, the State Representative and State Senator of the district in which the health care facility is located, the Director of Public Health, and the Director of Healthcare and Family Services. These notices shall have been made at least 30 days prior to filing of the application.
- 8. For applications involving the discontinuation of an entire facility, certification by an authorized representative that all questionnaires and data required by HFSRB or DPH (e.g., annual questionnaires, capital expenditures surveys, etc.) will be provided through the date of discontinuation, and that the required information will be submitted no later than 90 days following the date of discontinuation.

REASONS FOR DISCONTINUATION

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

IMPACT ON ACCESS

- 1. Document whether the discontinuation of each service or of the entire facility will have an adverse effect upon access to care for residents of the facility's market area.
- 2. Document that a written request for an impact statement was received by all existing or approved health care facilities (that provide the same services as those being discontinued) located within the **geographic service area**.

APPEND DOCUMENTATION AS <u>ATTACHMENT 10.</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

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

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

1110.110(a) - Background of the Applicant

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

- 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.
- 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 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.
 - 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 <u>ATTACHMENT 11</u>, 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

- 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.
- Identify the existing problems or issues that need to be addressed as applicable and appropriate for the project.
- Cite the sources of the documentation.
- 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 <u>ATTACHMENT 12</u>, 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.
- 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.
- The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

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

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:

- 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:
 - 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.

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

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

PROJECT SERVICES UTILIZATION:

This criterion is applicable only to projects or portions of projects that involve services, functions, or equipment for which HFSRB <u>has established</u> utilization standards or occupancy targets in 77 III. 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.

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

APPEND DOCUMENTATION AS <u>ATTACHMENT 15.</u> 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
 - Experienced increases in the historical occupancy or utilization of those areas proposed to occupy the shell space.
- 4. Provide:
 - Historical utilization for the area for the latest five-year period for which data is available;
 and
 - b. Based upon the average annual percentage increase for that period, projections of future utilization of the area through the anticipated date when the shell space will be placed into operation.

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

ASSURANCES:

Submit the following:

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

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

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

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

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

Service	# Existing Key Rooms	# Proposed Key Rooms
		· · ·
·		!

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

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

The following Sections <u>DO NOT</u> 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)

VII. 1120.120 - AVAILABILITY OF FUNDS

The applicant shall document those 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]:

		320	
\$55,894,541	a)		rities - statements (e.g., audited financial statements, letters astitutions, 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)	showing anticip gross receipts	inticipated pledges, a summary of the anticipated pledges pated receipts and discounted value, estimated timetable of and related fundraising expenses, and a discussion of past
	c)		ests – verification of the dollar amount, identification of any se, and the estimated timetable of receipts.
	d)	time, variable of anticipated rep	nent of the estimated terms and conditions (including the debt or permanent interest rates over the debt time, and the ayment schedule) for any interim and for the permanent osed 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

\$55,894,541	TOTAL FUNDS AVAILABLE
	g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
	f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt.
	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.
	5) For any option to lease, a copy of the option, including all terms and conditions.
	improvements to the property and provision of capital equipment.

APPEND DOCUMENTATION AS <u>ATTACHMENT 34.</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION VIII. 1120.130 - FINANCIAL VIABILITY

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

Financial Viability Waiver

The applicant is not required to submit financial viability ratios if:

- 1. "A" Bond rating or better
- 2. All 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
- 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 <u>ATTACHMENT 35,</u> 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 <u>ATTACHMENT 38</u>, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IX. 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:

- 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 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:

- 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.
- 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).

	cos	TAND GRO	OSS SQUA	RE FEE	T BY DEP	ARTMEN	T OR SERVI	CE	
D	Α	В	С	D	E	F	G	Н	77" - 4 - 1
Department (List below)	Cost/Squ New	uare Foot Mod.	Gross S New	Sq. Ft. Circ.*	Gross 8 Mod.	Sq. Ft. Circ.*	Const. \$ (A x C)	Mod. \$ (B x E)	Total Cost (G + H)
Contingency									
TOTALS									
* Include the pe	rcentage (9	6) of space	for circulat	ion	•	•	•	•	•

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 37</u>, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION X. SAFETY NET IMPACT STATEMENT

SAFETY NET IMPACT STATEMENT that describes all the following must be submitted for <u>ALL SUBSTANTIVE PROJECTS AND PROJECTS TO DISCONTINUE HEALTH CARE FACILITIES</u> [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 each community, if reasonably known by the applicant.

Safety Net Impact Statements shall also include all 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 Ne	t Information per	PA 96-0031	
	CHARITY CARE	:	
Charity (# of patients)	Year	Year	Year
Inpatient			
Outpatient			
Total			
Charity (cost in dollars)			
Inpatient			
Outpatient			
Total			
Medicaid (# of patients)	MEDICAID Year	Year	Year
Inpatient			
Outpatient			
Total			
Medicaid (revenue)			
Inpatient			

		Outpatient				
	Total					
	-					
APPEND DOCL	MENTATION A	S ATTACHMENT 38, IN	NUMERIC SEQ	UENTIAL ORDE	RAFTER THE L	AST 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 <u>audited</u> 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 <u>must</u> 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 <u>ATTACHMENT 39</u>, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

APPLICATION FOR PERMIT- 06/2022 - Edition

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

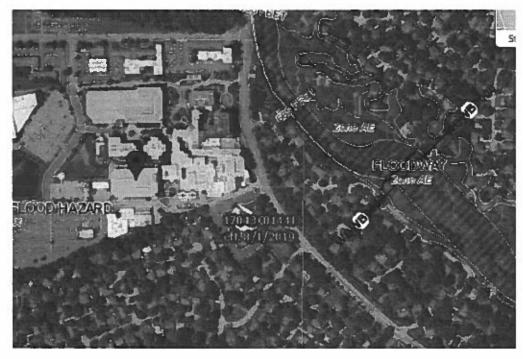
In accordance with Executive Order 2006-5 (EO 5), the Health Facilities & Services Review Board (HFSRB) must determine if the site of the CRITICAL FACILITY, as defined in EO 5, is in a mapped floodplain (Special Flood Hazard Area) or a 500-year floodplain. All state agencies are required to ensure that 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.

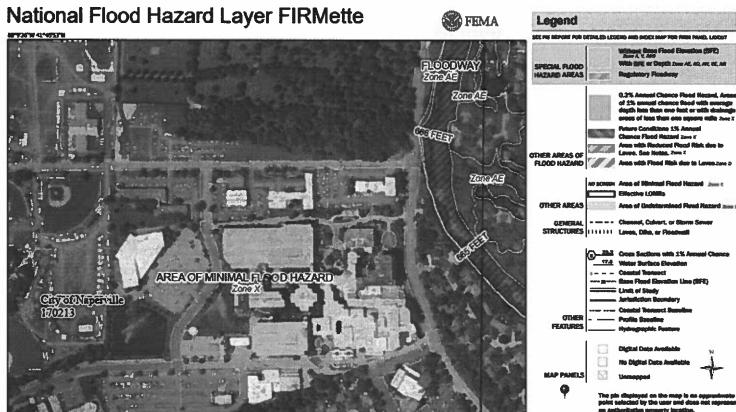
l.	Applicant:			
	(Name)			(Address)
-	(City)	(State)	(ZIP Code)	(Telephone Number)
	Project Location:			
		(Address)		(City) (State)
		County)	(Township) (Section)
•	Center website (https a map, like that show	://msc.fema.gov/portal/ n on page 2 is shown,	<u>(home)</u> by entering the addresselect the Go to NFHL Vie v	napping using the FEMA Map Service ess for the property in the Search bar. If wer tab above the map. You can print a of the page. Select the pin tool icon
		our site. Print a FIRMET		
	—	Zoom tools provided to		licon above the aerial photo. You will map and use the Make a FIRMette tool
S	THE PROJECT SI	TE LOCATED IN	A SPECIAL FLOOD HA	AZARD AREA: Yes No?
_				
e	THE DOO IECT S	ITE I OCATED IN	THE 500-YEAR FLOO	D DI AIN?
		mine if the site is in the or planning departmen		rear floodplain, contact the county or the
		. •	cial, please complete the fol	lowing:
FIF	RM Panel Number:		Effe	ective Date:
۱a	me of Official:		Title	e:
3u	siness/Agency:			
	(City)	(State)	(ZIP Code)	(Telephone Number)
Sig	ınature:		Dat	e:
		, , ,	•	Special Flood Hazard Area or a 500-yea
	. •	on the map noted abov ocal drainage problems	· ·	uarantee that the property will or will not
O	Jueu or de subject to ic	ocai grainage problems	Ď.	

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

Floodplain Map Example

The image below is an example of the floodplain mapping required as part of the IDPH swimming facility construction permit showing that the swimming pool, to undergo a major alteration, is outside the mapped floodplain.





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

HMENT D.		PAGES
<u>J.</u>	Applicant Identification including Certificate of Good Standing	29-30
2	Site Ownership	31-37
3	Persons with 5 percent or greater interest in the licensee must be	
•	identified with the % of ownership.	38
4	Organizational Relationships (Organizational Chart) Certificate of	
•	Good Standing Etc.	39
5	Flood Plain Requirements	40-41
6	Historic Preservation Act Requirements	42
7	Project and Sources of Funds Itemization	43-48
8	Financial Commitment Document if required	NA
9	Cost Space Requirements	49
10	Discontinuation	NA
11	Background of the Applicant	50-60
12	Purpose of the Project	61-66
13	Alternatives to the Project	67-69
14	Size of the Project	70-71
15	Project Service Utilization	72
16	Unfinished or Shell Space	73
17	Assurances for Unfinished/Shell Space	74
	Service Specific:	
18	Medical Surgical Pediatrics, Obstetrics, ICU	NA.
19		NA
20	Acute Mental Illness	NA.
21	Open Heart Surgery	NA NA
22	Cardiac Catheterization	NA NA
23		NA NA
24		NA
25		NA.
26		NA NA
27	Subacute Care Hospital Model	NA NA
28		NA NA
29	Long Term Acute Care Hospital	NA 75.70
	Clinical Service Areas Other than Categories of Service	75-70
31	Freestanding Emergency Center Medical Services	NA NA
32	Birth Center	NA.
0.0	Financial and Economic Feasibility:	77-12
33	Availability of Funds	
34	Financial Waiver	NA 420.41
35	Financial Viability	129-13
36	Economic Feasibility	140-14
37	Safety Net Impact Statement	NA 140
38 39	Charity Care Information Flood Plain Information	149 150-1

File Number

0666-373-7



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

ANN & ROBERT H. LURIE CHILDREN'S HOSPITAL OF CHICAGO, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON MARCH 27, 1894, 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 2ND day of MARCH A.D. 2022 .

Authentication #: 2206101502 verifiable until 03/02/2023

Authenticate at: http://www.ilsos.gov

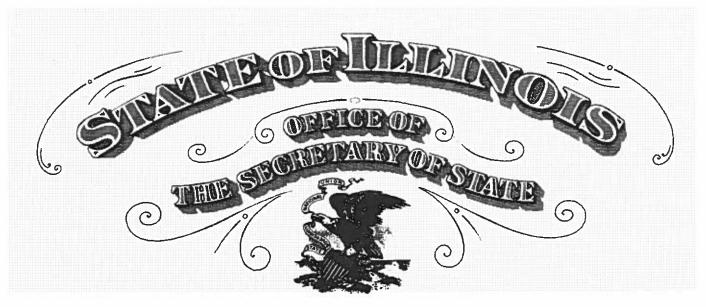
Desse White

SECRETARY OF STATE

Attachment 1

File Number

5367-793-2



To all to whom these Presents Shall Come, Greeting:

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

CHILDREN'S HOSPITAL OF CHICAGO MEDICAL CENTER, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON DECEMBER 13, 1984, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



In Testimony Whereof, I hereto set

my hand and cause to be affixed the Great Seal of the State of Illinois, this 25TH day of MARCH A.D. 2022 .

Authentication #: 2208403454 verifiable until 03/25/2023

Authenticate at: http://www.ilsos.gov

Desse White

SECRETARY OF STATE

Attachment 1

SITE OWNERSHIP

Signed Letter of Intent for Purchase and Sale

February 18, 2022

VIA E-MAIL

Mr. Bill Debh CTK Chicago Partners 1111 East Touhy Avenuc Des Plaines, IL 60018

Re:

Proposed Purchase and Sale ("Purchase Offer"): 405 Arbor Glen Boulevard, Schaumburg, IL 60195

Dear Bill:

This letter of intent ("LOI") outlines the general terms and conditions upon which our Confidential Client ("Buyer") desires to negotiate with Seller (as defined below) for the purchase and sale of that certain property described below (the "Property"). This LOI does not constitute a binding agreement or contract and neither Buyer nor Seller will be bound to purchase and sell the Property unless both Buyer and Seller execute a purchase and sale contract for the Property ("Purchase Agreement") and all other conditions are met. The purpose of this LOI is to express the desired terms and conditions to which Buyer is interested in purchasing the Property from Seller and to set forth a basis upon which the parties, together with their respective attorneys, may proceed to draft and negotiate toward the execution of a definitive and binding Purchase Agreement. It is understood that either party may terminate negotiation of the Purchase Agreement at any time and for any reason.

Based on the foregoing understanding, the parties desire to negotiate a Purchase Agreement with the following terms and conditions:

Property:

The Property consists of Seller's fee simple interest in the real estate, improvements, licenses, easements and appurtenances for the land located at 405 Arbor Glen Boulevard, Schaumburg, Illinois, 60195. Please state exact size of land site.

Seller:

Schaumburg Office Center LLC

Purchase Price:

Option A: The Purchase Price shall be \$2,600,000 in cash at closing, subject to prorations provided for in the Purchase Agreement.

Option B: If GSP Development is engaged as the project developer, the purchase price shall be reduced to \$2,475,000. The GSP Development team has 40+ years of experience in commercial real estate development in the Chicagoland area and has completed multiple build to suit medical-office buildings for clients such as Illinois Bone & Joint and DuPage Medical Group. Option B is noted by Buyer and if Buyer and Seller consummate a transaction, and Buyer reaches a point when it wishes to develop the land, Buyer will let Seller know if it is interested in meeting to discuss its development services, but for the purpose of this LOI, Purchase price will be based on Option A above.

Earnest Money:

Buyer will place \$30,000 into an interest-bearing escrow account with Chicago Title Insurance Company (the "Title Company") within three (3) business days following execution of the Purchase Agreement ("Initial Deposit"). The Earnest Money, plus any interest earned thereon, will be

refunded to Buyer if Buyer terminates the contract during the Due Diligence Period (described below), or any extension thereof. If Buyer does not terminate the Purchase Agreement, the Earnest Money, plus any earned interest, will be applied to the Purchase Price.

Upon Buyer's waiver of the Due Diligence Period and any extensions thereof (as the same may be extended), the Earnest Money deposit shall be increased to \$125,000; provided, however, that if Buyer elects to extend the Due Diligence Period as provided in the Due Diligence Period section below, then the Earnest Money deposit shall be increased as stated in that section.

Title and Survey:

Within one (1) business days following execution of the Purchase Agreement Seller shall order an updated ALTA survey of the Property, and use best efforts to deliver to Buyer within 21 days following execution of the Purchase Agreement (the "Survey"). Should the survey be delayed beyond 21 days, the Due Diligence Period shall be extended by one day for every day beyond 21 days. Within five (5) to ten (10) business days following the execution of the Purchase Agreement, Seller will provide Buyer with a current title commitment issued by the Title Company (the "Title Commitment"), together with copies of all recorded documents evidencing the exceptions to the title that are described in Schedule B of the title commitment. At Closing, Seller will furnish to Buyer, at Seller's expense, an ALTA Owner's Title Insurance Policy issued by the Title Company (a) in the amount of the Purchase Price; (b) including extended coverage; (c) showing Buyer (or its assignee) as sole owner of Property; and (d) subject only to (i) liens for taxes not yet due and payable and (ii) encumbrances and such other title-related matters that are acceptable to Buyer (the "Title Policy"). Buyer will pay for the additional cost of any desired endorsements.

Due Diligence Period:

Buyer will have a ninety (90) day period (as the same may be extended as provided herein, the "Due Diligence Period"), commencing on the date the Purchase Agreement is fully executed, to inspect the physical and environmental condition, status of permits, zoning and other governmental approvals, condition of title and survey relating to the Property and to perform such other due diligence with respect to the Property as Buyer desires. During the Due Diligence Period, Buyer and Buyer's agents, employees and consultants shall have access to the Property at reasonable times to make a physical inspection of the Property. Seller will cooperate with Buyer in a timely manner and will provide Buyer with all documents and other materials reasonably requested by Buyer. This Due Diligence Period will be utilized by Buyer to satisfy the conditions stated in the Conditions Precedent paragraph herein. Unless the Buyer terminates the Purchase Agreement prior to the end of the Due Diligence Period or elects to extend the Due Diligence Period as provided below, Buyer's Earnest Money will become non-refundable (other than in the event of Seller's default or as may otherwise be provided in the Purchase Agreement). During the Due Diligence Period Buyer shall have the right to terminate the transaction for any reason or no reason.

Buyer shall have the right to extend the Due Diligence Period for two additional periods, the first of which shall be referred to as the 1st Extended Due Diligence Period and shall last for 90 days, and the second of which

shall be referred to as the 2nd Extended Due Diligence Period and shall last for 30 days. Collectively, the 1st Extended Due Diligence Period and the 2nd Extended Due Diligence Period. During the Extended Due Diligence Period, Buyer shall have the right to secure all government approvals Buyer deems necessary and to otherwise satisfy all items in the Conditions Precedent section contained herein. If Buyer exercises its rights to either the 1st Extended Due Diligence Period or the 2nd Extended Due Diligence Period, the Earnest Money deposit shall be increased by \$20,000 for each such period (each, an "Extension Payment"), and said Extension Payment shall become nonrefundable should Buyer not close on the property. To clarify, the Initial Deposit shall remain as refundable, but upon exercise of either of the Extended Due Diligence Periods, Buyer shall post for each such period a \$20,000 non-refundable Extension Payment. If Closing occurs, such Extension Payment(s) shall be applied to the Purchase Price.

Following Seller's execution of this Letter of Intent, Buyer may, at its own cost and expense, enter the Property to conduct any and all due diligence, studies and tests of the Property.

Document Delivery:

Upon the execution of the Purchase Agreement, Seller will provide Buyer with such due diligence information relating to the Property as is within Seller's current possession, including but not limited to: (a) any encumbrances on the Property and associated documentation including but not limited to ground leases (if any), (b) engineering reports and plans, (c) environmental assessments/reports (i.e., Phase I and Phase II) and soil reports (i.e. Geotech), (d) service contracts and Property maintenance records, (f) copies of past three (3) years property/real estate tax bills and assessment, and all related notices including but not limited to the status of any assessed valuation protest work/appeals, including appraisals, (g) site plans for the Property, (h) permits/licenses/zoning reports and reviews, (i) insurance claims history, if any, (j) the Survey, (k) easement and/or use agreements; (1) flood plain certificate(s), flood plain reports/maps, topographical maps and other similar materials; (m) geological studies; (n) utility maps and plans; (o) Title Commitment and any prior title policies; (p) covenants and restrictions; (q) approval of signage requirements; and (r) such other information as the Buyer may deem necessary. Such due diligence items (collectively, the "Diligence Deliverables") shall be listed on an exhibit to the Purchase Agreement.

The Property and all such Diligence Deliverables shall remain available to Buyer for inspection during the Due Diligence Period at any time with reasonable notice from Buyer to Seller. During the Due Diligence Period, Seller agrees to give Buyer and its agents, representatives and engineers access to the Property during normal business hours and shall arrange meetings with Seller's representatives as requested by Buyer upon adequate notice to Seller.

Closing:

The purchase of the Property will close ("Closing") within sixty (60) days after the expiration of the Due Diligence Period and satisfaction of the Conditions Precedent, or earlier or later subject to mutual consent of the Seller and Buyer. Seller and Buyer shall be responsible for their respective customary closing costs.

Closing Costs:

Seller shall pay the following customary costs in connection with the conveyance of the Property pursuant to the terms of the Purchase Agreement:

- 1. Seller's share of transfer taxes;
- 2. Seller's share of closing adjustments as discussed below;
- 3. Seller's attorney fees;
- 4. Brokerage commissions related to the sale, as stated herein.
- 5. Costs of obtaining the Survey; and
- 6. The cost of the Title Commitment and Title Policy

Buyer shall pay the following customary costs in connection with the conveyance of the Property pursuant to the terms of the Purchase Agreement:

- 1. Buyer's share of transfer taxes;
- 2. Buyer's share of closing adjustments as discussed below; and
- 3. Buyer's attorney's fees

Other costs in connection with the conveyance of the Property will be split per county or municipality custom.

Closing Adjustments:

At Closing, Buyer and Seller shall cooperate to provide cash adjustments and prorations for certain expenses (including real estate taxes, which shall be prorated accordingly on an accrual basis using the last ascertainable real estate tax bill) that would customarily be provided in a similar transaction.

The amount of the current general taxes not then ascertainable shall be adjusted on the basis of 105% of the most recent ascertainable taxes. All prorations shall be final.

Conditions Precedent:

Buyer's obligation to purchase property will be contingent upon:

- 1. Buyer determining (in its sole discretion) during the Due Ditigence Period that it wishes to move forward with the transaction;
- 2. Buyer receiving formal approval from its Board of Directors to proceed with the transaction during the Due Diligence Period;
- 3. Buyer's receipt of the Title Policy; and
- 4. Buyer's receipt of any required regulatory approvals for the establishment of an Ambulatory/Outpatient Center (the "Project"), including being granted a Certificate of Need ("CON") permit for the Project to be constructed and operated on the Property during the Due Diligence Period.

Representations & Warranties:

The Purchase Agreement will contain warranties, representations and covenants of Seller that would customarily be provided in a similar transaction.

Purchase & Sale Agreement:

A draft of the Purchase Agreement will be delivered by Seller to Buyer within five (5) business days from the execution of this LOI.

Default:

If Buyer defaults prior to Closing, the Seller's sole and exclusive legal and equitable remedy shall be to retain the Earnest Money deposit as liquidated damages:

If Seller defaults prior to Closing, Buyer may either (a) pursue specific performance, or (b) terminate the Purchase Agreement in which event (i) Seller shall cause the escrow agent to return the earnest money deposit to Buyer, without delay, deduction or offset, and (ii) Seller shall also reimburse Buyer for its reasonable out of pocket third party costs incurred in connection with the transaction plus \$100,000.

Exclusivity Period:

Buyer agrees that for a period of 14 days after the date Seller executes this LOI, Seller will not (a) promote the sale of the Property to or solicit offers to purchase the Property from other parties, or (b) negotiate with other parties regarding any solicited or unsolicited offers received from such other parties.

Confidentiality:

This LOI is being delivered to you with the understanding that you will keep this LOI and its contents strictly confidential, except that you may engage in discussions with your agents, representatives, lenders, accountants, attorneys and other third parties that you absolutely require to require to be involved in this process. Neither Buyer nor Seller, may issue any public statement or press release without the prior written consent of the other party.

Broker:

It is acknowledged that CBRE, Inc. is exclusively representing the Buyer in the purchase of the Property, and that CTK Chicago Partners is representing the Seller. Seller shall pay CBRE, Inc. a commission equal to four percent (4%) of the purchase price and CTK Chicago partners a commission equal to two percent (2%) of the purchase price per the terms of a separate agreement. Seller represents that it has not dealt with any broker other than CBRE, Inc. and CTK Chicago Partners, and shall hold Buyer harmless from any claim made in connection with the transaction from any broker alleging to represent Seller. CBRE, Inc. and CTK Chicago Partners shall be paid at closing.

Non-Binding:

This LOI is not intended to articulate every detail of the proposed transaction and is non-binding and not enforceable against either party except under the Exclusivity Period provisions. The parties hereto and all other persons are expressly estopped from a claim in any actionable reliance hereon or upon any negotiations occurring prior to execution of the Purchase Agreement.

[remainder of page intentionally blank]

If you have any questions regarding any aspect of this LOI, please reach out to us at your earliest convenience. If you desire to proceed to negotiate a Purchase Agreement based upon the foregoing understandings, please indicate acceptance of this LOI by signing the acknowledgement below and returning to our attention.

Very truly yours,

CBRE, INC.

David

Mahoney Paul Diederich

Senior Vice President

CBRE, Inc.

Executive Vice President

CBRE, Inc.

AGREED AND ACCEPTED ("Buyer)": AGREED AND ACCEPTED ("Seller"): Title: Men Date: Date:

File Number

0666-373-7



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

ANN & ROBERT H. LURIE CHILDREN'S HOSPITAL OF CHICAGO, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON MARCH 27, 1894, 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 2ND

day of MARCH A.D.2022

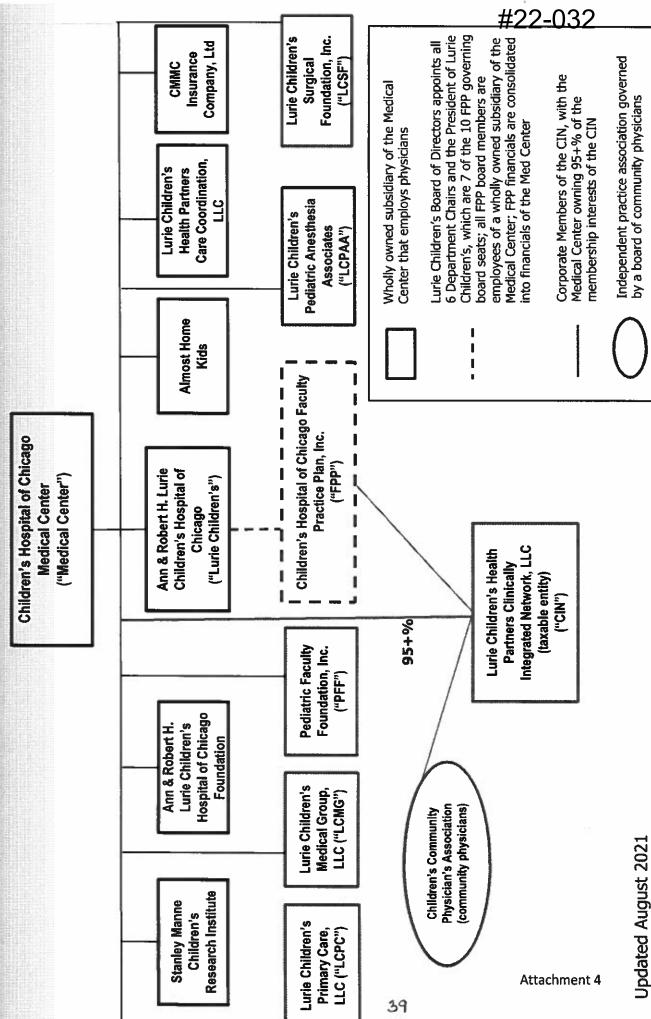
Authentication #: 2206101502 verifiable until 03/02/2023 Authenticate at: http://www.ilsos.gov

esse White

SECRETARY OF STATE

Corporate Overview

Children's Hospital of Chicago



Flood Plain Requirements

The following page shows the most current National Flood Hazard Layer FIRMette for the site location at 3 Hillcrest Boulevard in Schaumburg

The site is located in Zone X, panel 17031C0179J, effective 8/19/2008. According to FEMA, Zone X consists of "areas determined to be outside 500 year floodplain determined to be outside the 1% and 0.2% annual chance floodplains." (www.floodmaps.com/zones.htm). In the FEMA system, this classification designates the areas that are least susceptible to flooding.

Illinois Executive Order #2006-5, "Construction Activities in Special Flood Hazard Areas" defines "Special Flood Hazard Areas" or "Floodplains" as areas subject to "100 year frequency flood and shown as such on the most current Flood Insurance Rate Map published by the Federal Emergency Management Agency."

The FIRMette designates the site with a red indicator at the southeast corner (lower right corner) of the property. The FIRMette indicates that the site is located in an "Area of Minimal Flood Hazard," a label which spans the site.

National Flood Hazard Layer FIRMette





Legend

SEE FIS REPORT FOR DETAILED LEGEND AND INDEX MAP FOR FIRM PANEL LAYOUT

SPECIAL FLOOD HAZARD AREAS

With BFE or Depth Zone AE, AO, AH, VE, AR Without Base Flood Elevation (BFE)

Regulatory Floodway

depth less than one foot or with drainage 0.2% Annual Chance Flood Hazard, Area areas of less than one square mile zone of 1% annual chance flood with average Future Conditions 1% Annual

OTHER AREAS OF FLOOD HAZARD

Area with Flood Risk due to Levee Zone D Area with Reduced Flood Risk due to Chance Flood Hazard Zone X Levee. See Notes. Zone X

NO SCREEN Area of Minimal Flood Hazard Zone X

Area of Undetermined Flood Hazard Zone **Effective LOMRs**

OTHER AREAS

Channel, Culvert, or Storm Sewer

STRUCTURES | 111111 Lavee, Dike, or Floodwall GENERAL

Cross Sections with 1% Annual Chance Water Surface Elevation

Base Flood Elevation Line (BFE) Coastal Transect man (i) man

Jurisdiction Boundary Limit of Study

Coastal Transect Baseline

Hydrographic Feature Profile Baseline

OTHER FEATURES

Digital Data Available

No Digital Data Available Unmapped

MAP PANELS

The pin displayed on the map is an approximate point selected by the user and does not represen an authoritative property location.

This map complies with FEMA's standards for the use of

digital flood maps if it is not void as described below.

The basemap shown complies with FEMA's basemap
accuracy standards

The flood hazard information is derived directly from the
authoritative NFIL web services provided by FEMA. This mapl
was exported on 8/1/2022 at 8:39 PM and does not
reflect changes or amendments subsequent to this date and
time. The NFIL and effective information may change or
become superseded by new data over time.

This map image is vold if the one or more of the following map elements do not appear: basemap imagery, flood zone labels, legend, scale bar, map creation date, community identifiers, FIRM panel number, and FIRM effective date. Map images for unmapped and unmodernized areas cannot be used for regulatory purposes.

nn. HEBE dindinnaf Man. Ortholmadarın Rata raftaehad Artohar 2020



Illinois Department of Natural Resources

One Natural Resources Way Springfield, Illinois 62702-1271 www.dnr.illinois.gov

JB Pritzker, Governor

Colleen Callahan, Director

DuPage County

PLEASE REFER TO:

SHPO LOG #017072622

Schaumburg

3 Hillcrest Blvd. (aka 405 Arbor Glen Blvd.)

IHFSRB

*New construction, outpatient center - Lurie Children's Hospital

August 29, 2022

Ralph Weber Weber Alliance 920 Hoffman Lane Riverwoods, IL. 60015

Dear Mr. Weber:

The Illinois State Historic Preservation Office is required by the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420, as amended, 17 IAC 4180) to review all state funded, permitted or licensed undertakings for their effect on cultural resources. Pursuant to this, we have received information regarding the referenced project for our comment.

Our staff has reviewed the specifications under the state law and assessed the impact of the project as submitted by your office. We have determined, based on the available information, that no significant historic, architectural or archaeological resources are located within the proposed project area.

According to the information you have provided concerning your proposed project, apparently there is no federal involvement in your project. However, please note that the state law is less restrictive than the federal cultural resource laws concerning archaeology. If your project will use federal loans or grants, need federal agency permits, use federal property, or involve assistance from a federal agency, then your project must be reviewed under the National Historic Preservation Act of 1966, as amended. Please notify us immediately if such is the case.

This clearance remains in effect for two (2) years from date of issuance. It does not pertain to any discovery during construction, nor is it a clearance for purposes of the IL Human Skeletal Remains Protection Act (20 ILCS 3440).

Please retain this letter in your files as evidence of compliance with the Illinois State Agency Historic Resources Preservation Act.

If further assistance is needed please contact Jeff Kruchten, Chief Archaeologist at 217/785-1279 or Jeffery.kruchten@illinois.gov.

Sincerely,

Carey L. Mayer , AIA Deputy State Historic

Wary L. Mayer

Preservation Officer

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.

	and Sources of Funds		
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs	\$139,709	\$654,473	\$794,182
Site Survey and Soil Investigation	1,809	34,370	36,179
Site Preparation	191,191	1,581,600	1,772,791
Off Site Work	7,000	28,000	35,000
New Construction Contracts	4,955,912	27,964,390	32,920,302
Modernization Contracts	0	0	
Contingencies	430,000	2,829,110	3,259,110
Architectural/Engineering Fees - construction - site work	397,000 20,210	1,990,841 80,839 1,753,425	2,387,841 101,049 1,948,250
Consulting and Other Fees	194,825		9,869,586
Movable or Other Equipment (not in construction contracts)	4,799,335	5,070,251	9,003,300
Bond Issuance Expense (project related)	0		
Net Interest Expense During Construction (project related)	0	0	
Fair Market Value of Leased Space or Equipment	0	0	
Other Costs to Be Capitalized	0.47.005	2,223,225	2,470,25
- IT - artwork	247,025 17,500	157,500	175,00
- signage	12,500	112,500	125,00
Acquisition of Building or Other Property (excluding land)			
TOTAL USES OF FUNDS	\$11,414,016	\$44,480,525	\$55,894,54
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$11,414,016	\$44,480,525	\$55,894,54
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	\$11,414,016	\$44,480,525	\$55,894,54

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

Project Costs and Sources of Funds

Narrative Descriptions of Line Items

Item 1. Preplanning Costs - \$794,182

Market analyses, feasibility studies and background work, real estate analysis and site selection; Phase 1 cultural and environmental assessments; initial traffic and parking studies; legal and zoning investigation.

Preplanning costs assigned to clinical uses total \$139,709. This amount is 1.4% of \$10,185,247, the total of \$4,955,912 for clinical construction plus \$430,000 clinical contingency plus \$4,799,335 clinical equipment. As a result, it meets the State standard, under 1.8%.

Item 2. Site survey and soil investigation - \$36,179

Soil testing and geotechnical work; property survey.

Item 3. Site Preparation - \$1,772,791

Site work includes earthwork and grade leveling, utility infrastructure installation, irrigation and drainage systems, retention pond configuration, asphalt paving, and landscaping; access road construction.

Item 4. Off-site work - \$35,000

Improvement to adjacent public streets and right-of-way, including turn lanes, signage and potential signalization.

The total site related work items 2, 3 and 4 is \$1,843,970, of which \$200,000 is assigned to clinical. \$200,000 is 3.7% of the total \$5,385,912, the sum of clinical construction (\$4,955,912) plus clinical contingency (\$430,000). It meets the State standard, under 5.0%.

Item 5. New Construction Contracts - \$32,920,302

Construction of a three story, 70,000 sq ft building. Cost includes foundation and slab, core and shell, TPO roofing, doors and windows, thermal and moisture protection, fixed equipment (other than medical equipment referenced below), interior buildout and finishings, and contractor's overhead. Electrical, plumbing and heating and air conditioning systems are included.

Of the total construction cost, \$4,955,912 is allocated to clinical uses.

Item 7. Contingencies - \$3,259,110

Contingencies are allowances for unforeseen circumstances, such as delays in shipping and receipt of materials and supplies that affect the construction schedule, escalation above anticipated pricing of materials and labor, or site conditions resulting in plan modification.

\$430,000 is contingency is allocated to clinical uses. \$430,000 is 8.7% of clinical construction costs. The total contingency of \$3,259,110 is 9.9% of the total construction cost of \$32,920,302.

Item 8. Architectural and Engineering Fees - \$2,488,890

A/E fees include the functional program and space plan, preliminary design, schematic design, design development, construction document services, bidding and negotiation, and construction administration services. The costs of A/E services for construction are \$2,387,841, of which \$397,000 is allocated to clinical uses. The costs of A/E services for site work is \$101,049, of which \$20,210 is assigned to clinical uses.

For clinical construction, A/E services of \$397,000 is 7.4% of \$5,385,912, the total of clinical construction \$4,955,912 plus clinical contingency of \$430,000. This amount is consistent with the State standard for outpatient facility construction and contingency for amounts under \$7 million.

For clinical site work, A/E services of \$20,210 is 10.1% of the total \$200,000 for site work assigned to clinical. This percentage meets (is below) the State standard of 11.99% for site work related projects under the level of \$300,000.

Item 9. Consulting and Other Fees - \$1,948,250

This work includes legal fees, environmental evaluation, utilities during construction, builder's risk insurance policy premiums. It also includes regulatory and permit fees, including Certificate of Need consulting and IDPH fees, as well as capitalized costs of in-house staff, and commissioning fees.

Item 10. Moveable Equipment not in construction contracts - \$9,869,586

The total amount for equipment is \$9,869,586, of which \$4,799,335 is clinical. Itemization of some of the major equipment required is as follows:

General radiology X-ray

\$800,000

- GE Discovery Digital Radiographic System with Wall Bucky
- Chest chair
- Spine chair
- Octostop board
- Apron rack and lead aprons
- Demi apron set with rack
- Thyroid shields
- Transfer board

Ultrasound

\$170,000

- Ultrasound
- Stretcher
- Probe rack
- Gel warmer

ECG / ECHO

\$475,000

- Echocardiography ultrasound
- Echo bed
- Gel warmer
- Electrocardiograph
- Miscellaneous associated equipment

Infusion Suite

\$200,000

- Infusion Chairs
- Height-adjustable exam beds
- Scales (standing, wheelchair, infant)
- Infusion pumps
- Nurse server carts
- HP monitors
- Infusion carts
- Echo bed
- Gel warmer
- Electrocardiograph
- Miscellaneous associated equipment

Pharmacy

\$224,335

- Safety biological hoods
- Repeater pump
- Pharmacy upright refrigerators
- Ultra-low freezer
- Under-counter refrigerator
- Sharps containers
- Chemo, pharmacy waste containers
- Pharmacy scales
- Lab shaker

Laboratory/Blood Bank

\$2,446,230

- Phlebotomy chair/table
- CBC Analyzer
- Chemistry analyzer
- Coagulation analyzer
- Centrifuge
- Instrument Effluent System
- Upright refrigerator

- Undercounter refrigerator
- Glucometers
- iSTAT
- Blood bank refrigerator
- Ortho gel workstation
- Tube washer
- Cell washer
- Thawing bath
- Platelet Incubator/Shaker
- Sterile connecting device
- Microscope
- Cabinet, Safety, Acid
- Cabinet, Safety, Flammable Storage
- Tube Rocker
- Lab Oven

Audiology testing

\$380,000

- (2) Sound booths
- (2) Audiostar audiometers
- (2) Tympstars
- (2) AuDxPro II
- (2) VRA System
- (2) Video VRA System
- (2) Otoscopes
- (2) Phonak Roger Pens
- (2) Phonak Roger Focus
- (2) MP3 systems
- (3) Verifit 2
- (3) Hi Pro Box
- (3) I Cube III
- (3) Airlink II
- (3) Fitting Link
- (2) NavPro
- (2) ALGO 5

Gym / therapy

\$65,000

- Treadmills
- Therapy ladder
- Exam plinth
- Equipment carts
- Under-counter freezer
- Mats
- Mat storage hangers

Additional miscellaneous clinical equipment with relatively smaller aggregate costs constitute the remainder of the clinical equipment budget. The balance of the equipment budget includes a large volume of equipment located in exam rooms and other non-clinical areas. Examples of these items are: procedure carts, mobile workstations, exam tables, exam stools, medical gas carts, defibrillators and AEDs, vital sign monitors, video procedure carts, display monitors, microscopes, wheelchairs and wheelchair scales, sharps containers, glove box holders and nebulizers. The equipment budget includes endoscopes, rhinolaryngoscopes, bladder scanners, suction machines, stadiometers, ophthalmoscopes and otoscopes, sphygmomanometers and stadiometers.

Furnishings include tables and chairs for waiting areas, conference rooms, and administrative and staff areas, desks and work stations.

item 14. Other Costs to be Capitalized - \$2,770,250

\$2,470,250
\$175,000
\$125,000

Cost Space Requirements (departmental gross sq ft)

Department/Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Sq Ft That Is:			
	Existing Proposed						
Construction Costs							ı.
CLINICAL/REVIEWABLE							
Cardiology diagnostics							
Echo / ECG / Stress test	294,599		957	957			
Radiology Imaging	Ì						
general x-ray	316,921		1,030	1,030			
ultrasound	109,360		355	355			
Rehabilitation							
physical therapy	517,787		1,682	1,682			
occupational therapy	267,821		870	870			
speech therapy	214,257		696	696			Î
prosthetics & orthotics	267,821		870	870			
Infusion	2,000,960		6,500	6,500			
Audiology	392,804		1,276	1,276			1
Pathology lab / phiebotomy	573,583		1,863	1,863			1
Subtotal Clinical	4,955,912		16,099	16,099	-		
NON-REVIEWABLE	ļ						
Exam Rooms	4 =						-
Primary Care	1,719,499		3,147	3,147	$\overline{}$		
Specialty Care	5,146,612		9,418				
Reception / Waiting	1,067,200		2,668	· ·			
Lobby / restrooms	336,000		560	560			
Staff support, lockers, lounge	1,101,072		3,277	3,277			
Housekeeping, utility	969,769		2,878				
Storage	887,400		2,465	2,465			
Admin, conference	2,989,610		5,749	5,749			
Building systems, mechanical	8,814,326		8,828		\longrightarrow		
Shelled space	4,932,902		14,911	14,911			ļ
Subtotal Non-clinical	27,964,390		53,901	53,901			ļ
TOTAL CONSTRUCTION	32,920,302		70,000	70,000			
Other Best Court							-
Other Proj Costs	704403						
Preplanning Costs	794,182						ļ.
Site Survey / Soil	36,179				1		 - -
Site Preparation	1,772,791		<u> </u>				ļ
Off Site Work	35,000						-
Contingencies	3,259,110						
A/E fees - construction	2,387,841	†					
A/E fees - site	101,049						-
Consulting, fees	1,948,250				1 1		-
Moveable Equipt, Furnish	9,869,586						1
Bond Issuance Expense	0						-
Net Int Exp Dur Constr	0						1
FMV leased space, eqpmnt	0						1
- space	0						1
- equipment	0	ļ					
Other Capital Costs			ļ				1
- IT	2,470,250						1
- artwork	175,000						
- signage	125,000			_			
Subtotal	22,974,239		ļ				
	1	I			1		1

1110.230 - Background, Purpose of the Project and Alternatives

BACKGROUND OF APPLICANT

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

Ann & Robert H. Lurie Children's Hospital of Chicago 225 East Chicago Avenue Chicago, IL 60611 Licensure: Pediatric Hospital

Children's Outpatient Services at Westchester 2301 Enterprise Drive Westchester, IL 60154 Licensure: Ambulatory Surgical Treatment Center

Children's Outpatient Services at Northbrook 1123 Techny Road Northbrook, IL 60062 Licensure: Ambulatory Surgical Treatment Center

Almost Home Kids
211 East Grand Avenue
Chicago, IL 60611
Licensure: Children's Community Based Health Care Center

Almost Home Kids
7 S. 721 Route 53
Naperville, IL 60540
Licensure: Children's Community Based Health Care Center

FEE RECEIPT, NO.

DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Date 06/08/2022

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Ngozi O. Ezike, M.D.

Director

08/08/2022

0005843

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

Lic Number

Date Printed 03/23/2021

Effective: 06/08/2021

Pediatric Hospital

Ann & Robert H Lurie Children's Hospit 225 East Chicago Avenue Box 140 Chicago, IL 60611 Ann & Robert H Lurie Children's Hospital of Chicago 225 East Chicago Avenue Box 140 Chicago, IL 60611



January 15, 2020

Thomas Shanley, MD
President & CEO
Ann & Robert H. Lurie Children's Hospital of Chicago
225 E. Chicago Ave.
Chicago , IL 60611

Joint Commission ID #: 7269 Program: Hospital Accreditation

Accreditation Activity: 60-day Evidence of Standards

Compliance

Accreditation Activity Completed: 1/10/2020

Dear Dr. Shanley:

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

Comprehensive Accreditation Manual for Hospital

This accreditation cycle is effective beginning September 21, 2019 and is customarily valid for up to 36 months. Please note, The Joint Commission reserves the right to shorten or lengthen the duration of the cycle.

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

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

Congratulations on your achievement.

Sincerely,

Mark G.Pelletier, RN, MS

Chief Operating Officer and Chief Nurse Executive

Division of Accreditation and Certification Operations



January 10, 2020

Re: # 7269 CCN: #143300

Program: Hospital

Accreditation Expiration Date: September 21, 2022

Thomas Shanley
President & CEO
Ann & Robert H. Lurie Children's Hospital of Chicago
225 E. Chicago Ave.
Chicago, Illinois 60611

Dear Dr. Shanley:

This letter confirms that your September 17, 2019 - September 20, 2019 unannounced full resurvey was conducted for the purposes of assessing compliance with the Medicare conditions for hospitals through The Joint Commission's deemed status survey process.

Based upon the submission of your evidence of standards compliance on November 25, 2019 and January 03, 2020 and the successful on-site unannounced Medicare Deficiency Follow-up event conducted on October 30, 2019, the areas of deficiency listed below have been removed. The Joint Commission is granting your organization an accreditation decision of Accredited with an effective date of September 21, 2019. We congratulate you on your effective resolution of these deficiencies.

§482.51 Surgical Services

The Joint Commission is also recommending your organization for continued Medicare certification effective September 21, 2019. Please note that the Centers for Medicare and Medicaid Services (CMS) Regional Office (RO) makes the final determination regarding your Medicare participation and the effective date of participation in accordance with the regulations at 42 CFR 489.13. Your organization is encouraged to share a copy of this Medicare recommendation letter with your State Survey Agency.

This recommendation applies to the following location(s):

Ann & Robert H. Lurie Children's Hospital of Chicago 225 E. Chicago Ave., Chicago, IL, 60611

Dayton 1440 North Dayton Street, Chicago, IL, 60642

Lurie Children's in Grayslake Outpatient Services 1475 E. Belvidere Rd. Rt. 120 Grayslake, Grayslake, IL, 60030

Lurie Children's Outpatient Center in Arlington Heights 880 West Central Road, Suite 6400, Arlington Heights, IL, 60005-2378

www.jointcommission.org

Headquarters

One Renaissance Boulevard Oakbrook Terrace, IL 60181 630 792 5000 Voice



Lurie Children's Outpatient Center in Lake Forest 900 Westmoreland, Suite 110, Lake Forest, IL, 60045

Lurie Children's Outpatient Center in Lincoln Park - Deming 467 West Deming Place, Chicago, IL, 60614-7362

Lurie Children's Outpatient Center in Lincoln Park-Clark 2515 North Clark, Chicago, IL, 60614-7362

Lurie Children's Outpatient Services in New Lenox 1870 Silver Cross Blvd. Ste 100 & 210, New Lenox, IL, 60451

Lurie Children's Outpatient Services in Westchester 2301 Enterprise Drive, Westchester, IL, 60154

Lurie Childrens Outpatient Clinic in Northbrook 1131 Techny Road, Northbrook, IL, 60062

Lurie Childrens Outpatient Clinic Uptown 4867 N. Broadway, Chicago, IL, 60640

Northbrook ASTC and MD Clinic 1121 Techny Road, Northbrook, IL, 60062

Outpatient Center at Huntley 10350 Haligus Rd, Ste 110, Huntley, IL, 60142

Rehabilitative Services at Westbrook 11301 W. Cermack Rd., Suite 100, Westchester, IL, 60154

Please be assured that The Joint Commission will keep the report confidential, except as required by law or court order. To ensure that The Joint Commission's information about your organization is always accurate and current, our policy requires that you inform us of any changes in the name or ownership of your organization or the health care services you provide.

Sincerely,

Mark G. Pelletier, RN, MS

Mark Pelletes

Chief Operating Officer and Chief Nurse Executive Division of Accreditation and Certification Operations

cc: CMS/Central Office/Survey & Certification Group/Division of Acute Care Services

www.jointcommission.org

One Renaissance Boulevard Oakbrook Terrace, IL 60181 630 792 5000 Voice



CMS/Regional Office 5 /Survey and Certification Staff

CONSPICUOUS PLACE

100

Exp. Date 06/25/2022 Lic Number 7001555

Date Printed 06/29/2021

Children's Outpatient Services at West 2301 Enterprise Dr Westchester, IL 60154-5802

FEE RECEIPT NO.

Illinois Department of HF 123296

LICENSE PERMIT CERTIFICATION REGISTRATION
The permit first of copremity stream in propagations and repulsions and a present and repulsions and repulsion

DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Date 9/24/2022 Lic Number 7003221

Date Printed 8/31/2021

Lurie Children's Surgery Center In Nort 1121 Techny Road Northbrook, IL 60062-5503

FEE RECEIPT NO.

Thurse Department of HE 123688

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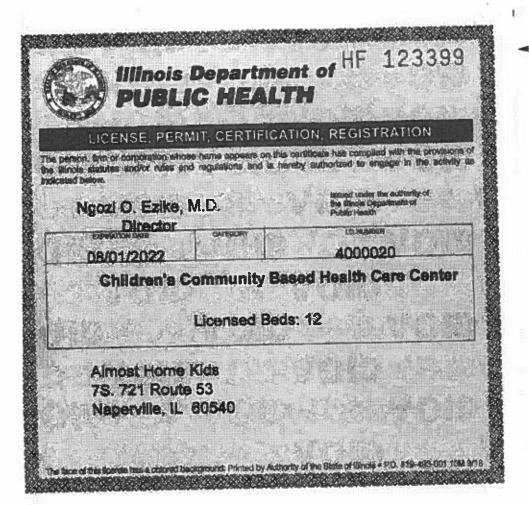
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Almost Home Kids

FEE RECEIPT NO.



September 6, 2022

Ms. Debra Savage
Chairperson
Illinois Health Facilities and
Services Review Board
525 West Jefferson Street - 2nd Floor
Springfield, IL 62761

Re: No Adverse Actions / Authorized Access to Information

Dear Ms. Savage:

I hereby certify that no adverse action has been taken against Children's Hospital of Chicago Medical Center (the "Medical Center") or Ann & Robert H. Lurie Children's Hospital of Chicago ("Lurie Children's") or any facility owned or operated by the Medical Center or Lurie Children's, directly or indirectly, within three (3) years prior to the filing of this application. For the purpose of this letter, the term "adverse action" has the meaning given to it in the Illinois Administrative Code, Title 77, Section 1130.

I hereby authorize the Health Facilities and Services Review Board ("Board") and the Illinois Department of Public Health ("IDPH") to access any documentation they find necessary to verify any documentation or information submitted, including but not limited to official records of IDPH or other State agencies and the records of nationally recognized accreditation organizations. I further authorize the Board and IDPH to obtain any additional documentation or information that Board or IDPH deems necessary to process the application.

If you have any questions, please contact Ann Sherline, Senior Associate General Counsel, Ann & Robert H. Lurie Children's Hospital of Chicago at 312-227-4312, or <u>asherline@luriechildrens.org</u>.

Sincerely,

Thomas P. Shanley, MD

President and Chief Executive Officer

Ann & Robert H. Lurie Children's Hospital of Chicago

225 E. Chicago Avenue

Chicago, IL 60611

Subscribed and sworn to before me this 6th day of September, 2022.

Signature of Notary Public

Seal

OFFICIAL SEAL LORNA K BROWN NOTARY PUBLIC - STATE OF ILLINOIS MY COMMISSION EXPIRES:09/02/24

PURPOSE OF THE PROJECT

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.

The project at 3 Hillcrest Boulevard, Schaumburg, on the border with Hoffman Estates, will provided outpatient pediatric specialty and primary care to residents of the northwest suburbs. The recent decade has seen a boom in outpatient pediatric office visits in general, and at Lurie Children's twenty -one (21) satellite locations throughout the metropolitan area in particular. For the ten (10) years from 2013 to 2022, Lurie Children's outpatient satellite locations have experienced a 150% increase in visits. The project enables the rotation of specialty physicians affiliated with Lurie Children's, thereby responding to the increasing demand for pediatric outpatient services.

The Lurie Children's Outpatient Center in Schaumburg will consolidate and replace Lurie Children's outpatient offices in leased space in Arlington Heights, Hoffman Estates and Huntley, introducing economies of scale associated with replacing the small practices at the latter two locations.

The main stimulus for the project is the expiration of Lurie Children's lease of outpatient space in Arlington Heights in September 2023. Lurie Children's intends to exercise its option to extend the lease until the completion of Lurie Children's new building in Schaumburg.

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

The table on the next page shows the distribution of patient visits for outpatient services provided at Lurie Children's facilities to residents of the northwestern suburbs of Chicago. Fourteen (14) zip codes comprise the Primary Service Area, with a pediatric population of almost 91,000. The total population of these zip codes is about 431,500. Seven (7) additional zip codes constitute a Secondary Service Area, with a pediatric population of over 44,000, and a total population of about 180,000. Combined, the total service area of the project has a pediatric population of about 135,000, and a total resident population of over 611,000.

The fourteen (14) zip codes of the Primary Service Area are the source of 51% of pediatric patient visits to Lurie Children's facilities by residents of the northwest suburbs. The additional seven (7) zip codes of the Secondary Service Area are the sources of an additional 15% of patients. Zip codes beyond these areas are the source of the remaining 34% of patients. The Primary Service Area and the Secondary Service Area are collectively the source of 66% of patients anticipated at the Lurie Children's Outpatient Center in Schaumburg, and together constitute the Planning Area for the project.

See the map following the patient origin table.

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

The project addresses three problems: a) responds to the increasing demand for outpatient pediatric specialty and primary care by residents of the northwestern suburbs in metropolitan Chicago; b) specifically, increases access to outpatient pediatric infusion services, and c) replaces space leased by Lurie

Children's in Arlington Heights upon the termination of that lease, as well as leased sites in Hoffman Estates and Huntley.

Over the past ten years, outpatient visits at Lurie Children's in Streeterville and its Lincoln Park facility (Clark-Deming) increased from approximately 323,250 to 431,700. Based on patient's comments that they would like to have specialty and primary care physicians affiliated with Lurie Children's closer to their homes, Lurie Children's expanded its satellite locations from ten (10) in 2013 to the current twenty-one (21), including larger capacity centers in Northbrook (2015) and Skokie (2021). The addition of these eleven (11) facilities has resulted in a 150% growth of visits at the twenty-one (21) satellites, from 111,736 visits in 2013 to 277,454 visits in 2022.

The plan for the facility in Skokie was to relieve increasing volumes at the Clark-Deming outpatient center by capturing some of the patients from the northern part of the City of Chicago and suburbs. As stated in the permit application for the Lurie Children's Outpatient Center project in Skokie (Project 19-012 approved June 4, 2019), there were about 150,000 visits at Clark-Deming in year 2018. Notwithstanding the increase capacity due to the Skokie project, last year's visits at Clark-Deming were 162,400 and this year's visit volume is projected at 175,400. Many of the 30,000 visits at the Skokie facility this year are new volume.

Many of the Lurie Children's satellite facilities are at capacity. Waiting times for appointments for new patients exceed 1.5 months for seven (7) of the eleven (11) non-surgical pediatric specialties. For allergy/immunology, dermatology, endocrinology and diabetes, and sleep medicine, wait times for a new patient visit are even higher, exceeding two months. This delay in obtaining appointments is not acceptable and constitutes an access problem for families needing care for their children and adolescents. Increased access via additional satellite outpatient locations is needed to meet the needs of patients and their families.

This experience shows that there is significant and increasing demand for outpatient visits with specialty and primary care physicians affiliated with Lurie Children's. The replacement of the outpatient locations in Arlington Heights, Hoffman Estates and Huntley with a larger facility in Schaumburg is planned to accommodate the growing demand for pediatric outpatient services by residents of the northwest suburbs.

Further, families of Lurie Children's patients have expressed strong sentiment that ambulatory infusion services, the intravenous administration of medications primarily provided to immune-compromised patients, should be located closer to their homes, to avoid the need to travel downtown to Lurie Children's main hospital facility. The main hospital is currently the only location within the Lurie Children's system where infusion services are provided. The service is located on the 18th floor of the hospital, requiring an elevator ride for many patients with immuno-compromised conditions. Providing infusion services in Schaumburg would increase patient access and convenience to this growing service for Lurie Children's patients in the northwest suburbs.

Finally, the lease for outpatient space used by Lurie Children's in Arlington Heights is expiring in September 2023.

4. Cite the sources of documentation

- Planning study: Northwest Region Medical Hub: NWC Site Replacement & Expansion,

Schaumburg Program, Building Options & Pro Forma, July 6, 2022; Ann & Robert H. Lurie Children's Hospital of Chicago finance and planning staff

- Population source: IHA COMPdata
- Lurie Children's EPIC medical records system
- Hospital Profiles, Health Facilities and Services Review Board, 2021

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

The new facility will provide appointments for specialty visits in the following areas:

- Academic general pediatrics
- Allergy/Immunology
- Cardiology
- Dermatology
- Endocrinology & Diabetes
- Gastroenterology
- Genetics
- Hematology/Oncology
- Behavioral Health

- Neurology
- Ophthalmology
- Orthopedics
- Otolaryngology
- Pediatric Surgery
- Plastic Surgery
- Pulmonary Medicine
- Urology

Ancillary services will include the following:

- Audiology
- Cardiology diagnostics
- Medical Imaging
- Infusion, 10 infusion rooms, blood bank and pharmacy
- Phlebotomy/Pathology
- Physical Therapy, Occupational Therapy, Speech Therapy, Orthotics & Prosthetics

Physicians in seventeen (17) specialties will have weekly rotations at the new outpatient care center. The limited service locations in the region with more limited specialties (Hoffman Estates – urology; Huntley – pediatric surgery, cardiology, allergy) will be consolidated into the new center. Interaction and communication between primary care pediatricians and specialists is improved by the project. Support services will include x-ray and ultrasound, audiology, cardiac rehab, and ECG/ECHO, physical therapy, occupational therapy, speech therapy, orthotics & prosthetics, and phlebotomy/pathology.

The ambulatory infusion center will address the need for patients desiring appointments, supplementing the downtown infusion program that is capped out on service availability and space. The new facility will provide infusion services 5 days per week and 8 – 10 hours per day. The infusion center will occupy space on the first floor of the outpatient center with direct access from surface parking, avoiding the need for elevator rides and unnecessary interaction with visitors and other patients. The infusion center will have the capability of handling the increasing array of non-chemotherapy infusion (such as GI and rheumatology medications) as well as the traditional chemotherapies, and blood products (transfusions, platelets, etc.)

Patients and families will benefit by receiving care in a modern facility with state-of-the-art equipment and systems support. The facility will be integrated on the Lurie Children's EPIC medical records system. The amenities of the facility will include child-friendly engagement and interactive areas, improved access for parents with strollers and patients with disabilities, and separation of sick and well patient waiting

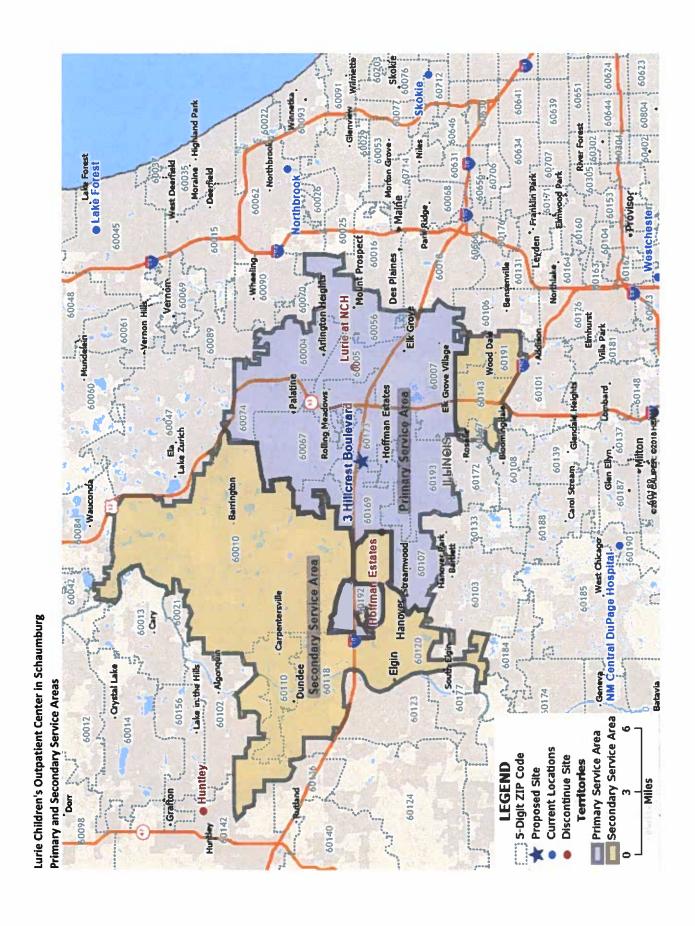
areas. Dedicated space will be planned for vaccine preparation. The facility will feature child-friendly check-in and check-out areas that enhance patient privacy for discussing insurance and demographic information.

Lurie Children's has an established relationship with many patients who reside in the Rockford area and continues to provide pediatric services to these patients. The location of the Schaumburg site off the Jane Addams Tollway will enable these patients to have more convenient and continued access to Lurie Children's services.

- 6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals as appropriate.
 - Expand specialty services available to residents of northwest suburbs to seventeen (17).
 - Open the infusion therapy service by December 31, 2025.
 - Optimize extension of the space lease for the Arlington Heights outpatient clinic to December 2025.

Table Patient Origin by Residence of Pediatric Patients Receiving Care at Lurie Children's Outpatient Facilities

Zip Code	Community Name	Population 2020		% distribution	Cumulative	
		Total Pediatric		FY 2021	Distribution	
					FY 2021	
Primary Se	rvice Area					
60004	Arlington Heights	49,534	9,775	8%	8%	
60056	Mount Prospect	53,881	11,521	7%	15%	
60067	Palatine	38,912	7,425	5%	20%	
60005	Arlington Heights	29,787	6,300	4%	24%	
60074	Palatine	39,061	9,339	4%	29%	
60193	Schaumburg	39,675	7,490	4%	33%	
60107	Streamwood	39,501	10,002	4%	37%	
60008	Rolling Meadows	22,618	5,081	3%	40%	
60007	Elk Grove Village	32,512	5,645	3%	43%	
60169	Hoffman Estates	31,759	7,032	3%	46%	
60192	Hoffman Estates	15,877	3,424	2%	47%	
60194	Schaumburg	20,020	4,061	2%	49%	
60173	Schaumburg	13,229	2,582	1%	50%	
60195	Schaumburg	5,131	1,096	0%	51%	
Subtotal P	rimary Service Area	431,497	90,773	51%		
Secondary	Service Area					
60010	Barrington	44,873	8,730	5%	56%	
60110	Carpentersville	39,519	11,841	3%	59%	
60120	Elgin	52,518	14,805	3%	63%	
60143	Itasca	10,248	2,145	1%	64%	
60118	Dundee	15,992	3,095	1%	65%	
60191	Wood Dale	14,804	3,052	1%	66%	
60157	Medinah	2,401	408	0%	66%	
Subtotal S	econdary Service Are	180,355	44,076	15%		
Zip Codes	Outside PSA and SSA	367,992	85,492	34%	100%	
TOTAL SER	VICE AREA	070 044	220 241	100%		
LOTAL SER	VICE AREA	979,844	220,341	100%		



ALTERNATIVES

The project proposes the construction of a 70,000 sq ft building at 3 Hillcrest Boulevard in Schaumburg as an outpatient center for the provision of specialty and primary care pediatric services. The building will replace space that Lurie Children's leases in Arlington Heights, and two smaller leased facilities in Hoffman Estates and Huntley. The lease of space in Arlington Heights expires in September, 2023; negotiations are underway to extend the lease to allow sufficient time for Lurie Children's to relocate its outpatient services to a new location in the general northwest suburban area.

There were several alternatives considered in the planning of the project:

- 1. Purchase or lease an existing commercial office building and repurpose for outpatient health care.
- 2. Construct a similar outpatient health center but at a different location.
- 3. Build a larger facility at the selected site, with parking garage.
- 4. Alter the specialty services to be offered at the proposed location in Schaumburg.
- 5. Do not provide shelled space.
- 6. Build a 70,000 sq ft outpatient care center at 3 Hillcrest Blvd (405 Arbor Glen Blvd) in Schaumburg. (Preferred Alternative)

1. Purchase or lease an existing commercial office building and repurpose for outpatient health care.

At the request of Lurie Children's, CBRE identified several dozen potential locations in the Rolling Meadows, Schaumburg and Hoffman Estates area. These were narrowed down to five locations. Three of the five locations were sites with existing office buildings, available for lease or purchase. None of the buildings were of the right size/scale to accommodate the proposed program of services. Two of the three had insufficient parking on the site. While the cost of these options would have been \$10 to \$15 million less than the proposed project, the existing facilities did not have the right configuration or scale to be modified to accommodate the clinical programs. As a result, conversion of an existing building was not pursued.

2. Construct a similar outpatient health center but at a different location.

Of the five sites under consideration, the proposed site has the superior location, easily accessible from the Jane Addams Tollway and bordered by Roselle Road, a major arterial road in the Schaumburg area. None of the other sites have the access advantages that the selected site possesses. Easy access was one of the highly rated criteria in the site selection process, important especially for patients, but also for staff and delivery of materials and supplies.

The cost to construct a building at the other vacant site is the same as at the selected location. Superior access was the main criteria that resulted in selection of the site at 3 Hillcrest Boulevard. As a result, construction at another location was rejected.

3. Build a larger facility at the selected site, with a parking garage.

The proposed project provides the largest amount of building square footage that may be constructed at the selected site without being required to construct a parking deck. Surface parking for 240 – 260 cars is planned, meeting the requirements for parking by patients, staff, visitors and delivery. Options for constructing a larger building with a parking structure added between \$12 and \$18 million to the project cost, depending on the size of the building. Analysis conducted by Lurie Children's and its real estate consultant CBRE determine that the extra cost is not justified. As a result, this option was rejected.

4. Alter the specialty services to be offered at the proposed location in Schaumburg.

As stated in the Purpose of the Project section, the proposed array of services includes: academic general pediatrics, allergy/immunology, behavioral health, cardiology, dermatology, endocrinology and diabetes, gastroenterology, genetics, hematology/oncology, neurology, ophthalmology, orthopedics, otolaryngology, pediatric surgery, plastic surgery, pulmonary medicine and urology. This extensive service offering reflects needs of Lurie Children's patients in the northwest suburbs, and many of the services now available at the sites in Arlington Heights, Hoffman Estates and Huntley that will be consolidated in the new location. Ancillary services proposed include: audiology, cardiology diagnostics, medical imaging, ambulatory infusion service with blood bank and pharmacy, outpatient rehabilitation, and phlebotomy/pathology.

The initial program did not include the ambulatory infusion center, the largest user of space at 6,500 sq ft, and the most expensive component of the project. Without this component, the cost of the project would be approximately \$6 million less in building construction and equipment costs. However, it was determined that more ambulatory infusion services are needed in the area as an alternative to the only other option Lurie Children's pediatric patients have, which is to come downtown to the Lurie Children's hospital in Streeterville. The outpatient infusion center in the hospital is at capacity, with minimal option to add evening and weekend hours. Because of the frequency of visits required by infusion patients, having infusion services in Schaumburg was viewed as a necessary component of the program. As a result, the option to exclude infusion services was rejected.

There will be no ambulatory surgery program at the outpatient center. Lurie Children's provides outpatient surgery at its Westchester and Northbrook locations. At this time, a third location for outpatient surgery is not warranted.

5. Do not provide shelled space.

It has been the experience of Lurie Children's that actual volumes have outpaced expected volumes in service planning at satellite locations in the city and suburbs. For example, and as previously mentioned, the outpatient center on Touhy Avenue in Skokie was intended to relieve some of the volume pressure in the outpatient center in Chicago at the Clark-Deming facility. But instead, most of the volume at Skokie has been new patients. Meanwhile, the Clark-Deming volumes have increased from 150,000 in 2018 to an estimated 175,000 this year. As another example, the Lurie Children's outpatient services in New Lenox, where Lurie Children's has a partnership with Silver Cross Hospital for inpatient neonatal and hospitalist services, is expected to grow beyond projections due in part to Silver Cross's establishment of its Level III NICU. Pediatric orthopedics and otolaryngology are especially growing in the New Lenox region. While the New Lenox location is has no direct relationship with the proposed project, it is indicative of the conditions Lurie Children's is facing in its various outpatient satellite locations.

The decision to provide shelled space in Schaumburg reflects the experience that Lurie Children's outpatient sites fill up almost immediately. Operational problems almost always come down to having space capacity issues. Future use of the 14,911 sq ft shelled space will be based on patient visit volumes for the individual clinical divisions in the first two years, recruitment of physicians and staff, and assessment of possible new programs.

The allowance for shelled space adds an associated cost of \$4 to \$6 million. Building this space now is much preferred to paying a higher cost and disrupting active clinical services due to construction in the future.

6. Preferred Alternative: Build a 70,000 sq ft outpatient care center at 3 Hillcrest Blvd (405 Arbor Glen Blvd) in Schaumburg.

As a result, the preferred project was selected – to construct a 70,000 sq ft building on the vacant property at 3 Hillcrest Boulevard in Schaumburg, with a large array of pediatric specialty and primary care

services including an outpatient infusion center, shelled space for future needs, and surface parking. Total project cost is \$55.9 million.

SIZE OF THE PROJECT

The project is the construction of a new building on unimproved land at 3 Hillcrest Blvd (also referred to as 405 Arbor Glen Boulevard) in Schaumburg. The total project size is 70,000 departmental gross sq ft (dgsf). Of this total, 16,099 dgsf is clinical; 53,901 dgsf is non-clinical space. The table shows the distribution of space by functional area.

Department/Service	Proposed DGSF	State Standard (dgsf)	<u>Difference</u>	Met Standard?
Clinical Space				
Cardiology diagnostics				
Echo/ECG/Stress test	957	NA	NA	NA
Radiology imaging				
general x-ray	1,030	1,300	270	Yes
ultrasound	355	900	545	Yes
Rehabilitation				
physical therapy	1,682	NA	NA	NA
occupational therapy	870			
speech therapy	696	NA	NA	NA
prosthetics & orthotics	870			
Audiology	1,276	NA	NA	NA
Pathology lab/phlebotemy	1,863	NA	NA	NA
Ambulatory infusion	6,500	NA	NA	NA
Total Clinical dgsf	16,099			
Non-clinical				
Exam rooms				
Primary Care	3,147	12 x 800 = 9,600	6,453	Yes
Specialty Care	9,418	28 x 800 = 22,400	12,982	Yes
Reception/waiting	2,668		NA	NA
Lobby/restrooms	560		NA	NA
Staff support, lockers, lounge	3,277		NA	NA
Housekeeping, utility	2,878		NA	NA
Storage	2,465		NA	NA
Admin, conference room	5,749		NA	NA
Building systems/mechanical	8,828		NA	NA
Shelled space	14,911		NA	NA
Total Non-clinical dgsf	53,901		NA	NA
Total dgsf	70,000			

The project is consistent with State size standards for the functional areas for which there are standards.

The project includes 14,911 sq ft of shelled space. The decision to provide shelled space in Schaumburg reflects the experience that Lurie Children's outpatient sites fill up to physical capacity almost immediately. Operational problems related to space capacity issues have been the norm at outpatient satellite facilities. Decisions about the future use of the 14,911 sq ft shelled space will be based on patient visit volumes for the individual clinical divisions in the first two years, recruitment of physicians and staff, and assessment of possible new programs.

PROJECT SERVICES UTILIZATION

Lurie Children's Outpatient Center in Schaumburg will have exam and treatment rooms for primary and specialty visits, as well as ancillary services, including a small imaging service with x-ray and ultrasound (one unit each) and cardiology testing (ECG / Echo, PFT (pulmonary function testing) and stress testing). The building will house a ten-station ambulatory infusion center with blood bank and pharmacy, PT/OT, speech therapy, prosthetics & orthotics, audiology, and a pathology lab with phlebotomy.

Physician specialists in the following areas will see patients at the outpatient center: academic general pediatrics, allergy/immunology, behavioral health, cardiology, dermatology, endocrinology and diabetes, gastroenterology, genetics, hematology/oncology, neurology, ophthalmology, orthopedics, otolaryngology, pediatric surgery, plastic surgery, pulmonary medicine and urology. This extensive service offering reflects needs of Lurie Children's patients in the northwest suburbs, and many of the services now available at the sites in Arlington Heights, Hoffman Estates and Huntley that will be consolidated in the new location.

The following table shows the volume of historic and projected visits for year 2027, two years after project completion. Projections are based on a historic average annual 8% growth for specialty care and 3% annually for primary care services.

	Historic			Projected	State	Meet
	2019	2020	2021	2027 (CY)	Standard	Standard?
Cardiology Diagnostics	_	<u>.</u>				
Echo / ECG / Stress test	2,598	2,597	2,954	4,688	NA	NA
Radiology Imaging					'	
x-ray	2,622	3,410	3,549	5,632	8,000 proced	yes
Ultrasound	1,053	1,063	1,179	1,871	3,100 visits	yes
Rehabilitation				<u> </u>		
Audiology	776	613	749	1,189	NA	NA
PT	1,043	766	833	1,322	NA	NA
ОТ	318	296	327	519	NA	NA
O&P	560	485	587	931	NA	NA
Speech	480	414	443	703	NA	NA
Infusion	633	566	763	1,211	NA	NA
Blood Bank	165	114	200	317	NA	NA
Pharmacy	598	523	704	1,117	NA	NA
Laboratory	3,518	3,455	4,209	6,679	NA	NA

There are no State standards for most of the services planned at the site. CON minimum volume standards apply when more than one unit of a type of equipment is proposed. For x-ray and ultrasound, there is one unit of each planned at the facility.

UNFINISHED OR SHELL SPACE

- 1. The planned 70,000 sq ft building includes 14,911 departmental gross sq ft (dgsf) of unfinished / shelled space.
- 2. At this time, it is not known what the use(s) of the unfinished / shelled space will be. That will be determined based on the experienced utilization of the planned services, and evolving needs in the Planning Area. Potential uses include additional exam/treatment rooms, offices for physicians and other providers who rotate to the facility from their main offices on the downtown Chicago campus, expansion of the infusion center, and possibly the addition of medical imaging and other ancillary services.
- 3. The shelled space is being constructed because it is the past experience of Ann & Robert H. Lurie Children's Hospital of Chicago ("Lurie Children's") that the planning of its satellite facilities in has been too conservative. For example, and as previously mentioned, the outpatient center on Touhy Avenue in Skokie was intended to relieve some of the volume pressure in the outpatient center at the Clark-Deming facility, which remains at the location of the former Children's Memorial Hospital in the Lincoln Park area of Chicago. campus. But instead, most of the volume at Skokie has been new patients. Meanwhile, the Clark-Deming volumes have, instead of plateauing, increased from 150,000 in 2018 to an estimated 175,000 this year. As another example, the Lurie Children's outpatient service in New Lenox, under a partnership with Silver Cross Hospital, is expected to grow beyond projections due in part to Silver Cross's establishment of its NICU. Pediatric orthopedics and otolaryngology are especially growing in that market area. While this location in New Lenox is far from Schaumburg and has no direct relationship with the proposed project, it is indicative of the conditions Lurie Children's is facing in its various outpatient satellite locations.

The decision to provide shelled space in Schaumburg reflects the experience that Lurie Children's outpatient sites fill up almost immediately. Operational problems almost always come down to having space capacity issues. Future use of the 14,911 sq ft shelled space will be based on patient visit volumes for the individual clinical divisions in the first two years, recruitment of physicians and staff, and assessment of possible new programs.

4. The decision on the future uses of the unfinished / shelled space will be made by or during the third year of operation of the Lurie Children's Hospital Outpatient Center in Schaumburg. The planned schedule is to open the facility by December 31, 2025. The third year of operation will be from December, 2027 through December, 2028. Following design and build-out of the shelled space, use and operation of the additional area is anticipated to begin by mid-2030.

Consistent with decisions on the future uses of the space, Ann & Robert H. Lurie Children's Hospital of Chicago will submit a permit application for Certificate of Need approval of the utilization plans for the unfinished / shelled space.



September 6, 2022

Mr. John P. Kniery
Administrator
Illinois Health Facilities and
Services Review Board
525 West Jefferson Street - 2nd Floor
Springfield, IL 62761

Re: Unfinished / Shell Space

Dear Mr. Kniery:

I affirm that Children's Hospital of Chicago Medical Center and Ann & Robert H. Lurie Children's Hospital of Chicago (collectively, "Lurie Children's") will submit a permit application for the development and use of shell space in the proposed outpatient care center in Schaumburg. This commitment to file the permit application is independent of the capital expenditure thresholds that will be in effect at the time and the categories of service involved.

Because the future possible uses of the unfinished space are uncertain, we do not have a specific date by which the subsequent permit application to develop and utilize the unfinished space will be submitted. We anticipate that it will be filed by or between December 1, 2027 and November 30, 2028, in the third year of operation following the planned opening of the outpatient center by December 31, 2025. This timing anticipates the build-out and operation of the shell space by mid-2030.

If you have any questions, please contact Ann Sherline, Senior Associate General Counsel, Ann & Robert H. Lurie Children's Hospital of Chicago at 312-227-4312, or <u>asherline@luriechildrens.org</u>, or Ralph Weber, CON Consultant, at 847-791-0830.

Sincerely,

Thomas P. Shanley, MD

President and Chief Executive Officer

Ann & Robert H. Lurie Children's Hospital of Chicago

225 E. Chicago Avenue

Chicago, IL 60611

Subscribed and sworn to before me this 68 day of September, 2022.

Signature of Notary Public

Seal

OFFICIAL SEAL LORNA K BROWN NOTARY PUBLIC - STATE OF ILLINOIS MY COMMISSION EXPIRES:08/02/24

1110.270 Clinical Service Areas other than Categories of Service

Service	# Existing	# Proposed			
	Key Rooms	Key Rooms			
Radiology Imaging					
x-ray	0	1			
ultrasound	0	1			
Rehabilitation					
PT/OT	0	5			
speech	0	3			
orthotics & prosthetics	0	3			
Ambulatory Infusion					
infusion rooms	0	10			
blood bank	0	1			
pharmacy	0	1			
Pathology lab/phlebotomy	0	3			

The Lurie Children's Outpatient Center in Schaumburg contains several clinical programs that are not categories of service:

Diagnostic Imaging - x-ray

Diagnostic Imaging - ultrasound

Physical therapy / occupational therapy / speech therapy / orthotics & prosthetics

Ambulatory infusion center, including blood bank and pharmacy

Pathology lab with phlebotomy service

Other services to be offered in the outpatient center are not considered "clinical services," consistent with previously reviewed permit applications. These include exam and treatment rooms for physicians with appointments at Lurie Children's.

1. Service to Planning Area Residents

For the Lurie Children's Outpatient Center in Schaumburg, the Primary Service Area (PSA) is defined as fourteen (14) zip codes, with a pediatric population of almost 91,000. The total resident population of these zip codes is about 431,500. The fourteen (14) zip codes are the source of 51% of visits to Lurie Children's outpatient facilities by residents of the northwest suburbs. Seven (7) additional zip codes constitute the Secondary Service Area (SSA), with a pediatric population of over 44,000 and a total population of about 180,000. The SSA contributes an additional 15% of patients. Together, the PSA and SSA have a pediatric population of about 135,000, a total population of over 611,000, and are the source of two thirds of pediatric patients residing in the northwest suburbs and receiving care at Lurie Children's outpatient facilities. (See Purposes of the Project section.)

The distribution of services (imaging, infusion, therapy, and office visits) is assumed to be the same as the patient origin information.

For purposes of this permit application, the <u>21 zip codes of the PSA and SSA constitute the Planning Area for the project</u>. As a result, it can be stated that more than 50% of pediatric patients utilizing services at the outpatient center reside in the Planning Area.

2. Service Demand

Projected utilization of the clinical equipment and services are based on historic volume counts associated with Lurie Children's patients residing in the 21 zip code Planning Area. Blood bank and pharmacy volumes are subsets of infusion volumes.

Growth is projected at an annual 8% for specialty care and ancillary services, based on historic experience for outpatient visits to Lurie Children's sites serving this region. Growth of primary care is projected at 3% annually.

3. Impact of the project on other area providers

The majority of projected patients that will receive service at the Lurie Children's Outpatient Center in Schaumburg are currently patients of Lurie Children's. The proposed outpatient center brings these services closer to these patients' homes in the 21 zip code Planning Area. As a result, it is not expected that there will be disruption of other physician existing office practices or other providers' outpatient care center volumes.

4. Utilization

The following volumes are anticipated in year 2027, two years after project completion, for clinical service areas other than categories of service. Patient volumes for the one x-ray machine and one ultrasound are consistent with State utilization standards, as shown in the table in the Project Services Utilization section, Attachment 15.

		Historic		
	2019	2020	2021	2027 (CY)
Cardiology Diagnostics				
Echo / ECG / Stress test	2,598	2,597	2,954	4,688
Radiology Imaging				
x-ray	2,622	3,410	3,549	5,632
Ultrasound	1,053	1,063	1,179	1,871
Rehabilitation				
Audiology	776	613	749	1,189
PT	1,043	766	833	1,322
ОТ	318	296	327	519
O&P	560	485	587	931
Speech	480	414	443	703
Infusion	633	566	763	1,211
Blood Bank	165	114	200	317
Pharmacy	598	523	704	1,117
Laboratory	3,518	3,455	4,209	6,679

1120.120 AVAILABILITY OF FUNDS

Audited Financial Statements

Children's Hospital of Chicago Medical Center and Affiliated Corporations

Consolidated Financial Statements August 31, 2021 and 2020

Children's Hospital of Chicago Medical Center and Affiliated Corporations

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August 31, 2021 and 2020

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Report of Independent Auditors

To the Board of Directors of Children's Hospital of Chicago Medical Center and Affiliated Corporations

We have audited the accompanying consolidated financial statements of Children's Hospital of Chicago Medical Center and Affiliated Corporations ('the Medical Center'), which comprise the consolidated balance sheets as of August 31, 2021 and 2020, and the related consolidated statements of operation and change in net assets and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 the 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 our 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, we consider internal control relevant to the Medical Center'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 Medical Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Children's Hospital of Chicago Medical Center and Affiliated Corporations as of August 31, 2021 and 2020, and the results of their operations and changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the consolidated financial statements, the Medical Center changed the manner in which it accounts for leases in 2021. 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 taken as a whole. The consolidating 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 consolidating 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 consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual companies.

Ynicenstatorochogura LCP Chicago, Illinois

January 21, 2022

Children's Hospital of Chicago Medical Center and Affiliated Corporations Consolidated Balance Sheets August 31, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 58,931,786	\$ 28,299,259
Current portion of self-insurance trust	14,000,000	5,517,000
Patient accounts receivable, net Other current assets	221,266,917	233,649,273
Total current assets	93,338,681 387,537,384	89,092,129 356,557,661
Investments	1,820,944,823	1,491,471,433
Property and equipment, at cost	1,020,544,023	- טנד,ו זד,ופד,ו
Land	39,588,666	35,242,506
Buildings and improvements	1,251,029,460	1,228,119,009
Equipment	486,014,496	463,317,980
Construction in progress	25,747,886	21,361,044
Total property and equipment, at cost	1,802,380,508	1,748,040,539
Less: Accumulated depreciation	<u>767,658,037</u>	677,872,494
Property and equipment, net	1,034,722,471	1,070,168,045
Operating lease right-of-use assets	112,914,422	
Other assets		
Pledges receivable restricted by donors, net Other	58,778,582 13,069,667	67,698,845 24,071,234
Total other assets	71,848,249	91,770,079
Total assets	\$ 3,427,967,349	\$ 3,009,967,218
Liabilities and Net Assets Current liabilities		<u> </u>
Accounts payable and accrued expenses	\$ 208,462,254	\$ 199,102,104
Current portion of self-insurance liability	14,000,000	5,517,000
Due to third-party payors	32,898,502	31,473,696
Current portion of operating lease liabilities	13,745,052	
Current portion of long-term debt	5,920,000	5,640,000
Total current liabilities	275,025,808	241,732,800
Other liabilities	440.070.400	400 040 000
Self-insurance liability Other noncurrent liabilities	142,873,480 22,017,865	126,649,022 62,584,666
Total other liabilities	164,891,345	189,233,688
Long-term operating lease liabilities	125,252,868	
Long-term debt	342,948,854	349,609,925
Total liabilities	908,118,875	780,576,413
Net assets		
Net assets without donor restrictions	1,990,945,512	1,727,317,238
Net assets with donor restrictions	528,902,962	502,073,567
Total net assets	2,519,848,474	2,229,390,805
Total liabilities and net assets	\$ 3,427,967,349	\$ 3,009,967,218

Children's Hospital of Chicago Medical Center and Affiliated Corporations

Consolidated Statements of Operation and Change in Net Assets Years Ended August 31, 2021 and 2020

	2021	2020
Operating revenue		
Net patient service revenue	\$ 1,141,149,793	\$ 1,090,283,004
Net assets released from restriction Contributions and philanthropy used for program purposes Grants and other restricted income used for	59,121,560	50,321,832
program purposes	64,672,484	60,724,474
Board-designated endowment income	10,547,994	10,231,046
Other operating revenue	91,392,255	117,925,866
Total operating revenue	1,366,884,086	1,329,486,222
Operating expenses Salaries, wages, and employee benefits Supplies and services Depreciation	801,541,202 452,573,024 91,656,138	795,973,897 426,984,837 88,226,042
Total operating expenses	1,345,770,364	1,311,184,776
Income from operations before interest and amortization	21,113,722	18,301,446
Interest and amortization of financing costs	16,601,215	16,638,682
Income from operations	4,512,507	1,662,764
Nonoperating income (expense) Investment return gains Unrestricted contributions and bequests Fundraising expense Loss on disposal of fixed assets Other Total nonoperating income/(expense)	240,676,864 20,676,455 (18,328,955) (91,078) 3,329,750	74,932,332 18,146,002 (19,498,176) (81,694) (4,442,808)
Excess of revenue over expenses	\$ 250,775,543	\$ 70,718,420

Children's Hospital of Chicago Medical Center and Affiliated Corporations

Consolidated Statements of Operation and Change in Net Assets Years Ended August 31, 2021 and 2020

	2021	2020
Net assets without donor restrictions Excess of revenue over expenses Net assets released from restriction used for purchase and construction	\$ 250,775,543	\$ 70,718,420
of property and equipment Retirement plan related change other than net	1,949,511	2,433,912
periodic retirement plan expense	6,675,809	4,861,090
Other	4,227,411	2,208,140
Increase in net assets without donor restrictions	263,628,274	80,221,562
Net assets with donor restrictions		
Contributions	42,187,036	56,428,615
Grants and other restricted income	65,742,056	66,162,801
Change in fair value of perpetual trusts	4,598,320	879,023
Investment return	39,953,912	11,243,373
Pledge receivable write-offs, net of		
change in allowance	91,626	(18,859)
Net assets released from restriction		
Contributions and philanthropy used for program purposes Grants and other restricted income used for	(59,121,560)	(50,321,832)
program purposes	(64,672,484)	(60,724,474)
Purchase of property and equipment	(1,949,511)	(2,433,912)
Increase in net assets with		
donor restrictions	26,829,395	21,214,735
Increase in net assets	290,457,669	101,436,297
Net assets		
Beginning of year	2,229,390,805	2,127,954,508
End of year	\$ 2,519,848,474	\$ 2,229,390,805

Children's Hospital of Chicago Medical Center and Affiliated Corporations Consolidated Statements of Cash Flow

Years Ended August 31, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Increase in net assets	\$ 290,457,669	\$ 101,436,297
Adjustments to reconcile change in net assets to		
net cash provided by operating activities:	(0.40.070.00.4)	(71.000.000)
Realized and unrealized (gains)/losses on investments	(240,676,864)	(74,932,332)
Restricted contributions and restricted investment return	(50,355,496)	(19,285,919)
Loss on disposal of fixed assets	91,078	81,694
Net assets transferred from newly affiliated entity	(4.700.004)	(7.544.040)
Receipt of contributed securities Investment (gain)/loss - CIN and MCC	(4,792,064)	(7,514,012)
, ,	(3,439,975)	6,649,849
Retirement plan related change other than net periodic retirement plan expense	(6 67E 900)	/4 9C1 000\
Depreciation	(6,675,809) 90,977,782	(4,861,090)
Amortization of operating lease right-of-use assets		87,450,399
Provision for doubtful accounts	11,396,358 17,819,391	10,862,937
Net changes in assets and liabilities	17,019,591	10,002,537
Accounts receivable, net	(5,437,034)	12,810,652
Accounts payable and accrued expenses	16,752,520	(12,925,458)
Due to third-party payors	1,424,806	(1,153,524)
Self-insurance liability	24,707,458	8,772,359
Other assets and liabilities	(7,049,681)	(3,174,457)
Net cash provided by operating activities	135,200,139	104,217,395
Cash flows from investing activities	100,200,103	104,217,000
Capital expenditures	(60.225.624)	(90 607 190)
Sales of investments	(60,235,621) 1,324,516,787	(80,697,180) 2,289,105,740
Purchases of investments	(1,371,005,542)	(2,323,003,881)
Net cash used in investing activities	(106,724,376)	(114,595,321)
Cash flows from financing activities	(5.0.0.00)	(5.075.000)
Principal payments under long-term debt obligations	(5,640,000)	(5,375,000)
Proceeds from line of credit	-	25,000,000
Payment of line of credit	-	(25,000,000)
Proceeds from restricted contributions and restricted investment income	7,796,764	9,118,076
Net cash provided by financing activities	2,156,764	3,743,076
Decrease in cash and cash equivalents	30,632,527	(6,634,850)
Cash and cash equivalents	30,302,62.	(0,001,000)
Beginning of year	28,299,259_	34,934,109_
End of year	\$ 58,931,786	\$ 28,299,259
•	\$ 36,931,760	\$ 20,295,235
Supplemental disclosures of cash flow information	* 44.057.000	e 44.000.000
Cash paid during the year for interest	\$ 14,357,000	\$ 14,620,000
Cash paid during the year for unrelated	400.000	500.000
business income taxes	400,000 6 534 000	500,000
Noncash additions to property and equipment Operating lease right-of-use assets obtained in exchange for	5,521,000	9,392,000
lease obligations	132,160,000	
	.02,.00,000	

1. Organization and Nature of Operations

Children's Hospital of Chicago Medical Center (the 'Medical Center'), an Illinois not-for-profit corporation, is the sole member of Ann & Robert H. Lurie Children's Hospital of Chicago (the 'Hospital'), an Illinois not-for-profit corporation. The Hospital was founded in 1882 by Julia Foster Porter to provide medical care for all children. Today, the Medical Center and its affiliates comprise an independent, freestanding academic institution dedicated to the health and well-being of all children. The Medical Center is also the sole member of Ann & Robert H. Lurie Children's Hospital of Chicago Foundation (the 'Foundation'), Stanley Manne Children's Research Institute (the 'Research Institute'), Pediatric Faculty Foundation, Inc. ('PFF') Almost Home Kids ('AHK'), Lurie Children's Surgical Foundation, Inc. ('LCSF'), and Lurie Children's Pediatric Anesthesia Associations ('LCPAA'), all Illinois not for-profit corporations. Each of the following entities: Lurie Children's Medical Group, LLC ('LCMG'), Lurie Children's Health Partners Care Coordination, LLC (the 'CCE') and Lurie Children's Primary Care, LLC ('LCPC') are Illinois limited liability companies whose sole member is the Medical Center. The Medical Center is also the parent of CMMC Insurance Co. Ltd. ('CMMC Insurance'), a captive, offshore insurance entity organized under the laws of the Cayman Islands. The Children's Hospital of Chicago Faculty Practice Plan, Inc. ('FPP') is an Illinois not-for-profit affiliate of the Medical Center effective September 1, 2018. The Hospital, Foundation, Research Institute, PFF, AHK, LCSF, LCPAA, LCMG, CCE, LCPC CMMC Insurance and FPP are collectively referred to herein as the Affiliated Corporations.

The Hospital owns and operates a pediatric hospital in Chicago, Illinois with 364 licensed beds as of August 31, 2021. The Hospital provides a complete range of pediatric health care services, including pediatric inpatient medical and surgical care, tertiary and quaternary care services, and emergency services. The Hospital operates more than 50 specialty and primary care outpatient clinics at its main campus in the Streeterville neighborhood of Chicago and throughout the metro Chicago area, as well as two Ambulatory Surgical Treatment Centers ('ASTC') facilities and fifteen outpatient specialty centers in the surrounding metro Chicago area.

The Foundation carries out fundraising and other related development activities in support of the Medical Center and its affiliates. The Foundation supports comprehensive capital campaigns aligned with the Medical Center's strategic plans. Restricted contributions support specific programs, recruitments, and research, in addition to unrestricted contributions which, not only offset fundraising expense, but also contribute to the Hospital's greatest areas of need.

The Research Institute was established to improve pediatric health and health care services through research and education. Its role is to build a scientific community in support of treatments and cures within pediatric medicine which span the laboratory bench to the patient's bedside. The Medical Center in conjunction with Northwestern University completed and commissioned the research facility at the Simpson Querrey Biomedical Research Center in Chicago in June 2019.

PFF provides physician services to a broad pediatric population in Chicago and surrounding counties and across the State of Illinois, employing more than 565 pediatric primary care and subspecialty physicians. A portion of research activity also flows through PFF.

LCMG, with more than 60 employed physicians, provides pathology, medical imaging, psychiatry, and dentistry services to the Hospital and its patients.

AHK is a unique organization providing transitional and respite care for medically complex children outside the acute care setting.

CMMC Insurance is a captive, offshore insurance entity whose sole function is to purchase reinsurance for the purpose of reducing risk and cost. It currently does not retain risk. CMMC Insurance has no employees and is managed on behalf of the Hospital by an independent Cayman Islands-based management company.

The CCE exists for the provision and coordination of medical care of medically complex children, contracting with Managed Care Organizations ('MCO's') and commercial health plans to provide care coordination services to children within their plans that have complex medical needs.

LCPC provides primary care services to Chicago residents and surrounding areas with over 20 primary care pediatricians and three primary care locations.

In April 2014, the Medical Center became one of eleven partners of Accountable Care Chicago, LLC, doing business as MyCare Chicago ('MCC'). As of October 2016, MCC began dissolving after transitioning all members and network management to a third party and upon dissolution, care coordination was terminated. MCC was fully dissolved during fiscal year 2021. The Medical Center's investment in MCC as of August 31, 2020 was \$36,000, subsequent to cash distributions.

In June 2014, the Medical Center, Children's Community Physicians Association ('CCPA'), and FPP formed Lurie Children's Health Partners Clinically Integrated Network, LLC, an Illinois limited liability company (the 'CIN'). The CIN is an integrated healthcare network focused on creating value-based reimbursement programs with payors that support improving the health and well-being of children and their families. The CIN has a twelve-member board of which CCPA appoints six, FPP appoints four, and the Medical Center appoints two. CCPA is committed to a three percent capital position, while the Medical Center and FPP are committed to a ninety-seven percent capital position. During fiscal year 2021, \$464,000 of income was returned to the Medical Center. As the Medical Center does not have governance control, the CIN is not a consolidating entity but rather accounted for under the equity method.

LCSF provides pediatric surgical services to the Hospital and its patients, employing more than 75 surgeons among nine subspecialty divisions.

LCPAA provides pediatric anesthesia and pain management services to the Hospital and its patients employing more than 35 anesthesiologists.

FPP provides credentialing services for physicians employed by the affiliates of the Medical Center, administration of physician benefits and third-party reimbursement contracting services for PFF, LCPAA, LCSF and LCMG, comprising of over 800 physician members.

Consolidation

The accompanying consolidated financial statements of the Medical Center include the accounts of the Hospital, the Foundation, the Research Institute, PFF, LCMG, AHK, the Medical Center, CMMC Insurance, CCE, LCPC, LCPAA, LCSF and FPP. Intercompany transactions and accounts have been eliminated.

The accompanying consolidating balance sheets and consolidating statements of operation and change in net assets without donor restrictions by entity as of August 31, 2021 and 2020 are provided for purposes of additional analysis and are not required as part of the consolidated financial statements. They have been prepared in a manner consistent with generally accepted accounting principles ('GAAP') and are presented only for purposes of additional analysis and not as a presentation of financial position and results of operations of each component of the combined group. The supplemental consolidating financial information was derived from the accounting records used to prepare the consolidated financial statements. All intercompany eliminations have been recorded.

Coronavirus Update

The outbreak of the Novel Coronavirus (COVID-19) pandemic in early 2020 warranted an unprecedented response by federal, state and local authorities. To reduce the spread of the disease a public health emergency was declared. On March 20, 2020, the Governor of Illinois issued a stay-at-home order (Executive Order 2020-10), which stated that all individuals must stay at home with the exceptions for essential activities, essential government functions, and essential businesses and operations. Healthcare organizations were ordered by both the State of Illinois and the City of Chicago to cancel or postpone virtually all elective surgical procedures and nonemergency care through May 2020. The Medical Center suffered adverse lost revenue due to cancelled healthcare service and unexpected expenses incurred to control the spread of COVID-To ameliorate the economic effect of the stay-at-home order, Congress passed the Coronavirus Aid, Relief and Economic Security Act ('CARES Act') in late March 2020, which approved grants and aids to help healthcare institutions respond to the adverse financial impact of the COVID-19 pandemic. In fiscal years 2021 and 2020, the Medical Center applied and received grant and stimulus payments of approximately \$13,695,000 and \$50,700,000, respectively from the CARES Act to curtail the effect of lost revenue and expenses incurred to control and reduce the spread of COVID-19. These grants and stimulus payments were recorded in other operating revenues. In addition, the Medical Center elected to defer payments related to the employer's share of Social Security taxes as part of the CARES Act. A total of \$21,887,000 in payroll taxes was deferred and is included within Accounts Payable and Accrued Expenses within the accompanying consolidated balance sheet as of August 31, 2021. A total of \$10,944,000 was paid December 2021, with the remaining balance to be paid by December 31, 2022.

Terms and conditions surrounding the recognition of these CARES Act provider relief funds may be subject to change by U.S. Department of Health and Human Services ('HHS') and could require the Medical Center to repay a portion of amounts received. HHS continues to release additional guidance and clarification regarding the treatment of these CARES Act provider relief funds. The Medical Center believes that any liabilities arising from such changes may have a material effect on its financial position depending on revisions by HHS. At this time the Medical Center has submitted the required attestations and reporting for each of the grants and stimulus payments received.

The COVID-19 pandemic and related actions taken by federal, state and local governments in response may materially impact the Medical Center's financial position and its results of operations. The extent of the impact to the Medical Center will depend on future developments beyond its control, including the overall duration and spread of the pandemic, and cannot be fully determined at this time. In addition, there continues to be an ongoing risk that COVID-19 could impact future revenues, particularly within the emergency department and corresponding inpatient activity.

2. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Medical Center, the Hospital, the Research Institute, the Foundation, PFF, FPP, AHK, LCSF and LCPAA are all Illinois not-for-profit organizations exempt from federal and state income taxes.

Certain activities of the Hospital are taxable as unrelated business income. Such activities include earnings from alternative investments, reference laboratory, and parking benefits. As of August 31, 2021, and 2020 \$800,000 and \$710,000 were recorded respectively as provision for unrelated business income tax and included in other nonoperating expense in the consolidated statements of operation and change in net assets. In December 2019, Congress passed a measure that retroactively repealed the parking benefits unrelated business income tax provision that requires tax-exempt organizations to include in unrelated business taxable income the amounts they pay or incur on qualified transportation fringe benefits. The Medical Center and affiliates amended its prior unrelated business income tax returns as a result of the repeal of this provision. LCMG, CCE and LCPC are disregarded entities treated as divisions of the Medical Center for Internal Revenue Service ('IRS') reporting.

3. Summary of Significant Accounting Policies

Accounting Pronouncements

Effective September 1, 2020, the Medical Center adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU"), No. 2016-02, Leases (Topic 842). The ASU requires entities to recognize lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. Lessees will recognize a right-of-use asset and a lease liability for most leases and classify as either an operating or a financing lease. The guidance significantly changes lessee accounting for leases and impacts financial statement presentation. The Medical Center adopted the ASU using a modified retrospective approach and elected the package of practical expedients permitted under the transition guidance within the ASU. On September 1, 2020, the adoption resulted in an increase of \$132,160,000 in right-of-use assets, net of prepaid rent, unamortized lease incentives and deferred lease obligations previously recorded prior to the adoption, and \$164,169,000 of operating lease liabilities.

Effective September 1. 2020, the Medical Center adopted ASU no. 2018-09, Codification Improvements. The ASU may result in additional assets included in an entity's fair value disclosure table, if among other criteria, net asset value has public visibility. There was no significant impact to the Medical Center's consolidated financial statements as a result of the adoption.

Effective September 1, 2020, the Medical Center adopted ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to Disclosure Requirements for Fair Value Measurement. The ASU removes, modifies and adds certain disclosure requirements on fair value required by Topic 820. The ASU did not have a material impact on the consolidated financial statements as a result of the adoption.

Effective September 1, 2020, the Medical Center adopted ASU 2016-18, Statement of Cash Flows: Restricted Cash, which requires total cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statements of cash flows. There was no significant impact to the Medical Center's consolidated financial statements, as the Medical Center's restricted cash and cash equivalents are not material and therefore not required to present the restricted cash and cash equivalents within the accompanying consolidated statement of cash flows.

In March 2017, the FASB issued ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires disclosure changes related to the income statement presentation of the components of net periodic benefit cost for defined benefit pension and other post retirement plans. The ASU requires entities to disaggregate the current service cost component from the net periodic benefit cost and continue to present it within salaries, wages and employee benefits on the income statement. The other components of net periodic benefit cost, including interest costs, investment returns, amortization of prior balances, and settlement costs, are now required to be presented in the income. The Medical Center adopted this standard as of August 31, 2020. The ASU is required to be implemented retrospectively and resulted in \$989,000 of nonservice pension costs being reclassified from salaries, wages and employee benefits expense to nonoperating income/expenses in the statements of operation and changes in net assets for fiscal year ending August 31, 2019.

In September 2020, the FASB issued ASU No. 2020-07, Not-for-Profit Entitles (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU requires contributed nonfinancial assets to be presented as a separate line item in the statement of activities. Additional disclosures around qualitative information and any policies on monetization, description of any donor-imposed restrictions and a description of valuation techniques are also required. The Medical Center is currently reviewing the requirements of the ASU and evaluating the impact. The ASU is required to be implemented in fiscal year 2022.

In August 2018, the FASB issued ASU No. 2018-14, Compensation-Retirement Benefits-Defined Benefit Plans. The ASU modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The ASU allows entities to remove disclosure over accumulated comprehensive income and certain information regarding plan assets. The ASU also requires entities to add disclosures for significant gains and losses impacting the benefit obligation and significant changes in the benefit obligation or plan assets. The Medical Center is currently reviewing the requirements of the ASU and evaluating the impact. The ASU is required to be implemented in fiscal year 2022.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Medical Center to make assumptions, estimates, and judgments that affect the amounts reported in the consolidated financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. The Medical Center considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: recognition of net patient accounts receivable and net patient service revenue, both of which include contractual allowances, third- party payor settlements, and provisions for doubtful accounts; reserves for losses and expenses related to health care professional and general liabilities; valuation of alternative investments; accrued self-insurance related costs; and risks and assumptions in the measurement of pension liabilities. Management relies on historical experience, other assumptions believed to be reasonable under the circumstances, and recommendations made by the Medical Center external advisors and actuaries in making its judgments and estimates. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents include unrestricted, undesignated marketable securities with original maturities of three months or less that are held for short-term cash management. Cash and cash equivalents are reported at their approximate fair value.

Current Portion of Self-Insurance Revocable Trust

Current portion of self-insurance trust represents investment assets earmarked for self-insurance trust payments due within a year. See Note 6 for additional disclosures.

Accounts Receivable, Net of Allowance for Uncollectible Accounts

Patient accounts receivable consists primarily of amounts owed by various governmental agencies, insurance companies and patients. The Medical Center manages these receivables by regularly reviewing the accounts and contracts and by recording appropriate price concessions. The Medical Center reports accounts receivable at an amount equal to the consideration it expects to receive in exchange for providing healthcare services to its patients, which is estimated using contractual provisions associated with specific payors, historical reimbursement rates and analysis of past experience to estimate potential adjustments. The Medical Center writes off amounts that have been deemed to be uncollectible because of circumstances that affect the ability of payors to make payments as they occur. See Note 9.

Inventory

Inventories, which primarily consist of medical supplies and pharmaceuticals used for patient care, are stated at the lower of cost or net realizable value, using the first-in, first-out method.

Investments

The Medical Center pools its donor restricted, self-insurance, undesignated and board-designated investments. Investment returns are allocated among net assets without donor restrictions and net assets with donor restrictions based on the pro-rata share of the balance in each fund to the total investment pool as of the end of each accounting period.

Investment income earned, at a fixed rate, on certain funds that are board-designated for patient care, education and the self-insurance trust are reported as other operating revenue. All other investment income and losses (including interest and dividends, realized gains and losses, and unrealized gains and losses) are reported as nonoperating income (loss) unless the income or loss is restricted by donor or law. Investment returns on net assets with restrictions are allocated to the purposes specified by the donor or law, either as net assets with donor restrictions or net assets without donor restrictions, as applicable.

Fair Value of Financial Instruments

Financial instruments consist primarily of cash and cash equivalents, investments, accounts receivable, pledges receivable, insurance receivable, accounts payable, accrued expenses, estimated third party payor settlements, and long-term debt. Except as otherwise disclosed, the fair value of financial instruments approximates the financial statement carrying amount.

Property and Equipment

Property and equipment are recorded at cost. Internal labor and interest expense incurred during the period of construction of significant capital projects are capitalized as a component of the cost of the asset

Depreciation is calculated using the straight-line method over the estimated useful life of the assets. One-half year's depreciation is taken in the year of acquisition, except for significant asset additions such as the Hospital's facility, which is depreciated based on the actual date placed into service. The useful life of the major asset classifications are as follows:

Buildings	40-80 years
Building improvements	15-20 years
Equipment	5-20 years
Computer hardware and software	3-5 years

In 2021 and 2020, the Medical Center disposed of fully depreciated assets of \$2,301,000 and \$5,748,000, respectively, of property, equipment and software that were no longer in use. The carrying amount of the asset and accumulated depreciation were removed from the accounts. When factors indicate that such assets should be evaluated for possible impairment, the Medical Center uses an estimate of the undiscounted cash flows over the remaining life of the asset in measuring whether the asset is recoverable. Repair and maintenance costs are expensed as incurred.

Operating Lease Right-of-Use Assets and Lease Liabilities

The Medical Center evaluates whether an arrangement is, or contains, a lease at inception. Leases result in the recognition of a right-of-use asset and lease liability in the accompanying consolidated balance sheet. Right-of-use assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Medical Center determines the lease classification at the lease commencement date.

The lease liability is measured at the present value of the future lease payments over the lease term. The right-of-use asset equals the lease liability adjusted for any lease payments made at or before the commencement date and initial direct costs. The Medical Center has elected to use a risk-free rate using a period comparable with the lease term. The Medical Center has also elected a policy to combine lease and nonlease components. The lease term will include options to extend the lease if the Medical Center is reasonably certain to exercise the option. Lease expense is recognized on a straight-line basis over the lease term.

Pledges Receivable Restricted by Donors

As of August 31, 2021, approximately 21% of pledges restricted by donors are receivable within one year, 54% between two and five years, and 25% receivable beyond five years. Pledges are recorded at the present value of estimated future cash flow, net of allowances for uncollectible pledges of \$2,084,000 and \$2,343,000 at August 31, 2021 and 2020, respectively, and present value discounts of \$20,357,000 and \$21,362,000 at August 31, 2021 and 2020, respectively. Estimated future cash flows due after one year are discounted using interest rates of 3.5% to 8% commensurate with estimated collection risks.

Bond Issuance Costs

Bond issuance costs are deferred and amortized using the effective interest method over the life of the related debt as an increase to interest expense. These costs include items such as document preparation costs, underwriting fees, and other external, incremental expenses paid to advisors that directly relate to the financing. The amount of bond issuance costs and unamortized underwriter fees were \$3,120,000 and \$3,364,000 at August 31, 2021 and August 31, 2020, respectively.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent payables owed in the ordinary course of business and expenses incurred but not yet paid by the Medical Center, including payroll incurred by the Medical Center and its affiliates, and insurance payables incurred but not yet paid.

Current and Noncurrent Portions of Self-Insurance Liability

The self-insurance trust and corresponding liability are reviewed annually by an independent actuary. The Medical Center contributes to the self-insurance trust estimated amounts determined by the actuary to be sufficient to pay for expected future losses. Provisions for the professional liability are based on an actuarial estimate of losses using the Medical Center's actual loss data adjusted for industry trends and current conditions. The provision includes estimates of costs for both reported claims and claims incurred but not reported. See Note 13.

Due to Third-Party Payors

Due to third-party payors represents accruals for settlements with third-party payors, any agency that contracts with the Medical Center or its affiliates and patients to pay for the care of covered patients. Accruals are made based on estimates of amounts to be received or paid under the terms of the respective contracts and related settlement principles and regulations of the State Medicaid program, the Blue Cross Plan of Illinois and the Federal Medicare program.

Net Assets

Net assets are classified based upon donor restrictions, if any, as follows: Net assets without donor restrictions and Net assets with donor restrictions.

Net assets that bear no external restriction as to use or purpose are classified as net assets without donor restrictions. This represents net assets which are free of donor-imposed restrictions, including all revenues, expenses, gains, and losses. Also included in this classification are assets whose use is limited under Board-Designated funds for mission-related activities in support of the Medical Center.

Net assets with donor restrictions represents net assets whose use is limited by donor-imposed restrictions, time restrictions and those stipulations that can be fulfilled or otherwise removed by actions of the Medical Center. Net assets with donor restrictions include endowment funds primarily related to pledges receivables, grants, research, medical education, program support and net assets whose use is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Medical Center. Refer to Note 8 for further disclosure on endowments and related investment and spending policies.

Consolidated Statement of Operations and Change in Net Assets

All activities of the Medical Center deemed by management to be ongoing, major and central to the provision of healthcare services are reported as operating revenues and expenses. Other activities deemed to be nonoperating include: unrestricted gifts, fundraising expenses and certain investment income (including realized gains and losses).

The consolidated statements of operation and change in net assets include the excess of revenue over expenses. Changes in unrestricted net assets, which are excluded from the excess of revenue over expenses, consistent with industry practice, include contributions of long-lived assets, pension benefit changes other than net periodic expense and the release of restriction for the purchase and construction of property and equipment.

Net Patient Service Revenue

The Medical Center provides health care services through various inpatient, outpatient, and ambulatory care facilities. The performance obligation is measured from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Outpatient services are performance obligations generally satisfied at a point in time and revenue is recognized when goods or services are provided. The Medical Center believes that this method provides a fair depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligations. The Medical Center recognizes inpatient revenue over time (on a daily basis), while outpatient revenue is recognized at a point in time at the amount that reflects the consideration to which it expects to be paid for providing such care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others and include variable consideration for retroactive adjustments due to settlement of audits and reviews by Illinois Medicaid and other third-party payors, and amounts received under various state Medicaid hospital assessment and disproportionate share programs. These amounts are recognized net of contractual allowance from various third-party arrangements and after consideration of patient ability to pay the self-pay portion of the charges. The Medical Center and affiliates bill patients and third-party payors after goods and services are provided and/or when a patient is discharged.

The Medical Center, the Hospital or any of the affiliated entities are entitled to a payment from the insurer, and a related deductible or coinsurance payment from the patient, for all goods and services related to the inpatient stay or outpatient services.

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

The Medical Center determines the transaction price based on standard charges for goods and services provided to patients reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured and underinsured patients in accordance with the Medical Center's policy, and/or implicit price concessions provided to uninsured and underinsured patients. It determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Medical Center determines its estimate of implicit price concessions based on the aging of its patient accounts receivable, historical collection experience with uninsured and underinsured patients, and other relevant factors.

The Medical Center uses a portfolio approach to account for categories of patient contracts as a collective group, rather than recognizing revenue on an individual contract basis. The portfolios consist of major payor classes for inpatient, outpatient, and physician professional and outpatient revenue. Based on historical collection trends and other relevant factors, the Medical Center believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach was used.

The Medical Center has agreements with third-party payors that provide payments at amounts different from its established rates. A summary of the payment arrangements with major third-party payors are explained further below.

Illinois Medicaid and Medicaid Managed Care Organizations

Reimbursement for services rendered to Medicaid program beneficiaries includes prospectively determined rates per discharge, per diem payments and fee schedules.

The State of Illinois' Medicaid program has operated with budget deficits. The deficits include the continued practice of deferring Illinois Medicaid bills to future periods and have led to the State of Illinois' slowdown in claims processing and payments.

As of August 31, 2021, and 2020, the Medical Center's patient accounts receivable included amounts due from Illinois Medicaid and Medicaid Managed Care Organizations of approximately \$112,068,000 and \$154,348,000, respectively, representing approximately 50% and 66%, respectively, of outstanding receivable.

Managed Care, Commercial Insurance and Other

Reimbursement for services to certain patients is received from commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement includes prospectively determined rates per discharge, discounts from established charges, prospectively determined per diem rates, and fee schedules.

Commercial and Medicaid health insurers are entering into various fee-for-value reimbursement programs with qualifying providers. In 2021 and 2020, the Medical Center through CIN, participated in several commercial Accountable Care organization ('ACO') programs that provide limited risk and gain sharing based on performance of an attributed population of children compared to established cost, quality and patient satisfaction related goals. Risk sharing is limited to less than 1% of net revenue. CIN obtains reinsurance to reduce the risk of loss related to sharing programs and conducts a number of programs intended to improve performance under these programs, including providing care coordination to certain members. The composition of net patient service revenue by payor for the years ended August 31, 2021 and 2020, is as follows:

		2021	2020
Managed Care	\$	722,029,942	\$ 668,123,508
Illinois Medicaid		85,165,364	117,505,897
Medicaid Managed Care		303,454,779	261,510,698
Patient Self-Pay		952,039	3,686,480
Other	_	29,547,669	 39,456,421
	\$	1,141,149,793	\$ 1,090,283,004

The Medical Center and affiliates grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at August 31, 2021 and 2020, is as follows:

	2021	2020
Managed Care	\$ 92,627,718	8 \$ 63,327,079
Illinois Medicaid	29,101,371	71,701,080
Medicaid Managed Care	82,967,087	82,590,887
Patient Self-Pay	6,145,976	2,778,236
Other	10,424,765	13,251,991
	\$ 221,266,917	\$ 233,649,273

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory action including fines, penalties, and/or exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimates may change in the near term.

The Medical Center recognizes changes in accounting estimates related to net patient service revenue reserves and third-party payor settlements in the year such changes are known. Adjustments to prior year estimates for these items resulted in an increase in net patient service revenue of approximately \$5,064,000 and \$3,555,000, respectively, in fiscal year 2021 and 2020.

Approximately 34% and 35% respectively, of the Medical Center's net patient service revenue in fiscal 2021 and 2020 was derived from the Illinois Medicaid program, including Medicaid MCO's.

In December 2008, the Centers for Medicare and Medicaid Services ('CMS') approved the Assessment Program to improve Medicaid reimbursement for Illinois hospitals. This original program included the Illinois Hospital Provider Assessment and subsequent enhancements. Due to the tax assessment provisions contained in the legislation, implementation of the program affected both operating revenues and expenses in the consolidated statements of operation and change in net assets.

In January 2015, the CMS approved Affordable Care Act ('ACA') access payments and expanded this program in June 2016. Both the Provider Assessment and enhancements as well as the ACA payments and expansion expired on June 30, 2018. The CMS approved the redesigned Hospital Assessment Program effective July 1, 2018. The redesigned program shifts some of the fixed Assessment payments to claims based payments.

The Medical Center is obligated under Illinois Public Act 95-859 to participate in the State of Illinois' Hospital Assessment Program ("HAP") that assists in financing the State's Medicaid Program. The programs are approved through June 30, 2020 and include a payment shift to live rates. Effective July 1, 2020, a revised HAP was put into place which shifted a portion of the payments to dynamic payments based on actual volumes. The revised program is approved through December 31, 2022. For the years ended August 31, 2021 and 2020, the Medical Center's Illinois Health Centers recognized supplemental HAP and related reimbursement of approximately \$65,482,000 and \$50,997,000, respectively, which is recorded as a component of net patient service revenue in the consolidated statements of operations and changes in net assets. For the years ended August 31, 2021 and 2020, the Medical Center's Illinois Health Centers recognized HAP related fees of \$25,086,000 and \$22,440,000, respectively, in the consolidated statements of operation and change in net assets.

The Medicaid Assessment Program and ACA payments described above are shown in the following table.

	2021	2020
For fiscal year ended August 31		
Tax assessment, included in net patient service revenue	\$ 65,481,699	\$ 50,996,695
Tax expense, included in supplies and service expense	 (25,085,515)	(22,440,110)
Net statement of operation impact	\$ 40,396,184	\$ 28,556,585
Related to State fiscal year ended June 30, 2020 Related to State fiscal year ended June 30, 2021 Related to State fiscal year ended June 30, 2022	\$ 32,367,801 8,028,383	\$ 22,123,987 6,432,598 -
	\$ 40,396,184	\$ 28,556,585

The Medical Center also received federal and state disproportionate share and add-on payments. The amount of disproportionate share and other special payments from Medicaid, if any, that will be made to hospitals in the future, is uncertain.

Children's Hospital of Chicago Medical Center and Affiliated Corporations Notes to Consolidated Financial Statements

Years Ended August 31, 2021 and 2020

In fiscal 2021 and 2020, the Medical Center received approximately \$11,446,000 and \$11,363,000, respectively, in graduate medical education reimbursement. The Children's Hospital Graduate Medical Education ('CHGME') program provides federal funds to freestanding children's hospitals to aid in maintaining graduate medical programs that train resident physicians. The program is administered by the Health Care Resource Service Administration, a branch of the U.S. Department of Health and Human Services. The amount of future graduate medical education reimbursement funding is uncertain.

Grants and Contributions

Unrestricted contributions are included in nonoperating income when received. Unrestricted pledges of amounts to be received in future periods are recorded as net assets with donor restrictions and reflected as changes in net assets without donor restrictions when received. Grants and contributions restricted for a specific operating purpose are recorded as net assets with donor restrictions and reflected in unrestricted revenue when the funds are expended in accordance with the specifications of the grantor or donor. Contributions for capital expenditures, recorded as net assets with donor restrictions when received, are recorded as net assets released from restrictions when expended and placed into service.

Interest in Trustee-Held Funds

The Medical Center recognizes an interest in trustee-held funds held at various financial institutions in which the Medical Center has a beneficial interest. Annually, the financial institutions distribute a portion of the income earned on these funds to the Medical Center to be used in support of operations. As of August 31, 2021, and 2020, the Medical Center's interests in these trustee-held funds at fair value totaled approximately \$36,392,000 and \$31,793,000, respectively, and are included in net assets with donor restrictions.

Excess of Revenue Over Expenses

Excess of revenue over expenses performance indicators include income from operations in addition to investment return gains/(loss), unrestricted contributions and bequests, fundraising expense, gain/(loss) on disposal of fixed assets and other miscellaneous nonoperating income and expenses.

Changes in Net Assets

Net asset without donor restrictions changes include the net activity of the statement of operation as well as the release from restriction for purchase and construction of property and equipment and other than net periodic retirement plan expense changes.

Net asset with donor restrictions changes include receipts of contributions restricted by time or purpose and restricted funds, grants, investment returns, pledge receivable write-offs and change in the fair value of perpetual trusts. Also included are releases of philanthropic or grant funds for use in program services to cover expenses on the statement of operation.

Reclassification

Certain 2020 amounts have been reclassified to conform to the 2021 consolidated financial statement presentation.

4. Community Benefit

Consistent with its mission, the Medical Center maintains a policy that sets forth the criteria pursuant to which health care services are provided free of charge or at a reduced rate to children whose families are unable to pay for the charges associated with their medical care. These services represent charity care. Such amounts determined to qualify as charity care are not reported as net patient service revenue. The Medical Center grants credit without collateral to its patients, most of whom are local residents.

The Medical Center also provides a broad range of services and activities to support its charitable mission. These services include the following:

- Participation in the Medicaid program at a loss (net reimbursement less allocated cost incurred);
- Support of community medical needs through a variety of outreach programs and educational programs;
- Comprehensive research programs specifically targeted toward pediatric health to advance knowledge about the causes, treatment and prevention of childhood diseases; and
- Training of medical students, pediatric residents, fellows and subspecialists.

Funding for the services above comes from Hospital operating income, Foundation philanthropy, CHGME and Federal awards and grants. The Medical Center has an established charity care policy and maintains records to identify and monitor the level of charity provided. These records include the estimated cost of unreimbursed services provided under its charity care policy and the excess of cost over reimbursement for Medicaid patients. The Medical Center also monitors the unreimbursed cost of patient bad debts. Because the Illinois All Kids program provides coverage for most Illinois uninsured children, the Medical Center has a relatively low number of requests for charity care.

The Medical Center determines the costs associated with providing charity care by aggregating the overall cost to charge ratio, including salaries, wages, benefits, supplies, and other operating expenses. The cost to charge ratio is then applied to the charity care charges to calculate the charity care cost amount reported below.

Costs of unreimbursed charity care and community benefit programs for fiscal 2021 and 2020 are as follows:

	2021	2020
Excess of allocated cost over reimbursement		
for services provided to Medicaid patients Net benefit under the Illinois Hospital	\$ 202,762,694	\$ 187,926,878
Assessment Program	 (40,396,184)	 (28,556,585)
Excess of allocated cost over reimbursement for services provided to hospital Medicaid patients, net of benefit under the Illinois Hospital Assessment Program	162,366,510	159,370,293
Estimated costs and expenses incurred to		
provide charity care	 1,873,129	4,649,996
Unreimbursed cost of charity care	164,239,639	164,020,289
Cost of patient bad debts Funds allocated to research from net	6,038,090	4,605,514
assets without donor restrictions	17,993,718	20,033,482
Resident and fellows' expense	24,351,813	23,481,549
Community clinic support	1,508,787	3,430,033
Child advocacy programs	6,586,172	6,343,703
Family support and interpretation services	 10,272,264	 9,623,828
Total cost of unreimbursed charity care and community benefit programs	\$ 230,990,483	\$ 231,538,398

The Medical Center also reports community benefits on the IRS Form 990 and the beneficial activities for the property affidavit. As a result of differences in definitions and criteria between these reports the amounts calculated per report will vary.

5. Other Current and Noncurrent Assets and Liabilities

Other current and noncurrent assets consist of the following:

	_	2021	_	2020
Other current assets:				
Outreach program receivables	\$	8,550,554	\$	9,776,279
Prepaid expenses		25,852,383		20,280,139
Inventory		17,244,898		16,569,882
Insurance receivables (Note 13)		21,776,830		22,937,890
Other		19,914,016	_	19,527,939
Total other current assets	\$	93,338,681	\$	89,092,129
Other assets (noncurrent):				
Pension noncurrent asset	\$	10,717,966	\$	6,010,304
Prepaid rent		-		15,567,866
Other		2,351,701		2,493,064
Total other assets	\$	13,069,667	\$	24,071,234
Other noncurrent liabilities consist of the following:				
		2021		2020
Accrued pension liabilities	\$	18,099,719	\$	18,707,095
Lease obligations		-		43,424,650
Other		3,918,146	_	452,921
Total other noncurrent liabilities	\$	22,017,865	\$	62,584,666

6. Investments

The Medical Center maintains a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

As of August 31, 2021, and 2020, investments consisted of the following, which includes the current portion of the self-insurance trust of \$14,000,000 and \$5,517,000, respectively for both years:

	2021	2020
Short-term investments	\$ 1 44,098,241	\$ 108,058,963
Common stock/mutual funds and		
common collective trusts	675,733,839	523,700,329
Alternative investments	688,663,578	587,330,151
U.S. Government and agency securities	84,407,030	155,845,655
Corporate and municipal bonds	242,042,135	122,053,335
Total investments	\$ 1,834,944,823	\$ 1,496,988,433

Short-term investments include cash and cash equivalents, certificates of deposit, money market funds, and securities with maturities due within one year.

Common stock and mutual funds include public equities traded in both domestic and international markets. Common collective trusts include investment products that pool fiduciary client assets into a portfolio of stocks, bonds, or other securities and real assets.

Alternative investments include hedge funds, private credit and private equity investments. These include credit-oriented strategies, multi-strategy funds where the manager has a broad mandate to invest opportunistically, and event driven funds where managers seek opportunity in various forms of arbitrage strategies as well as in corporate activities such as mergers and acquisitions. The Medical Center's investment in private equity and private credit is committed under contract to periodically advance additional funding as capital calls are exercised. See Note 16.

U.S. Government and agency securities include debt obligations issued by the U.S. government or U.S. government agencies. Corporate and municipal bonds include investment grade debt obligations issued by U.S or foreign Corporations, U.S. State and local governments or U.S. territories.

All Medical Center investments are invested with external managers.

The Medical Center pools its investments without donor restrictions, board-designated and donor-restricted investments. As of August 31, 2021, and 2020, donor-restricted and investments without donor restrictions are as follows:

	2021			2020		
Donor-restricted investments and other assets limited as to use						
Endowments	\$	180,726,357	\$	172,365,212		
Specific purpose		257,135,108		234,106,635		
Self-insurance trust		135,161,013		117,461,250		
Interest in trustee-held funds		36,391,730		31,793,410		
Interest in MCC and CIN		328,407		35,982		
Total investments with donor restrictions		609,742,615		555,762,489		
Investments without donor restrictions						
Undesignated and board-designated investments	_	1,225,202,208		941,225,944		
Total investments without donor restrictions		1,225,202,208		941,225,944		
Total investments	\$	1,834,944,823	\$	1,496,988,433		

The composition and presentation of investment return as reflected in the accompanying consolidated statements of operation and change in net assets for the years ended August 31, 2021 and 2020 are as follows:

	2021	2020
Unrestricted investment return		
Interest and dividend income	\$ 14,577,990	\$ 14,261,042
Realized gains on sales of investments	59,711,055	77,726,778
Unrealized gains/(losses) on investments	<u>180,965,810</u>	(2,794,446)
Total unrestricted investment return	\$ 255,254,855	\$ 89,193,374
Reported as		
Board-designated endowment income	\$ 10,547,994	\$ 10,231,046
Other operating investment return	4,029,996	4,029,996
Nonoperating investment return gains	240,676,865	74,932,332
Total unrestricted investment return	255,254,855	89,193,374
Donor restricted investment return		
Interest and dividend income	1,993,500	1,954,554
Net realized and unrealized gains on investments	42,558,732	10,167,842
Total with donor restricted investment return	44,552,232	12,122,396
Total investment return	\$ 299,807,087	\$ 101,315,770

Typical redemption terms by asset class and type of investments include: short-term investments; common stock and mutual funds; alternative investments; and U.S. Government and agency securities; corporate and municipal bonds and common collective trusts. Short-term investments and U.S. Government and agency securities; corporate and municipal bonds; and common collective trusts have daily redemption terms and no restrictions. Common stock, common collective trusts and mutual funds have daily to monthly redemption terms with notice periods of one to 10 days with no redemption restrictions. Alternative investments have monthly to annual redemption terms with varying notice periods, lock-up provisions ranging up to three years, and include private equity investments. A portion of hedge funds (alternative investments) are in side pockets with no redemptions permitted. Approximately \$289,000 and \$1,158,000 of this type of investment are in liquidating funds for fiscal 2021 and 2020, respectively.

7. Fair Value Measurements

The Medical Center follows the provisions of the FASB pronouncement on fair value measurements for financial instruments. The pronouncement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Medical Center for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, the Medical Center uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers nonperformance risk in its assessment of fair value.

The following table presents the investments carried at fair value as of August 31, 2021, by caption, including the current portion of the self-insurance trust of \$14,000,000, by the valuation hierarchy defined above:

	Level 1	Level 2	Level 3	Investments Measured at NAV or Equivalent	Total
Assets					
Investments					
Short-term investments	\$ 128,179,016	\$ -	\$ -	\$ 15,919,224	\$ 144,098,240
Common stock/collective					, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
trust and mutual funds	580,763,380	-	-	94,642,053	675,405,433
Alternative investments	1,664,869	•	1,874,074	685,124,635	688,663,578
U.S. Government and			. ,	, ,	,,
agency securities	11,836,615	72,570,416	-	-	84,407,031
Corporate and municipal bonds		242,042,135			242,042,135
Total assets at fair value	\$ 722,443,880	\$ 314,612,551	\$ 1,874,074	\$ 795,685,912	\$ 1,834,616,417

The following table presents the investments carried at fair value as of August 31, 2020, by caption, including the current portion of the self-insurance trust of \$5,517,000, by the valuation hierarchy defined above:

	Level 1	Level 2	Level 3	Investments Measured at NAV or Equivalent	Total
Assets					
Investments					
Short-term investments	\$ 86,087,704	\$	\$ -	\$ 21,971,259	\$ 108,058,963
Common stock/collective				, ,- ,	
trust and mutual funds	448,312,967	-	_	75,351,380	523,664,347
Alternative investments	4	-	1.547.075	585,783,076	587,330,151
U.S. Government and					,,
agency securities	17	155,845,655	-	-	155,845,655
Corporate and municipal bonds		122,053,335	 	<u> </u>	122,053,335
Total assets at fair value	\$ 534,400,671	\$ 277,898,990	\$ 1,547,075	\$ 683,105,715	\$ 1,496,952,451

The tables above do not include the Medical Center's interest in CIN of \$328,000 as of August 31, 2021, or interest in MCC of \$36,000 as of August 31, 2020.

Investments measured at fair value using net assets value ('NAV') per share (or equivalent) as a practical expedient were not classified in the fair value hierarchy, rather the amounts are presented to enable reconciliation of the fair value tables to the investments fair value line items presented in the consolidated balance sheets.

The following table is a rollforward of the August 31, 2021 and 2020 balance sheet amounts for financial instruments classified by the Medical Center within Level 3 of the fair value hierarchy.

	Level 3 Assets Alternative Investments			
		2021		2020
Balances at beginning of year	\$	1,547,075	\$	1,463,008
Total net unrealized gain Purchases		47,959 279,040		45,353 38,714
Balances at end of year	<u>\$</u>	1,874,074	\$	1,547,075

The following is a description of the Medical Center's valuation methodologies for investments measured at fair value.

Fair value for short term investments, corporate stocks, international stocks, and mutual funds is measured using quoted market prices or NAV per share at the reporting date multiplied by the quantity held.

U.S. Government bonds and agency securities, corporate bonds, municipal bonds and mortgage and asset backed securities are measured using recent bid prices or average of bid/ask prices. Common collective trusts are measured using NAV.

The Medical Center has certain investments, principally limited liability corporations, partnerships, and absolute return strategy funds for which a portion of quoted market prices are not available. These investments are classified as alternative investments. The value of these alternative investments represents the ownership interest in the net asset value of the respective partnership. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are based on appraisals, or other estimates that require varying degrees of judgment.

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

The methods described above may produce a fair value calculation that may not be indicative of net realizable value nor reflective of future fair values. While the Medical Center 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 as of the reporting date. The significant unobservable inputs used in the fair value measurement of the Medical Center's partnership investments include a combination of cost, discounted cash flow analysis, industry comparable and outside appraisals. Significant increases or decreases in any inputs used by investment managers in determining net asset values in isolation would result in a significantly lower or higher fair value measurement. Management has not developed quantitative inputs nor adjusted the fair values obtained from general partners for the alternative investments.

8. Endowments

The Medical Center's endowment fund consists of individual donor-restricted endowment funds and funds designated by its Board to function as endowments. The net assets associated with endowment funds, including those funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Illinois passed the 'Uniform Prudent Management of Institutional Funds Act' ("UPMIFA"). The Medical Center has interpreted UPMIFA as sustaining the preservation of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Medical Center 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. Where the Board designates unrestricted funds to function as endowments they are classified as net assets without donor restriction.

Children's Hospital of Chicago Medical Center and Affiliated Corporations

Notes to Consolidated Financial Statements Years Ended August 31, 2021 and 2020

The Medical Center had the following board-designated without donor restriction and donor-restricted endowment balances during the year ended August 31, 2021 delineated by net asset class:

	Board Designated lowment Funds	 nor-Restricted lowment Funds		Total
Endowment net assets at beginning of year	\$ 179,706,434	\$ 271,184,968	\$	450,891,402
Investment return				
Investment income	-	1,993,500		1,993,500
Realized and unrealized gain	 <u></u>	39,212,732		39,212,732
Total investment return	-	41,206,232		41,206,232
Contributions		4,709,878		4,709,878
Spend rate allocation Appropriation of endowment	7,054,215	-		7,054,215
assets for expenditure	(6,500,368)	(6,904,735)		(13,405,103)
Other	 (1,488,398)	 2,724,021	_	1,235,623
Endowment net assets at end of year	\$ 178,771,883	\$ 312,920,364	\$	491,692,247

The Medical Center had the following board-designated without donor restriction and donor-restricted endowment balances during the year ended August 31, 2020 delineated by net asset class:

	Board Designated Iowment Funds	 nor-Restricted owment Funds	Total
Endowment net assets at beginning of year	\$ 179,711,758	\$ 277,993,239	\$ 457,704,997
Investment return			
Investment income	-	1,954,554	1,954,554
Realized and unrealized gain	 -	 9,836,154	 9,836,154
Total investment return	-	11,790,708	11,790,708
Contributions	-	5,290,696	5,290,696
Spend rate allocation Appropriation of endowment	7,034,215	-	7,034,215
assets for expenditure	(6,556,732)	(23,610,361)	(30,167,093)
Other	 (482,807)	(279,314)	(762,121)
Endowment net assets at end of year	\$ 179,706,434	\$ 271,184,968	\$ 450,891,402

Description, purpose and appropriations of board designated net assets without donor-imposed restrictions as of years ended August 31, 2021 and 2020.

	2021	2020		
Appropriations for Research Appropriations for Pediatric Programs	\$ 1,076,150 6,912,617	\$ 966,045 6,073,495		
	\$ 7,988,767	\$ 7,039,540		

Description of Amounts Classified as Net Assets with donor restrictions (Endowments Only) during the year ended August 31, 2021 and 2020:

	2021			2020			
Restricted for Research Restricted for Pediatric Programs	\$	81,936,316 230,984,047	\$	71,698,864 199,486,103			
	\$	312,920,363	\$	271,184,967			

Underwater Endowment Funds

From time to time, the fair value of net assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires to retain as a fund of perpetual duration. Such deficiencies generally result from unfavorable market fluctuations that occurred shortly after the investment of new donor restricted contributions to the endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. There were no deficiencies as of August 31, 2021 and 2020.

Investment and Spend Rate Policies

The Medical Center has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs while seeking to maintain the purchasing power of endowment assets. To achieve its long-term rate of return objectives, the Medical Center 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). An endowment spend rate is established by management and approved annually by the Investment Committee of the Board of the Medical Center, which considers the following factors, specified by Uniform Prudent Management of Institutional Funds Act (UPMIFA):

- The duration and preservation of the endowment
- The Medical Center's institutional mission and purpose of its endowed funds
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and appreciation of investments
- Other available resources of the Medical Center
- The investment policy of the Medical Center

The spend rate for endowment funds in fiscal 2021 and 2020 was 4%. The spend rate is applied to a three-year rolling average of the fund balance as of August 31st, which incorporates all returns. For new endowed funds (not more than five years old), the Investment Committee may in one or more particular years apply a lower spend rate and/or appreciation allocation, if the Investment Committee deems it prudent to do so.

Children's Hospital of Chicago Medical Center and Affiliated Corporations Notes to Consolidated Financial Statements Years Ended August 31, 2021 and 2020

Substantially all net assets with donor restriction are restricted for research and programs. Substantially all net assets released from restrictions in fiscal 2021 and 2020 were related to expenses incurred for research and programs.

9. Concentration of Credit Risk

The Medical Center grants credit without collateral to its patients, most of whom are local residents. The mix of net receivables from patients and third-party payors at August 31, 2021 and 2020, was as follows:

	2021	2020
Managed Care	42 %	27 %
Illinois Medicaid	13	31
Medicaid Managed Care	37	35
Patient Self-Pay	3	1
Other	5	6
	100 %	100 %

Medicaid and Medicaid Managed Care has decreased from 66% at August 31, 2020 to 50% at August 31, 2021. The decrease is primarily due to payments received from Medicaid and Medicaid Managed Care payors related to prior year receivables.

In fiscal 2018 the state passed a budget, which it had not done for the prior year, and resumed making payments to providers. The state also provided funding to Medicaid Managed Care payors which in turn resumed payments to providers.

A summary of utilization based upon gross patient service revenue for the years ended August 31, 2021 and 2020 is as follows:

	2021	2020	
Managed Care	49 %	47 %	
Illinois Medicaid	9	15	
Medicaid Managed Care	41	35	
Patient Self Pay	0	0	
Other	1	3	
	100 %	100 %	

10. Retirement Plans

The Medical Center has retirement plans covering substantially all full-time employees, including employees of affiliated corporations. The Medical Center has two defined contribution plans available to eligible employees and a frozen noncontributory defined benefit plan, the Value Growth Plan ('VGP').

Children's Hospital of Chicago Medical Center and Affiliated Corporations Notes to Consolidated Financial Statements Years Ended August 31, 2021 and 2020

There are two 403(b) defined contribution plans available only to eligible pediatric faculty within PFF, a mandatory plan and a voluntary plan, and the Hospital's plan available to all other eligible employees of the Medical Center. Participants of the PFF plan are required to make mandatory contributions of 5 percent of compensation. Each year that a mandatory contribution is made by a participant, PFF will make a matching contribution up to 10 percent of compensation. PFF faculty who are not eligible for the mandatory plan or who have not reached the IRS limits may participate in the voluntary plan with no match.

All non-PFF employees, who elect to contribute are considered participants of the Hospital's plan. Participants of the Hospital plan may participate in a 403(b) defined contribution plan by entering into a salary reduction agreement to contribute a percentage of their compensation to the plan. New employees are automatically enrolled 60 days after hire at 2 percent if they have not already made an election. The Hospital matches 100 percent of the employee's contribution up to 5 percent of compensation. Employees must be employed three years to be vested in the Hospital match. The hospital match was reduced to 2.5 percent as of July 1, 2020 due to the adverse financial effect of the COVID-19 pandemic on the Medical Center. The Hospital match was increased back to 5 percent effective January 1, 2021.

The Medical Center's matching expense under both defined contribution plans totaled \$30,053,000 and \$31,949,000 in fiscal 2021 and 2020, respectively.

The VGP defined benefit plan is a cash balance plan and was frozen effective January 1, 2014. Previously accrued balances will continue to accrue interest; however, no further credits to these balances will be made. The interest, or earnings credit rate, is generally 4.5 percent annually.

The Medical Center also sponsors two nonqualified supplemental defined benefit retirement plans ('SERP'); a defined benefit plan ('DB SERP') and a defined contribution plan ('DC SERP') plan for certain key executives. The DB SERP plan is not funded and, therefore, has no plan assets. Benefits under the DB SERP are paid when incurred from the Medical Center's unrestricted net assets.

Further, write downs in the DB SERP of \$998,000 and \$495,000 were recognized which represented a portion of the previously unrecognized losses of the plan as of August 31, 2021 and 2020, respectively.

Effective as of January 1, 2017, the Medical Center sponsors a nonqualified DC SERP for certain key executives. Under this plan, the accrued obligations are determined as of December 31 of each year using 14 percent of participants' gross pay reduced by an employer match on the qualified plan. The plan has a vesting service period of five years or attainment of age 62.

Effective January 1, 2019, LCSF received a transfer of the cash balance defined benefit retirement plan from Children's Surgical Foundation as a result of the affiliation agreement. The cash balance plan was established effective January 1, 2017. Participants are 100 percent vested after three years of service. Interest credit of 4 percent, compounded annually, based on 10 percent of the participant's compensation are credited to each participant's account.

Children's Hospital of Chicago Medical Center and Affiliated Corporations Notes to Consolidated Financial Statements Years Ended August 31, 2021 and 2020

Effective January 1, 2019, LCPAA acquired a new cash balance defined benefit retirement plan. Principal credits are ranging from 1.5 percent to 10 percent of annual compensation depending on the years of service and credited to each participant's account. Plan interest credit is stated at 5 percent. Eligibility is based on completion of two years of service. However, this requirement is waived for participants employed on January 1, 2019.

Pension expense for the VGP and nonqualified DB SERP plan as determined by an independent actuary, includes the following components:

	DB SERP					V		
		2021		2020		2021		2020
Service cost, benefits earned during the year	\$	166,157	\$	160,472	\$	-	\$	-
Interest on projected benefit obligation		21,293		129,451		5,487,451		5,969,726
Expected return on assets		-		-		(11,111,763)		(11,381,861)
Amortization of actuarial loss		450,997		531,093		729,193		778,057
Amortization of prior service cost		-		-		109,660		109,660
Pension Settlement	_	998,293	_	494,635	_	2,197,841	_	<u> </u>
Total pension related expense	\$	1,636,740	\$	1,315,651	\$	(2,587,618)	\$	(4,524,418)

Pension expense for the LCSF and LCPAA cash balance pension plans as determined by an independent actuary, includes the following components:

		LC	SF		LCPAA			
		2021		2020		2021		2020
Service cost, benefits earned during the year Interest on projected benefit obligation Expected return on assets Amortization of actuarial loss Amortization of prior service cost	\$	3,689,682 396,131 (772,383) 501,706	\$	3,663,205 339,871 (440,132) 494,883	\$	603,199 24,938 (35,759) 2,942	\$	461,494 9,140 (9,425)
Pension Settlement	_	-	_		_			
Total pension related expense	2	3,815,136	2	4,057,827	\$	595,320	\$	461,209

The funded status of the VGP and nonqualified SERP plans at the end of the year was as follows:

	DB S	SERP	DC S	SERP	VGP			
	2021	2020	2021	2020	2021	2020		
Funded status at end of year Projected benefit obligation Plan assets at fair market value	\$ (2,631,070)	\$ (6,011,468)	\$ (3,040,822)	\$ (2,430,280)	\$ (195,201,496) 205,919,462	\$ (202,317,922) 208,328,226		
(Deficiency)/excess of plan assets over projected benefit obligation	\$ (2,631,070)	\$ (6,011,468)	\$ (3,040,822)	\$ (2,430,280)	\$ 10,717,966	\$ 6,010,304		
Amounts recognized in the consolidated balance sheet consist of								
Current liability	\$ (854,896)	\$ (3,842,880)	\$ -	\$ -	\$ -	\$ -		
Noncurrent Assets (liability)	(1,776,174)	(2,168,588)	(3,040,822)	(2,430,280)	10,717,966	6,010,304		
	\$ (2,631,070)	\$ (6.011,468)	\$ (3.040,822)	\$ (2.430.280)	\$ 10,717,966	\$ 6,010,304		

Children's Hospital of Chicago Medical Center and Affiliated Corporations

Notes to Consolidated Financial Statements Years Ended August 31, 2021 and 2020

The funded status of the LCSF and LCPAA cash balance plans at the end of the year was as follows:

	LC	SF	LCF	PAA
	2021	2020	2021	2020
Funded status at end of year				
Projected benefit obligation	\$ (19,469,431)	\$ (17,605,821)	\$ (1,435,033)	\$ (924,934)
Plan assets at fair market value	15,074,349	11,150,854	787,420	381,777
Deficiency of plan assets over projected benefit obligation	\$ (4,395,082)	\$ (6,454,967)	\$ (647,613)	\$ (543,157)
Amounts recognized in the consolidated balance sheet consist of				
Current liability	\$ -	\$ -	\$ -	\$ -
Noncurrent liability	(4,395,082)	(6,454,967)	(647,613)	(543,157)
	\$ (4,395,082)	\$ (6,454,967)	\$ (647,613)	\$ (543,157)

All previously unrecognized actuarial gains and losses and prior service costs are reflected in the consolidated balance sheets. An estimate of \$1,852,000 and \$2,068,000 of this amount is included as a component of net periodic benefit costs in fiscal 2021 and 2020, respectively.

The DB SERP and VGP amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost in 2021 are as follows:

	DB SERP	VGP
Actuarial loss	\$ 205,121	\$ 708,103
Prior service cost	-	109,660
Transition (asset) or obligation	 -	-
Total	\$ 205,121	\$ 817,763

The actuarial loss of the LCSF and LCPAA cash balance plan's amount in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost in 2021 are \$501,706 and \$2,942, respectively.

The change in the projected benefit obligation during fiscal 2021 and 2020 is summarized as follows:

	DB S	SER	P	VGP			
	2021		2020	2021	2020		
Projected benefit obligation at beginning of measurement year	\$ 6,011,468	\$	7,043,607	\$ 202,317,922	\$ 195,438,093		
Service cost Interest cost Actuarial loss (gain) Benefits paid Settlements	166,157 21,293 121,837 - (3,689,685)		160,472 129,451 136,007 - (1,458,069)	5,487,451 (1,305,962) (1,798,304) (9,499,611)	5,969,726 8,311,023 (7,400,920)		
Projected benefit obligation at end of measurement year	\$ 2,631,070	\$	6,011,468	\$ 195,201,496	\$ 202,317,922		

Children's Hospital of Chicago Medical Center and Affiliated Corporations Notes to Consolidated Financial Statements

Years Ended August 31, 2021 and 2020

The projected benefit obligation for the VGP was \$195,201,496 and \$202,317,922 at August 31, 2021 and 2020, respectively. The accumulated benefit obligation for the DB SERP plan was \$1,668,955 and \$5,714,211 at August 31, 2021 and 2020, respectively.

The change in the projected benefit obligation during fiscal 2021 is summarized as follows:

	LCSF					LCPAA			
		2021		2020		2021		2020	
Projected benefit obligation at beginning of measurement year	\$	17.605.821	\$	12,833,162	\$	924.934	\$	304,676	
. Jan 17	Φ	10	Ф		Ф		Ф	•	
Service cost		3,689,682		3,663,205		603,199		461,495	
Interest cost		396,131		339,871		24,938		9,140	
Actuarial loss		(1,255,879)		1,260,255		(71,222)		149,623	
Benefits paid	_	(966,324)	_	(490,672)	_	(46,816)			
Projected benefit obligation at									
end of measurement year	\$	19,469,431	\$	17,605,821	\$	1,435,033	\$	924,934	

The benefit obligation for the LCSF cash balance plan was \$19,469,000 and \$17,606,000 as of August 31, 2021 and 2020, respectively. The projected benefit obligation for the LCPAA cash balance plan was \$1,435,000 and \$925,000 as of August 31, 2021 and 2020, respectively.

The VGP change in plan assets during fiscal 2021 and 2020 is summarized as follows:

	VGP				
	2021	2020			
Plan assets, at fair value at beginning of measurement year	\$ 208,328,226	\$ 195,580,004			
Actual return on plan assets Employer contributions	8,889,151	20,149,142			
Benefits paid Settlements	(1,798,304) <u>(9,499,611)</u>	(7,400,920)			
Plan assets, at fair value at end of measurement year	\$ 205,919,462	\$ 208,328,226			

Children's Hospital of Chicago Medical Center and Affiliated Corporations Notes to Consolidated Financial Statements

Years Ended August 31, 2021 and 2020

The LCSF change in plan assets during fiscal 2021 and 2020 is summarized as follows:

	LCSF						
		2021		2020			
Plan assets, at fair value at beginning of measurement year	\$	11,150,854	\$	2.069.004			
•	Ψ		Ф	3,968,091			
Actual return on plan assets Employer contributions		1,459,819 3,430,000		447,895 7,225,540			
Benefits paid		(966,324)		(490,672)			
Plan assets, at fair value at end of measurement year	\$	15,074,349	\$	11,150,854			

The following table presents the VGP plan investments carried at fair value as of August 31, 2021, by caption, by the valuation hierarchy defined in Note 7:

		Level 1		Level 2	Level 3	Investments Measured at NAV or Equivalent	Total
Assets							
Investments	_		_				
Short-term investments	\$	12,598	\$	-	\$ -	\$ 4,011,464	\$ 4,024,062
Common stock		-		_	2.5	20,894,363	20,894,363
Other fixed income	_	5,514			 	181,013,672	181,013,672
Total assets at fair value	\$	12,598	\$	-	\$ -	\$ 205,919,499	\$ 205,932,097

The following table presents the VGP plan investments carried at fair value as of August 31, 2020, by caption, by the valuation hierarchy defined in Note 7:

	I	Level 1	Level 2		Level 3	Investments Measured at NAV or Equivalent	Total
Assets Investments							
Short-term investments	\$	20,990	\$ -	\$	-	\$ 2,157,756	\$ 2.178.746
Common stock		21,371	-		-	33,338,397	33,359,768
Other fixed income			 -	_		172,811,331	172,811,331
Total assets at fair value	\$	42,361	\$ 	\$		\$ 208,307,484	\$ 208,349,845

Children's Hospital of Chicago Medical Center and Affiliated Corporations Notes to Consolidated Financial Statements Years Ended August 31, 2021 and 2020

The following table presents the LCSF cash balance plan investments carried at fair value as of August 31, 2021, by caption, by the valuation hierarchy defined in Note 7:

		Level 1		Level 2			Level 3		ivestments Measured at NAV or Equivalent		Total
Assets											
Investments Short-term investments	\$	_	\$		_	\$		\$	93,678	\$	93.678
Common Stock	•	8,725,559	•		-	•		•	-	•	8,725,559
Fixed Income		1,062,800			_				5,192,314	_	6,255,114
Total assets at fair value	\$	9,788,359	\$		-	\$	-	\$	5,285,992	\$	15,074,351

The following table presents the LCSF cash balance plan investments carried at fair value as of August 31, 2020, by caption, by the valuation hierarchy defined in Note 7:

	Level 1	Level 2		Level 3	- 1	vestments Measured at NAV or Equivalent		Total
Assets								
Investments								
Short-term investments	\$ -	\$	-	\$ 	\$	89,283	\$	89,283
Common Stock	6,413,419		-			-		6,413,419
Fixed Income	879,532		_	 		3,768,620	_	4,648,152
Total assets at fair value	\$ 7,292,951	\$	_	\$ -	\$	3,857,903	\$	11,150,854

The following table presents the LCPAA cash balance plan investments carried at fair value as of August 31, 2021, by caption, by the valuation hierarchy defined in Note 7:

		Level 1	Level 2			Level 3	M	estments easured t NAV or quivalent	Total
Assets Investments Short-term investments	\$		\$	-	\$		\$	5,735	\$ 5,735
Common stock Fixed Income	_	453,352 328,333	 	_	_				 453,352 328,333
Total assets at fair value	\$	781,685	\$	_	\$	-	\$	5,735	\$ 787,420

Investments measured at fair value using net assets value per share (or equivalent) as a practical expedient were not classified in the fair value hierarchy, rather the amounts are presented to enable reconciliation of the fair value tables to the investments fair value line items presented in the plan assets.

Children's Hospital of Chicago Medical Center and Affiliated Corporations

Notes to Consolidated Financial Statements Years Ended August 31, 2021 and 2020

The Medical Center's VGP pension plan weighted-average asset allocation at August 31, 2021 and 2020, by asset category is as follows:

	2021	2020
Asset category		
Return-seeking assets	10 %	16 %
Liability-hedging assets	90	84
	100 %	100 %

The Medical Center's VGP pension plan assets are invested with external managers and asset allocation is determined using a liability-hedging approach. Pension plan assets are invested in two pools: return-seeking assets and liability-hedging assets. The target allocation between return-seeking assets and liability-hedging assets changes based on a predetermined glide path policy as the plan's funded status changes.

The objective of the return-seeking assets is to generate long-term asset growth for the pension plan. Return-seeking assets generally consist of equity securities including public equities traded in both domestic and international markets, invested in accordance with the target allocations listed below:

The objective of holding liability-hedging assets is to dampen the plan's surplus volatility. High-quality investment grade bonds with durations that approximate the durations of the liabilities are most commonly used for liability-hedging assets.

Estimated future pension benefit payments for the next ten years are as follows:

	1	OB SERP	DC SERP	VGP	LCSF	LCPAA		Total
Years Ending August 31,								
2022	\$	854,896	\$ 400,000	\$ 13,391,018	\$ 1,245,779	\$ 43,695	\$	15.935.388
2023		937,178	-	10,422,540	4,905,558	· -	•	16,265,276
2024		672,688	600,000	9,668,234	· · ·	-		11,140,922
2025		-	-	9,430,523	-	661,712		10,092,235
2026		-	-	9,342,840	1,435,304	- T		10,778,144
2027-2043			16,400,000	46,422,765	8,838,768	67,083		71,728,616
	\$	2,664,762	\$ 17,400,000	\$ 98,677,920	\$ 16,425,409	\$ 772,490	\$	135,940,581

Weighted-average assumptions used to determine benefit obligations at August 31, 2021 and 2020 are as follows:

	DB S	ERP	DC SERP	•	VGP		
	2021	2020	2021	2020	2021	2020	
Discount rate	0.5 %	2.0 %	0.0 %	0.0 %	2.8 %	2.8 %	
Rate of compensation increase	4.0	4.0	4.0	4.0	0.0	0.0	
		LCS	F		LCPAA		
		2021	2020	2021		2020	
Discount rate		2.5 %	2.3 %	2	.8 %	2.7 %	
Rate of compensation increa	se	0.0	0.0	3	3.0	3.0	

Children's Hospital of Chicago Medical Center and Affiliated Corporations Notes to Consolidated Financial Statements Years Ended August 31, 2021 and 2020

Weighted-average assumptions used to determine net periodic pension benefit cost in fiscal 2021 and 2020 are as follows:

	DB S	ERP	DC SERP	•	VGP			
	2021	2020	2021	2020	2021	2020		
Discount rate	0.5 %	2.0 %	0.0 %	0.0 %	2.8 %	3.2 %		
Expected return on plan assets	0.0	0.0	6.0	6.0	5.5	6.0		
Rate of compensation increase	4.0	4.0	4.0	4.0	0.0	0.0		
		LCS	F		LCPAA			
		2021	2020	202	1	2020		
Discount rate		2.7 %	2.3 %		2.7 %	3.0 %		
Expected return on plan asse	ts	6.0 %	6.0		6.0 %	5.0		
Rate of compensation increas	se	0.0	0.0		3.0	3.0		

The discount rate was determined by constructing hypothetical yield curves based on yields of corporate bonds rated AA quality. The expected rate of return on plan assets was determined by using the historical return on the various asset classes in which the plan invests.

11. Long-Term Debt

In May 2017, the Illinois Finance Authority issued \$135,480,000 of Revenue Refunding Bonds, ('Series 2017') at a premium totaling \$13,416,000 with an equity contribution of \$11,411,000 on behalf of the Hospital. The proceeds of the Series 2017 bonds were used to refund the \$148,900,000 par amount of the Series 2008B bonds.

In January 2018, the Illinois Finance Authority issued \$223,550,000 of Taxable Revenue Refunding Bonds ('Series 2018') at par value on behalf of the Hospital. The proceeds of the Series 2018 bonds were used to refund the \$212,000,000 par amount of the Series 2008A bonds. The Medical Center recorded a debt refinancing loss of \$10,401,000 in extinguishment of the Series 2008A Bonds as a nonoperating item in the consolidated statements of operation and change in net asset as of August 31, 2018. The Medical Center's long-term bonds are issued under a Master Trust Indenture ('Indenture') dated May 1, 2008, as amended and restated. There are no significant changes to the underlying covenants in the Indenture. Obligations under the Indenture are collateralized by a pledge of the unrestricted receivables and assignable general intangibles of the Obligated Group, which consists of the Hospital and the Foundation (the 'Obligated Group'). Series 2017 and 2018 are the only outstanding bonds of the Medical Center.

Children's Hospital of Chicago Medical Center and Affiliated Corporations Notes to Consolidated Financial Statements Years Ended August 31, 2021 and 2020

The chart below outlines debt as of August 31, 2021 and 2020:

	2021	2020
Illinois Finance Authority revenue bonds, Series 2017, fixed interest rate ranging from 4.00% to 5.00% (premium based on imputed interest rate of 3.62%), maturing annually in principal amounts ranging from \$5,115,000 in August 2019 to \$13,695,000 in August 2037.	\$ 119,350,000	\$ 124,990,000
Illinois Finance Authority taxable revenue bonds, Series 2018, fixed interest rate ranging from 3.50% to 3.95%, maturing annually in principal amounts ranging from \$4,840,000 in		
August 2028 to \$160,275,000 in August 2047.	223,550,000	223,550,000
Total debt outstanding	342,900,000	348,540,000
Unamortized premium/(discount) Less: Debt issuance costs	9,088,561 (3,119,707)	10,073,930 (3,364,005)
Long-term debt	\$ 348,868,854	\$ 355,249,925

Future maturities of total outstanding debt at August 31, 2021, are as follows:

Years Ending August 31,

2022	\$ 5,920,000
2023	6,220,000
2024	6,530,000
2025	6,860,000
2026	7,200,000
Thereafter	310,170,000
	\$ 342,900,000

The Obligated Group is subject to various nonfinancial and financial covenants. The Obligated Group was in compliance with its debt covenants as of August 31, 2021 and 2020.

As of August 31, 2021, the Medical Center had line of credit agreements with three commercial banks for \$45,000,000, \$30,000,000 and \$25,000,000. The lines of credit provide for interest rates based on various spreads to LIBOR. To mitigate the effect of adverse financial consequences of the COVID-19 pandemic, the Medical Center borrowed \$25,000,000 from the line of credit in April 2020 and repaid in full by June 2020. There were no amounts outstanding or borrowings made under the lines of credit as of August 31, 2021 or 2020. One outstanding letter of credit supporting the construction of the hospital in Streeterville of \$597,000 reduces the available lines of credit.

Children's Hospital of Chicago Medical Center and Affiliated Corporations

Notes to Consolidated Financial Statements Years Ended August 31, 2021 and 2020

12. Leases

The Medical Center leases office and clinical space as well as real estate with lease terms ranging from 1 to 87 years with some options to extend. Leases with an initial term of 12 months or less are not recorded on the balance sheet. During fiscal year 2021, the Medical Center entered into one new right-of-use asset lease agreement on August 31, 2021 that resulted in a \$578,000 right-of-use asset and operating lease liability.

The depreciable lives of assets are limited by the expected lease terms. The majority of leases do not provide an implicit rate; therefore, the Medical Center has elected to use a risk-free rate of return as the discount rate. The Medical Center used the risk-free rate of return on September 1, 2020, for operating leases that commenced prior to that date.

Termination of these leases is generally prohibited unless there is a violation under the lease agreement.

Operating leases are classified as follows within the accompanying consolidated balance sheet at August 31, 2021:

	Classification	_	2021
Assets Noncurrent Operating Total lease assets	Operating right-of-use assets	<u>\$</u>	112,914,422
i otal lease assets		\$	112,914,422
Liabilities			
Current			
Operating	Operating lease liabilities	\$	13,745,052
Noncurrent			
Operating	Long-term operating lease liabilities		125,252,868
Total lease liabilities		\$	138,997,920

Lease costs are classified as follows within the accompanying consolidated statement of operations and changes in net assets as of August 31, 2021:

Lease Cost	Classification	 2021
Operating lease cost	Supplies and services	\$ 19,185,000
Short-term lease cost	Supplies and services	357,000
Variable lease cost	Supplies and services	 652,000
Total lease cost		\$ 20,194,000

Children's Hospital of Chicago Medical Center and Affiliated Corporations Notes to Consolidated Financial Statements Years Ended August 31, 2021 and 2020

Lease-terms, discount rates and other supplemental information as of and for the year ended August 31, 2021 are as follows:

	2021
Weighted average remaining lease term (in years)	
Operating	19.89
Weighted average discount rate	
Operating	0.91%
Cash paid for amounts included in the measurement of operating lease liabilities	
Operating cash flows from operating leases	\$ 12,981,000

Future maturities of lease liabilities at August 31, 2021, are as follows:

	Оре	erating Lease
2022	\$	14,670,910
2023		14,960,041
2024		14,421,109
2025		14,392,708
2026		14,343,159
Thereafter		88,951,235
Future minimum lease payments		161,739,162
Less: Remaining imputed interest	-	22,741,242
Total	\$	138,997,920

Rental expense was approximately \$24,405,000 for the year ended August 31, 2020 and was included within supplies and services in the accompanying consolidated statement of operations and changes in net assets. Total minimum payments under noncancelable operating leases at August 31, 2020, prior to the adoption of ASU 2016-02, were as follows:

2021	\$ 17,394,000
2022	17,901,000
2023	15,467,000
2024	14,539,000
2025	13,010,000
Thereafter	 82,117,000
Total	\$ 160,428,000

13. Professional and General Liability Insurance

The Medical Center maintains a program of self-insurance for professional and general liability risks. This program is maintained on behalf of all Medical Center affiliates and employees including the employed physicians of PFF, LCMG LCPC, LCSF, and LCPAA. More than 800 hospital-based physicians are covered by this program.

Children's Hospital of Chicago Medical Center and Affiliated Corporations Notes to Consolidated Financial Statements Years Ended August 31, 2021 and 2020

The Medical Center self-insures the first losses for both professional and general liability claims. The estimated liability for self-insured claims and the required funding for the trust are determined annually by an independent actuary and are based upon case reserves and actuarial estimates for claims that have been incurred but not yet reported. The self-insured portion of the program is administered by an independent trustee.

The Medical Center incurred approximately \$35,750,000 and \$28,000,000 in expense for fiscal 2021 and 2020, respectively, for self-insured professional and general liability risk. The Medical Center's self-insurance liability has been discounted at 5% in fiscal 2021 and 2020. The effect of discounting the value of estimated liabilities was approximately \$25,293,000 and \$24,421,000 at August 31, 2021 and 2020, respectively. Further, the Medical Center recorded an estimated liability of \$156,873,000 and \$132,166,000 at August 31, 2021 and 2020, respectively, for self-insured professional and general liability risk. Part of the increase in the liability represents a potential impact from the Illinois Senate Bill 72 (Illinois Prejudgment Interest Act), which was effective July 1, 2021.

In addition to the self-insured portion, the Medical Center purchases commercial insurance for claims in excess of the self-insurance limits, including a swing option coverage to manage potential losses of the self-insured portion. These excess insurance policies, which are claims-made, are purchased through CMMC Insurance.

CMMC Insurance writes the professional and general liability insurance for the Hospital and its affiliates. CMMC Insurance, in turn, purchases reinsurance equal to 100 percent of its exposure and, therefore, holds no risk on its own books. For the years ended August 31, 2021 and 2020, premiums ceded to reinsurers were \$2,986,000 and \$3,369,000, respectively, and reinsurance recoveries on unpaid losses on an undiscounted basis, were \$21,777,000 and \$22,938,000, respectively. CMMC Insurance is operated to break even after all expenses.

14. Functional and Natural Expense Classification

The Medical Center provides health care services to children and conducts research and programs within its geographic region. Expenses, excluding interest and including fundraising (which are reported as nonoperating activities), related to providing these services, research, and programs by both functional and natural classification as follows:

Children's Hospital of Chicago Medical Center and Affiliated Corporations Notes to Consolidated Financial Statements Years Ended August 31, 2021 and 2020

Functional Expenses					
•	Patient Care Services	General and Administrative	Research and Mission-Related Programs	Fundraising	Total
August 31,2021 Salaries, wages and employee benefits Supplies and services Depreciation	\$ 675,372,460 263,806,045 79,946,508	\$ 85,064,631 98,124,875 11,709,630	\$ 41,104,112 90,642,103	\$ 12,221,500 6,107,455	\$ 813,762,703 458,680,478 91,656,138
	\$ 1,019,125,013	\$ 194,899,136	\$ 131,746,215	\$ 18,328,955	\$ 1,364,099,319
	Patient Care Services	General and Administrative	Research and Mission-Related Programs	Fundraising	Total
August 31,2020 Salaries, wages and employee benefits Supplies and services Depreciation	\$ 672,610.071 251,735,225 75,915,263	\$ 86,145,268 94,566,460 12,310,779	\$ 37,218,557 80,683,153	\$ 12,814,830 6,683,346	\$ 808,788,726 433,668,184 88,226,042
	\$ 1,000,260,559	\$ 193,022,507	\$ 117,901,710	\$ 19,498,176	\$ 1,330,682,952
Natural Expense Classificat	tion		202	21	2020
Expenditures charged to net as Expenditures charged to net as				103,723 \$ 995,596 1	113,609,523 1,217,073,429
Total expenditure			\$ 1,364,0	99,319 \$ 1	,330,682,952

15. Commitments and Contingencies

Health Care Regulation

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations create a possibility of repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Management believes that the Medical Center is in compliance, in all material respects, with fraud and abuse statutes, as well as with other applicable government laws and regulations. While no regulatory inquiries that are expected to have a material effect on the consolidated financial statements have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Litigation

There are several lawsuits, pending claims, and incidents that occurred in the past whereby claims have been made and may be asserted against the Medical Center for which the ultimate liability, if any, cannot be reasonably estimated. Management believes that the ultimate settlement of these claims will not have a material adverse effect upon the Medical Center's consolidated financial position or results of operations.

Children's Hospital of Chicago Medical Center and Affiliated Corporations

Notes to Consolidated Financial Statements

Years Ended August 31, 2021 and 2020

Investments

The Medical Center has contractual commitments totaling \$336,800,000 with its private equity investment funds. As of August 31, 2021, the Medical Center's remaining capital commitments are \$153,921,000. Future capital calls are expected to occur over the next several years and will be initiated by the general partner of the investment as investments are made by the funds.

Asset Retirement Obligation

An asset retirement obligation represents a legal obligation associated with the retirement of a tangible long-lived asset that is incurred upon the acquisition, construction, development, or normal operation of that long-lived asset. The asset retirement obligations are accreted to their present value at the end of each reporting period. The associated estimated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and depreciated over its useful life.

The Medical Center has evaluated its leased and owned properties for potential asset retirement obligations. Based on this review, the Medical Center identified obligations primarily related to the removal of certain materials previously utilized in the construction process. The total retirement obligation of \$416,000 was recognized as of August 31, 2021 and 2020, respectively, which was recorded as accrued expenses in the consolidated balance sheets.

16. Liquidity

Financial assets available for general expenditure within one year of the balance sheet date comprise the following at August 31:

	2021	2020
Cash and cash equivalents	\$ 58,931,786	\$ 28,299,259
Patient accounts receivable	221,266,917	233,649,273
Pledges receivable	16,706,125	16,236,397
Other receivables	28,463,765	29,304,218
Investments	1,517,264,678	1,286,857,936
	\$ 1,842,633,271	\$ 1,594,347,083

17. Subsequent Event

The Medical Center has evaluated all events and transactions that occurred after the balance sheet date and through the date that the consolidated financial statements were issued. There were no significant subsequent events or transactions through this date.

Supplemental Information

Children's Hospital of Chicago Medical Center and Affiliated Corporations

Consolidating Balance Sheet August 31, 2021

	Ann & Robert H. Lurie Childran's Hospital of	Ann & Robert H. Lurie Children's Hospital of Chicego Foundation	Obspared Group	Stanley Manne Children's Regearch Institute	Pediatric Feculty Foundation	Lurie Children's Medical Group LLC	Almost Home Kids	Children's Hospital of Chicago Medical Center	CNINC Insurance Co. Ltd	Luria Childran's Health Pertnera Carre Coordination	Lurie Children's Primary Care	Lurie Children's Pediatric Anselbesia Associates	Lurie Children's Surgical Foundation Inc.	Feulty Predice Plan	Eliminating Entres	Total
Auseba Current estects Cash and cash equivalents Current portion of self-insurance trust	\$ 48.196.403		\$ 49,196,403	1 1		\$ 5,114,174 8	1		\$ 242,114	1 1 40	, ,			\$ 4,379,095		58,931,788
Pattent accounts receivable Other current assets	54,110,079	630,869	54,740,948	1,000,786	8,781,792	720,353	67,035	76,025	24,767,150		1,009,621	249,892	1,736,421	160,678		93,338,681
I DAM CUTTON ASSOCIA	1 803 916 030	900'000	1.603.916.030	,		1		133,984						17,728,793	(833.984)	1,820,944,823
Property and equipment, at cost less. Accumulated decreacition	1,587,257,832	(1,614,963)	1,588,872,885 (724,862,300)	(38,982,535)		. · ·	2,565,024 (843,271)		' '		3,845,180 (2,849,931)				'	1,802,380,508
Total property and equipment, net	863,890,585	٠	863,890,585	168,114,884			1,721,753		•		995,249					1,034,722,471
Operating lease right-of-use assets Other sesels	101,708,550	•	101,709,550	•	•		1,886,747	•		•	9,318,125	•	•		•	112,914,422
Pledges receivable restricted by donors, net Other scaets.	58,778,582		58,778,582	* 1			* 1	• •	• •		1,417,706				' '	56,778,582 13,069,667
TO SEE STATE OF THE PERSON NAMED IN COLUMN NAM	70,430,543		70,430,543	'				,	,	•	1,417,706	•	•	•	•	71,848,249
Total assets	\$ 3,146,601,319	\$ 630,869	\$ 3,147,232,188	\$ 169,123,650	\$ 23.071,480	\$ 10,704,519	4,242,970	210,009	\$ 25.009,264	*	\$ 13,199,526	\$ 5,311,824	\$ 8.407,357	\$ 22,288,566	\$ (633,964)	\$ 3,427,967,349
Liabilities and Net Assets Correct labilities	i									,		9	977	200		ANG 480 040
Accounts payable and accrued expenses Current portion of self-traurance liability	\$ 142.061,602 14.000,000	\$ 3,722,209	14,000,000	8 4.940,228		\$ 5,290,542 \$	355.626	324,392	3 24.875,280			. 3,440,009	044,020,0	1.000.384		14.000.000
Oue to trird-party payors Current porton of operating lease tabilities	30,467,757	• •	30,487,757	. , ,	2,156,753	253,862	213,355		,		772,739	• • •			• • •	32,888,302 13,745,052 5,920,000
Current portion of long-term debt Total current lebel-ties	205,228,317	3,722,209	208,950,528	4,840,226	18,368,438	5,544,534	567,181	324,352	24,875,280		3,046,210	3,248,669	3,826,448	1,335,944		275.025,808
Other fabilities Self-insurance lability Other noncement liabilities	142.873.480		142,873,480		• •		422,602	• •			• •	647,613	4,395,082			142.873.480 22.017.865
Total other liabilities	159,426,048	1	159,426,048				422,602	•	•		,	647,613	4,396,082		•	164,891,345
Long-term operating lease liabilities I non-term date	114,764,613		114,764,613				1,713,479				9,774,778				• •	125,252,868 342,948,854
Total labilities	822,367,832	3,722,209	826,090,041	4,940,226	18,368,438	5,544,534	2,703,262	324,352	24,875,280		11,620,986	3,894,282	8,221.530	1,335,944		906,118,875
Stockholder's equity Common stock Rentsked exhalters	• •			• 1					13,984	• •	• •	1 1		• •	(13,994)	• •
Total stockholder's equity		•	1					•	133,984			•			(133,084)	1
Net assets Net assets without donor restrictions Net assets with donor restrictions	1.795,330,525	(3,091.340)	1,792,239,185	164,183,424	4,703,022	5,159,985	1.539.708	(114,343)		• •	1,378,540	1,417 542	185.827	20.952.622	(700,000)	1,990,B45,512 528,902,962
Total net assols	2,324,233,487	(3,091,340)	2,321,142,147	164,183,424	4,703,022	5,159,985	1,539,708	(114,343)	٠		1,378,540	1,417,542	1	20,952,622		2,519,848,474
Total labilities and net assets	\$ 3,146,601,319	\$ 630,869	\$ 3,147,232,188	5 169.123,650	\$ 23,071,460	\$ 10.704.519	4.242,970	210.009	\$ 25,009,264		\$ 13,199,526	\$ 5.311,824	\$ 6,407,357	\$ 22.288.566	\$ (833.984)	\$ 3,427,967,349

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Children's Hospital of Chicago Medical Center and Affiliated Corporations Consolidating Balance Sheet August 31, 2020

22-032

Consolidating Statement of Operation and Change in Net Assets Without Donor Restrictions Year Ended August 31, 2021 Children's Hospital of Chicago Medical Center and Affiliated Corporations

Total	1,141,149,793	59,121,560	64,672,484	10,547,994	91,392,255	1,306,004,000	452.573,024	1,345,770,364	21,113,722	16,601,215	4,512,507	240,678,864	20,676,455 (18,328,955)	(91,078)	246,263,036	250,775,543	1,949,511	6,675,809	263,626,7	‡ 22-032
Eliminating Entries	\$ (54,181)	(21,586,174)	(22,246,513)	(1,606,814)		,	(33.274,374)	(107,740,875)	•	•		908		(100,001)	(96)	(99,194)	8. 87		\$ (161,99)	
Faculty Practice Plan		•	•	٠	23,395,538	000,000,000	20.303.314	21,185,114	2,230,424	9	2,230,424	2,597,421	(500,000)		2,087,421	4,327,845	61		\$ 6,526,089	
Lurie Children's Surgical Foundation Inc.	\$ 47,099,318	357,821	311,684	155,150	11,656,851	P30,000,00	18,082,399	86,557,656	(26,976,632)		(26,976,632)	,	• •	. (125,454)	(125,454)	(27,102,288)	•	2,445,021	\$ 48.381	
Lurie Pediatric Arrethesia Associates	\$ 18,431,767	112,750	27,497	150,000	2,423,797	22 600 420	3,710,076	27,300,208	(6,154,395)	•	(6,154,395)	T.	• •	7.879	7.879	(8,148,516)	*	93,864	\$ (893,208)	
Lurie Children's Primusy Care	\$ 16,884,388				864,729	11 (20 74	8.283,346	19,797,377	(1.958.260)	•	(1,958,260)	5.0				(1,958,260)	10	1 1 449	\$ (1.002,715)	
Lurte Children's Health Partners Carre Coordination		230,290	,	ं	366,697	705,980 000 and 1	125,842	1,731,862	(1,134,875)	,	(1,134,875)	•	1.1			(1,134,875)	ř.	* * 60	(75,645)	
CMMC Insurance Co. Ltd		,	•	•	112,608	200	113.526	113,528	(918)		(918)	112	1 1		112	(808)	50	• •	\$ (808)	
Chibren's Hospital of Chicago Nedical Certer	•	•	•	•		780 880	170.511	960,400	(980,400)		(960,400)	(808)	• •	• • •	(906)	(961,206)	10	, , 6	\$ (123,548)	
Amost Home Kids	\$ 4,284,500	168,150	,	٠	384,167	5 007 500	831.553 108.591	7,027,653	(2.190.836)		(2, 190, 836)	'	(73,119)		594,835	(1,595 901)	9		\$ (281,483)	
Lurie Children's Medical Group LLC	\$ 21,888,196	1,407,021	218,025	232,876	8,456,287	26 240 416	6.755.848	33.005,063	(822,648)		(822,648)	'	• •	• • •	'	(822,648)	•		\$ 2.949,130	
Pediatric Faculty Foundation	\$ 117.818,214	2,840,642	5,396,983	1,068,788	53,637,674	168 376 807	44,170,389	212,807.086	(31,842,785)		(31,842,785)	1	• •		'	(31,842,785)	•	1 1 6	\$ 5,788,234	
Stantey Manne Children's Research Institute	•	18,449,500	16,290,324	٠	271.756	28 654 448	12,196,515	51,005,298	(17,993,716)	,	(17,993,718)	•			'	(17,993,718)	•	' ' '		
Obligated	\$ 914,817,561	59,121,560	64.672.484	10,547,994	51,989,134	AM 332 556	370,995,279	892,239,798	106,918,965	16,601,215	92,317,760		20,038,720 (17,755,836)	(91,078)	243,788,143	336, 105, 893	1,949,511	4,138,924		1
Elminating Entries		•	•	•	1	102212001	(5.534.338)	(17,755,838)	17.755,836		17,755,836		17,755,836		17,755,836	•	,			
Ann & Robert H. Lurie Châdren's Hospital of Chicago	,	,	٠			12 221 600	5.534,336	17,756,836	(17.755,836)	'	(17,755,836)		20.038,720		20,038,720	2.282.884	•	1 1 100 000 000	(368,334) \$	
Arn & Robert M. Lurie Children's Hospital of Children's	914,817,591 \$	59,121,580	64,672,484	10,547,994	51,998,134	237 245 (191)	370,996,279	992, 239, 798	108,918,965	16,601,215	92,317,750	238,079,331	11	(91,078)	241,505,259	333,823,009	1,949,511	4,136,924	262,934,975 \$	
	•	Not essets refersed from restrictions. Contributions and phanthropy used for program purposes. Grants and other.	restricted income used for program purposes	endownerN income	ı	Operating expenses Salaries, veges, and arribose baneare	_	dal operating expenses	Income (loss) from operations before inlerest and amortization	Interest and amortization of financing coats	Income (toss) from operations	ı		Chiner (1954) on chaposal of fixed assaults		ncy) of supenses	Net assels released from restrictures and for youthase of property and equipment Represented plan-related	Change other than het periodic retirement plen expense Other	se)	

#22-032

Consolidating Statement of Operation and Change in Net Assets Without Donor Restrictions Children's Hospital of Chicago Medical Center and Affiliated Corporations Year Ended August 31, 2020

Total	\$ 1,090,283,094	50,321,632	60,724,474	10,231,046	117,925,866	796,973,897 426,984,437 84 278 (42)	1,311,164,776	18,301,448	16,638,682	1.662,764	74,932,332	18,146,002 (19,496,176)	(4,442,808)	69.055,656	70.718,420	2,433,912	4.861.090 2,208,140	80.221-552	#22-032
Elminatho Entres	(115,375) \$ 1,0	(20,657,807)	(21.836,953)	(1,782,578)	(60,623,410)		(105,026,123)		•	 •	17.331		(200,000)	(182,669)	(162,669)	,		(182.669) \$	
	•	· (S	- (2)		'	1	1	_		3,882,961	1,119,446	(500.000)	000'001				- 175,825	4.778.032 \$	
Faculty n Practice Plan	s	Ŀ	=	4	23,571920	[19,868,959	8) 3.862,96	,		1,116				*			•	
Lunte Children's Surgical Foundation Inc.	\$ 41,925,837	1,349,957	399,821	251.884	11,455,514	66,306.828 17.560,995	82.868,621	(27,484,008)		(27,484,008)			(394,622)	(394,622)	(27,878,630)		3,023,531	\$ (4.965.304)	
Lurie Pediaric Anesthesia Associative	\$ 17,631,628	609'06	•	199,667	3,050,540	3.784.403	24,667,160	(3,802,622)	•	(3,802,622)			285	285	(3,802,337)		(62,135)	\$ (978.671)	ŀ
Lurte Children's Primary Care	\$ 17,333,785		•	,	527.350	11,378,387 7,583,419	19,426,916	(1,585,781)	•	(1.585.781)			* 1	'	(1,565,781)	1	165,143	(1,400,638)	
Lurie Children's Health Partners Care Coordination	it.	195,833	,	22	605,549	2,016,520	2,170,998	(1,369,814)	•	(1,369,614)	,	+ 1			(1,369,614)	,	1,366,730		
CMMC Insurance Co, Ltd	ş.		•	٠	104.005	122,581	122,561	(18,546)	•	(16.546)	1,215			1,215	(17,331)	•		(17,331) \$	
Childran's Hospital of Chicago Medical Center	97	•	9	•		1,138,312	1,409,138	(1,409,138)		(1,409.138)	(17,331)			(17,331)	(1,426,468)	•	1,210,809	(215,960) \$	
Almost Home Klds	\$ 4,160,785	090'090	4		437.519	6,332,374 799,603 106,439	7,238,418	(2,580,082)	,	(2,580,062)	•	752,719 (115,156)	30,319	667.882	(1,912,200)	ı	2,276,961	366.761	
Lurie Children's Medical Group LLC	\$ 17,969,227	1,369,092	378,017	232,876	6,927,125	25.236,272	31,621,443	(4,745,106)	•	(4,745,106)	•		• •		(4.745,106)	,		(3,118,408) \$	
Pediatric Faculty Foundation	\$ 102,175,056	3,092,295	4,949,822	1,216,151	51,505,654	168,137,871	207,773,432	(44,834,454)	76	(44,834,454)	•		• •		(44,834,454)	,	36,459,504	(8,374,950) \$	
Stanley Name Children's Research Institute		14,500,077	16,109,293	٠	343,189	28.182.872 12.713,199 9.031.388	50.827,439	(19,874,880)	٠	(19 874,880)				,	(19.874.680)	ı	9,380,881	\$ (10,493.999) \$	
Obligated Group	889,202,081	50,321,832	80,724,474	10,231,046	1 000 500 344	538,420,048 352,274,458	968,397,628	122,102,716	16,638,682	105,464,034	73,811,671	17,393,283	(81,694)	68.261,450	173,725,484	2,433.912	1.899,694 2.208,140 (75,439,747)	104,827,483	-
Eliminating Entries	**		٠			(12,814,830)	(18,863,020)	18,883.020	٠	18, 663,020	•	18,883,020	. 8	18.883.020	•	•	• • •	,	
Ann 8 Robert H. Lutie Clutie Hospital of Chicago		•	,			12.814.830	18,863,020	(18,883,020)	٠	(16,883,020)	•	17,393,283	630	17.393.283	(1,489.737)	•	(3.818)	(324,775) \$	
Ann & Robert H. Luris Children's P. Hospital of Chicago F.	\$ 889,202,081 \$	56,321,832	60,724,474	10,231,046	1 090,020,911	638.420.048 352.274.468 77.7703.124	968,397,628	122.102.718	16,639,682	105.464.034	73,811,671	24	(81,694)	69.751,187	175.215.221	2,433,912	1,899,694 2,211,958 (76,608,527)	\$ 105,152,258 \$	
	Operating revenue Patient Service Revenue	Net beachts received from restrictions Contributions and philanthropy used for program purposes Grents and other.	restricted income used for program purposes	endowment income	reversive operating reversive Total consistent on the consistency of the consis	Opermiting superses Salantes, veges, and employee benefits Supplies and services Devocablon	Total operating expenses	income (toss) from operations before interest and amortization	Interestand amortization of financing costs	Income (loss) from opersbons	Nonoperating income (expense), net investment elbern	Unraterched Contributions and bequests Fund-relating expense	of fixed assets Other	Total nonoperating income(loss)	Excess (deficiency) of revenue over expenses	Net sase to released from restrictions used for purchase of property and equipment Rettrement plannedatad	change other than not periodic retrievant plan expense Other Transfers (to) from efficies.	Increase (decrees) in net essix without donor restrictions	

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1120.130 FINANCIAL VIABILITY

Rating Agency Report

S&P Global Ratings

RatingsDirect*

Illinois Finance Authority Ann & Robert H. Lurie Children's Hospital of Chicago; Hospital

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Illinois Finance Authority, Illinois

Ann & Robert H. Lurie Children's Hosp of Chicago, Illinois

Illinois Finance Authority (Ann & Robert H. Lurie Children's Hospital of Chicago)

Long Term Rating

AA-/Stable

Affirmed

Rating Action

S&P Global Ratings affirmed its 'AA-' long-term rating on the Illinois Finance Authority's outstanding revenue bonds issued for the Ann & Robert H. Lurie Children's Hospital of Chicago (Lurie Children's). Children's Hospital of Chicago Medical Center is the parent organization for the system, and we refer to the combined system in this report as Lurie Children's. The outlook is stable.

Credit overview

The rating reflects our view of Lurie Children's growing market share and strong brand in its competitive Chicago-area market. The rating also incorporates our view of Lurie Children's balance sheet, with a relatively light and conservative debt load and growing unrestricted reserves, and with limited capital needs over the outlook period. This has offered Lurie Children's some cushion as it continues to experience operating challenges associated with the COVID-19 pandemic and ongoing expense pressures.

Lurie Children's operating profile in fiscal 2020 and through the first nine months of fiscal 2021 (ended May 31, 2021) includes operating losses reflecting significant revenue and expense pressure. The hospital's volumes have not fully rebounded to pre-pandemic levels, and the organization continues to face expense pressure related to salaries and wages. Given ongoing workforce issues across the health care industry, we anticipate these pressures will persist. Lurie Children's strategic investments have also created some pressure on the organization's financial profile, with growing depreciation expense related to the hospital expansion and new research space, along with increased salary and supply expenses related to this growth. Still, we note that the management team has been proactive in controlling expenses where possible. We expect the hospital will finish the year with a more modest operating loss (by S&P Global Ratings' calculations). Lurie Children's also consistently generates excellent nonoperating income, supported by healthy investment returns and strong philanthropic support. We expect nonoperating income will remain steady as Lurie Children's operating margin gradually improves over the outlook period, supported by a continued rebound in volumes and management's focus on controlling expenses.

A lower rating is precluded at this time by the hospital's strong and stable cash flow driven in part by unusually strong nonoperating revenue in fiscals 2020 and 2021, along with its excellent balance sheet. We anticipate some moderation in unrestricted reserves over the next year as Lurie Children's resumes routine capital expenditures and continues its

Illinois Finance Authority Ann & Robert H. Lurie Children's Hospital of Chicago; Hospital

capital investment strategy, but anticipate cash-to-debt and days' cash on hand metrics will remain in line with rating expectations. Lurie Children's unrestricted reserves may also fluctuate with delayed payments from Illinois' Medicaid program. While we understand that these payments have been more timely over the last year, the program has historically been slow to pay providers, and we believe further delays are likely over the outlook period.

The rating also reflects our view of Lurie Children's strong and improving market share in a very broad service area that incorporates Chicago and the surrounding counties, albeit with ongoing competition from other academic medical centers and larger systems. The hospital's market position is supported by its consistently strong regional and national quality rankings across a broad range of pediatric specialties, along with a growing and diversified medical staff. Lurie Children's also has a sizable geographic footprint through its ambulatory sites and branded clinics at hospitals across the Chicago area. Over the last few years, Lurie Children's has invested substantially in the organization through increased faculty employment and affiliations and investment in inpatient capacity, outpatient satellite facilities, and research capabilities.

The 'AA-' rating further reflects our view of Lurie Children's:

- Strong and improving balance sheet, highlighted by growing unrestricted reserves and a conservative debt structure;
- Continued good business position as the only freestanding pediatric acute-care facility in the state, with a strong relationship with Northwestern University's (AA+/Stable) Feinberg School of Medicine and Northwestern Memorial Hospital (AA+/Stable);
- Consistently robust maximum annual debt service (MADS) coverage, which has been over 7x for the past several
 fiscal years as a result of good cash flow; and
- Modestly improving market share sustained by a growing medical staff and investment in outpatient satellite
 facilities, coupled with clinical affiliations with general acute-care hospitals in the seven-county service area.

Partly offsetting the above strengths, in our view, are Lurie Children's:

- Operating losses in fiscal 2020 and through the first nine months of fiscal 2021, due in part to slow volume recovery;
- Ongoing competition in the broader service area from other systems and academic medical centers that are continuing to invest in their pediatric services;
- Operating income that is somewhat dependent on supplemental funds through the Illinois provider fee program coupled with Medicaid exposure in a state with fiscal challenges; and
- High use of operating leases, generating thinner lease-adjusted MADS coverage.

The stable outlook reflects our view of Lurie Children's continued sound business position and strong balance sheet, which we believe support the organization through a period of more challenged operations. The stable outlook also incorporates our view that Lurie Children's operating performance will improve over the outlook period, either by improving patient demand or through management's ongoing focus on expense control.

Environmental, social, and governance (ESG) factors

We consider Lurie Children's social risk to be higher than the sector as a whole given its elevated Medicaid exposure. While we recognize that its payor mix is more typical when compared with other children's hospitals, we view Illinois'

Illinois Finance Authority Ann & Robert H. Lurie Children's Hospital of Chicago; Hospital

Medicaid program as an additional risk, given the state's history of budget issues and consistently delayed payments. We also believe the pandemic exposes the entire sector to additional social risks, notably ongoing pressure related to workforce shortages. We analyzed Lurie Children's environmental and governance risks relative to its economic fundamentals, market position, and management and governance and the corresponding effects on its financial profile and determined that all are in line with the industry as a whole.

Stable Outlook

Downside scenario

We could consider a negative outlook or rating action if Lurie Children's operating margins do not improve in fiscal 2022 ahead of budgeted expectations, supporting at least break-even operating margin by S&P Global Ratings' calculations, or if unrestricted reserves or operating liquidity decline materially. We would also view negatively any sustained pressure on Illinois' Medicaid program, whether through lower reimbursement or further payment delays that meaningfully pressure Lurie Children's financial profile. While not expected, any deterioration in Lurie Children's business position could pressure the rating.

Upside scenario

Given ongoing operating pressures, we view a positive outlook or higher rating as unlikely over the outlook period. We could consider a positive outlook or rating action over time if Lurie Children's is able to consistently generate healthy operating margins and cash flow, generating liquidity metrics in line with those of 'AA' rated peers.

Credit Opinion

Enterprise Profile: Very Strong

Overall pediatric services in the greater Chicago market continue to consolidate, specifically those services oriented toward tertiary and quaternary services. However, we believe Lurie Children's, with a leading market share, depth of services, and a large medical staff, continues to hold a solid position, albeit in a competitive market with several academic medical centers and hospitals and systems increasing their pediatric presence. Lurie Children's remains the only stand-alone acute-care pediatric facility in the state, and it operates a robust and growing ambulatory network across the Chicago area, as well as a sophisticated partnership model with several hospitals in the region. Lurie Children's is also working to expand patient access through its digital front door strategy and a growing telemedicine program. These initiatives have enhanced Lurie Children's brand and supported healthy patient demand.

Lurie Children's has also worked over the last few years to grow its active physician base, which includes over 1,400 providers, including approximately 772 employed pediatric care and pediatric subspecialty physicians. The medical staff helps support the hospital and Lurie Children's larger research and educational mission with its breadth and depth of specialties.

Management and the board also have specific research strategies as areas of focus for the organization, and we believe that, if executed well, this could eventually contribute to strengthening specific clinical services as well as Lurie Children's regional and national reputation. Consistent with Lurie Children's strategic focus in the area of research, the organization has continued to increase its research investment, funded from a variety of sources, including outside grants, philanthropy, and operating cash flow. In June 2019, Lurie Children's relocated its clinical research program to a research tower built by Northwestern University. The new research space brings research near the main hospital campus and supports management's strategic focus on growing the hospital's research footprint. Lurie Children's portion of the facility has three floors built out for research, with the total potential capacity of research space at 165,000 square feet (up from 125,000 square feet at its former location). Despite some financial risks related to research, including the capital investment for the additional space, we believe Lurie Children's is taking a measured and controlled approach from an operating investment perspective and with support from philanthropy and external grants.

Lurie Children's management team has a history of surpassing many of its long-range financial goals, although we expect that COVID-19 and ongoing headwinds will continue to pressure the organization's financial profile over the outlook period. In addition to research and fundraising, management has grown the clinical network while expanding capacity at the main hospital. The leadership team continues its focus on positioning the organization for a potentially lower reimbursement environment and in managing some risk for its different patient populations, as that shift is likely to come about over the next several years from payors and the state through the managed Medicaid program. To that end, Lurie Children's operates a clinically integrated network that is working with its care coordination entity along with independent physician groups in the area. With its breadth and depth of services as well as its incorporation of some risk-based contracts, management believes that it is taking the appropriate steps to gain experience and succeed under a reimbursement methodology that is likely to evolve toward payments based on quality care at lower costs. Finally, we believe that management and the board have done an excellent job of advocating for the organization both in the state and nationally, and we view this ongoing focus as important in maintaining reimbursement levels and further distributions of COVID-19-related aid for the hospital.

Table 1

Ann & Robert H. Lurie Child	lren's Hospital, Illinois Enterprise S	tatistics	
	-Nine months ended May 31-	-Fiscal year ended	ug. 31—
	2021	2020	2019
PSA population	N.A.	2,000,000	2,000,000
PSA market share (%)	N.A.	33.4	30.1
Inpatient admissions	6,623	10,170	10,605
Equivalent inpatient admissions	11,475	16,649	17,163
Emergency visits	26,189	47,331	64,518
Inpatient surgeries	3,429	4,743	4,708
Outpatient surgeries	11,904	14,963	16,373
FTE employees	4,151	4,246	5,515
Active physicians	1,460	1,429	1,403
Based on net/gross revenues	Net	Net	Net
Medicare (%)	0.2	0.2	0.2
Medicaid (%)	35.1	34.9	33.8

Illinois Finance Authority Ann & Robert H. Lurie Children's Hospital of Chicago; Hospital

Table 1

Ann & Robert H. Lurie Cl	hildren's Hospital, Illinois Enterprise S	Statistics (cont.)	
	-Nine months ended May 31-	-Fiscal year ended Au	g. 31
	2021	2020	2019
Commercial/Blues (%)	61.9	61.2	61.1

N.A.--Not available. Inpatient admissions exclude normal newborn, psychiatric, rehabilitation, and long-term care facility admissions.

Financial Profile: Very Strong

Financial performance

Lurie Children's operating performance has been weaker over the last 18 months as a result of the COVID-19 pandemic. The hospital experienced a sharp drop in revenue with the spring 2020 state-mandated cessation of elective procedures, and has continued to face revenue pressure as volumes have been somewhat slow to rebound. These pressures were offset, to some extent, by recognition of \$50.7 million of CARES Act grants in fiscal 2020, and an additional \$5.5 million in year-to-date fiscal 2021. Lurie Children's also implemented an extensive financial improvement plan in fiscal 2020, including temporary pay cuts, furloughs, and a hiring freeze. We understand that the organization has restored full pay and halted all furloughs, but management continues to focus on financial improvement by enhancing its service line offerings, expanding access points, and maximizing clinical and administrative efficiency.

In addition to pandemic-related challenges, Lurie Children's growing expense base has also put some pressure on overall operating margin. The organization's depreciation expense has grown incrementally over the last few years as it has added new patient beds, and further expanded in fiscal 2019 with the opening of the new research facility. Ongoing clinical and research investments have also driven increased supply and staffing expenses. We expect Lurie Children's expense base to continue to grow as it invests in expanding its clinical and research capabilities, particularly given industrywide workforce challenges. Still, we expect that the organization will meet its budget for fiscal 2022, which calls for a break-even operating margin. We also believe Lurie Children's will sustain its excellent nonoperating income, supporting very strong MADS coverage.

Liquidity and financial flexibility

Lurie Children's capital spending has slowed over the last year, following the completion of an expansion that added 76 new beds to the hospital and upgraded a portion of its existing beds to serve intensive-care patients. The organization also slowed routine capital expenditures as it operated through the COVID-19 pandemic. We anticipate capital spending will increase in fiscal 2022, with a capital budget of \$83 million, including \$55 million of routine capital spending. The hospital also continues to invest in research and growth and we understand capital spending could increase depending on management's assessment of various strategic opportunities.

Lurie Children's unrestricted reserves have grown markedly in the last year with the reduction in capital spending, strong nonoperating cash flow, and growth in the system's investment portfolio. We expect some moderation in unrestricted reserves and related metrics over the next year as spending increases, but anticipate they will remain broadly in line with rating expectations. Lurie Children's did not apply for the Medicare advance payment program, as

the hospital sees very few Medicare patients, and the potential benefit of the program was minimal.

Lurie Children's has had a strong history of successful fundraising, and this continues into fiscal 2022 with its "Campaign for Every Child"—a comprehensive campaign with a focus on advancing Lurie Children's research agenda. The campaign has a goal of raising \$500 million by 2023.

Debt profile

Overall, Lurie Children's debt levels are decreasing incrementally as debt amortizes, albeit with a more modest principal amortization schedule through the next several years. We also view the structure as conservative, with no debt-related contingent liquidity risks (including no direct placement debt and no swaps) and no large bullets or tenders. Lurie Children's also has lines of credit with three banks, with a total of \$100 million available. While Lurie Children's currently has no money drawn on its lines of credit, we view the hospital's continued access to lines of credit positively, as it can provide short-term liquidity relief in the event of significant operating challenges.

Lurie Children's has a frozen defined benefit cash balance pension plan, and funding improved to 103% at fiscal year-end 2020 due to strong investment results. We also believe that as the defined benefit plan is frozen, the plan should continue to gradually yield additional expense savings.

Table 2

Ann & Robert H. Lurie Children's Ho	spital, Illinois Finan	icial Statistics		
_	Nine months ended May 31	-Fiscal year er	nded Aug. 31	Medians for 'AA-' rated stand-alone hospital
	2021	2020	2019	2020
Financial performance				
Net patient revenue (\$000s)	829,366	1,090,283	1,103,152	881,434
Total operating revenue (\$000s)	988,684	1,315,225	1,270,660	984,770
Total operating expenses (\$000s)	1,009,057	1,327,824	1,226,474	MNR
Operating income (\$000s)	(20,373)	(12,599)	44,186	MNR
Operating margin (%)	(2.06)	(0.96)	3.48	3.00
Net nonoperating income (\$000s)	79,595	86,110	50,493	MNR
Excess income (\$000s)	59,222	73,511	94,679	MNR
Excess margin (%)	5.54	5.25	7.17	6.20
Operating EBIDA margin (%)	6.24	7.02	10.89	8.70
EBIDA margin (%)	13.23	12.73	14.29	12.60
Net available for debt service (\$000s)	141,338	178,376	188,805	134,766
Maximum annual debt service (\$000s)	23,752	23,752	23,752	MNR
Maximum annual debt service coverage (x)	7.93	7.51	7.95	6.10
Operating lease-adjusted coverage (x)	4.50	4.21	4.57	4.50
Liquidity and financial flexibility				
Unrestricted reserves (\$000s)	1,228,777	969,525	886,230	906,282
Unrestricted days' cash on hand	358.1	285.5	281.3	347.70
Unrestricted reserves/total long-term debt (%)	352.0	277.3	248.9	279.50
Unrestricted reserves/contingent liabilities (%)	N/A	N/A	N/A	848,30

Illinois Finance Authority Ann & Robert H. Lurie Children's Hospital of Chicago; Hospital

Table 2

Ann & Robert H. Lurie Children's Ho	ospital, Illinois Finan	icial Statistics (cont.)		
	-Nine months ended May 31	-Fiscal year ended Aug. 31-		Medians for 'AA-' rated stand-alone hospital	
	2021	2020	2019	2020	
Average age of plant (years)	8.0	7.7	7.7	11.30	
Capital expenditures/depreciation and amortization (%)	69.7	91.5	176.2	114.20	
Debt and liabilities	· -				
Total long-term debt (\$000s)	349,054	349,610	356,026	MNR	
Long-term debt/capitalization (%)	15.5	16,8	17.8	21.60	
Contingent liabilities (\$000s)	N/A	N/A	N/A	MNR	
Contingent liabilities/total long-term debt (%)	N/A	N/A	N/A	40.60	
Debt burden (%)	1.67	1.69	1.80	2 00	
Defined-benefit plan funded status (%)	N.A.	102.97	100.07	94.30	
Miscellaneous					
Medicare advance payments (\$000s)*	N/A	N/A	N/A	MNR	
Short-term borrowings (\$000s)*	N/A	N/A	N/A	MNR	
CARES Act grants recognized (\$000s)	5,528	50,700	N/A	MNR	

^{*}Excluded from unrestricted reserves, long-term debt, and contingent liabilities. N.A.—Not available. N/A—Not applicable, MNR—Median not reported.

Credit Snapshot

- Credit profile: Lurie Children's is a 364-bed children's hospital located in downtown Chicago. The obligated group consists of Lurie Children's and the Ann & Robert H. Lurie Children's Hospital of Chicago Foundation (the foundation). Entities outside of the obligated group include Stanley Manne Children's Research Institute; Pediatric Faculty Foundation Inc., an employed medical group of mostly pediatric and pediatric subspecialty physicians; Lurie Children's Medical Group LLC, an employed group of physicians for dentistry, pathology, psychiatry, and medical imaging; Lurie Children's Primary Care LLC, an organization that employs community primary care physicians in four locations; Lurie Children's Surgical Foundation, which employs over 70 surgeons; Lurie Children's Pediatric Anesthesiologist Associates, which employs over 30 anesthesiologists on the medical/dental staff; Almost Home Kids, an entity that provides transitional and respite care for children with medical complexity outside of the acute-care setting; Children's Hospital of Chicago Medical Center (parent); Lurie Children's Health Partners Care Coordination, an organization to coordinate and provide health care for medically complex children; and CMMC Insurance Co. Ltd., an offshore insurance captive.
- Security pledge: The bonds are secured by gross receipts of the obligated group
- Group rating methodology: Core

Illinois Finance Authority Ann & Robert H. Lurie Children's Hospital of Chicago; Hospital

Related Research

Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020

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1120.140 ECONOMIC FEASONABILITY

- A. Reasonableness of Financing Arrangements
- B. Conditions of Debt Financial

(These sections are not applicable because the project is being funded with cash and securities.)

C. Reasonableness of Project and Related Costs

(See tables and narrative statements on the following pages.)

C. Reasonableness of Project and Related Costs

COST AND SQUARE FOOT BY DEPARTMENT

				COSTA	ND SQUAR	E POUT DI	DEPARTMENT			
Department	Α	В	С	D	Ε	F	G	Н		As is
	Cost /	Sq Ft	DG	SSF DGSF		Const \$	Mod \$	Total Cost	Sq Ft	
	New	Mod	New	Circ %	Mod	Circ %	(A x C)	(B x E)	(G + H)	
CLINICAL										
Cardiology diagnostics	\$307.84		957	21%			\$294,599		\$294,599	
Radiology Imaging										
general x-ray	\$307.69		1,030	21%			316,921		316,921	
ultrasound	\$308.06		355	21%			109,360		109,360	
Rehabilitation				~ 1						
physical therapy	\$307.84		1,682	17%	**		517,787		517,787	
occupational therapy	\$307.84		870	17%			267,821		267,821	
speech therapy	\$307.84		696	17%			214,257		214,257	
prosthetics & orthotics	\$307.84		870	17%			267,821		267,821	
Infusion	\$307.84		6,500	22%			2,000,960		2,000,960	
Audiology	\$307.84		1,276	20%			392,804		392,804	
Pathology lab / phlebotomy	\$307.88	_	1,863	23%			573,583		573,583	
Clinical subtotal	\$307.84	-	16,099	21%			\$4,955,912		\$4,955,912	
NON-CLINICAL						 				
Exam Rooms										
primary care	\$546.39		3,147	23%			\$1,719,499		\$1,719,499	
specialty care	\$546.47		9,418	24%			5,146,612		5,146,612	
Reception / waiting	\$400.00		2,668	26%			1,067,200		1,067,200	
Lobby / restrooms	\$600.00		560	27%			336,000		336,000	
Staff support, lockers, lounge	\$336.00		3,277	21%			1,101,072		1,101,072	
Housekeeping, utility	\$336.96		2,878	24%			969,769		969,769	
Storage	\$360.00		2,465	22%			887,400		887,400	
Admin, conference	\$520.02		5,749	24%			2,989,610		2,989,610	
Building systems, mechanical	\$998.45		8,828	19%			8,814,326		8,814,326	
Shelled space	\$330.82		14,911	0%			4,932,902		4,932,902	
Non-clinical subtotal	\$518.81		53,901	16%			\$27,964,390		\$27,964,390	
TOTAL	\$470.29		70,000	19%			\$32,920,302		\$32,920,302	

Project Costs and Sources of Funds

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

Project Costs	and Sources of Funds		
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs	\$139,709	\$654,473	\$794,182
Site Survey and Soil Investigation	1,809	34,370	36,179
Site Preparation	191,191	1,581,600	1,772,791
Off Site Work	7,000	28,000	35,000
New Construction Contracts	4,955,912	27,964,390	32,920,302
Modernization Contracts	0	0	0
Contingencies	430,000	2,829,110	3,259,110
Architectural/Engineering Fees - construction - site work	397,000 20,210	1,990,841 80,839	2,387,841 101,049
Consulting and Other Fees	194,825	1,753,425	1,948,250
Movable or Other Equipment (not in construction contracts)	4,799,335	5,070,251	9,869,586
Bond Issuance Expense (project related)	0	0	0
Net Interest Expense During Construction (project related)	0	0	0
Fair Market Value of Leased Space or Equipment	0	0	0
Other Costs to Be Capitalized			
- IT - artwork	247,025	2,223,225	2,470,250
- signage	17,500 12,500	157,500	175,000
Acquisition of Building or Other Property (excluding land)	12,300	112,500	125,000
TOTAL USES OF FUNDS	\$44 444 D4G	£44 490 525	\$55.904.544
	\$11,414,016	\$44,480,525	\$55,894,541
SOURCE OF FUNDS Cash and Securities	CLINICAL	NONCLINICAL	TOTAL
	\$11,414,016	\$44,480,525	\$55,894,541
Pledges Cife and Removed			
Gifts and Bequests	-		
Bond Issues (project related)			
Mortgages			
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	\$11,414,016	\$44,480,525	\$55,894,541

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

Project Costs and Sources of Funds

Narrative Descriptions of Line Items

Item 1. Preplanning Costs - \$794,182

Market analyses, feasibility studies and background work, real estate analysis and site selection; Phase 1 cultural and environmental assessments; initial traffic and parking studies; legal and zoning investigation.

Preplanning costs assigned to clinical uses total \$139,709. This amount is 1.4% of \$10,185,247, the total of \$4,955,912 for clinical construction plus \$430,000 clinical contingency plus \$4,799,335 clinical equipment. As a result, it meets the State standard, under 1.8%.

Item 2. Site survey and soil investigation - \$36,179

Soil testing and geotechnical work; property survey.

Item 3. Site Preparation - \$1,772,791

Site work includes earthwork and grade leveling, utility infrastructure installation, irrigation and drainage systems, retention pond configuration, asphalt paving, and landscaping; access road construction.

Item 4. Off-site work - \$35,000

Improvement to adjacent public streets and right-of-way, including turn lanes, signage and potential signalization.

The total site related work items 2, 3 and 4 is \$1,843,970, of which \$200,000 is assigned to clinical. \$200,000 is 3.7% of the total \$5,385,912, the sum of clinical construction (\$4,955,912) plus clinical contingency (\$430,000). It meets the State standard, under 5.0%.

Item 5. New Construction Contracts - \$32,920,302

Construction of a three story, 70,000 sq ft building. Cost includes foundation and slab, core and shell, TPO roofing, doors and windows, thermal and moisture protection, fixed equipment (other than medical equipment referenced below), interior buildout and finishings, and contractor's overhead. Electrical, plumbing and heating and air conditioning systems are included.

Of the total construction cost, \$4,955,912 is allocated to clinical uses.

Item 7. Contingencies - \$3,259,110

Contingencies are allowances for unforeseen circumstances, such as delays in shipping and receipt of materials and supplies that affect the construction schedule, escalation above anticipated pricing of materials and labor, or site conditions resulting in plan modification.

\$430,000 is contingency is allocated to clinical uses. \$430,000 is 8.7% of clinical construction costs. The total contingency of \$3,259,110 is 9.9% of the total construction cost of \$32,920,302.

Item 8. Architectural and Engineering Fees - \$2,488,890

A/E fees include the functional program and space plan, preliminary design, schematic design, design development, construction document services, bidding and negotiation, and construction administration services. The costs of A/E services for construction are \$2,387,841, of which \$397,000 is allocated to clinical uses. The costs of A/E services for site work is \$101,049, of which \$20,210 is assigned to clinical uses.

For clinical construction, A/E services of \$397,000 is 7.4% of \$5,385,912, the total of clinical construction \$4,955,912 plus clinical contingency of \$430,000. This amount is consistent with the State standard for outpatient facility construction and contingency for amounts under \$7 million.

For clinical site work, A/E services of \$20,210 is 10.1% of the total \$200,000 for site work assigned to clinical. This percentage meets (is below) the State standard of 11.99% for site work related projects under the level of \$300,000.

Item 9. Consulting and Other Fees - \$1,948,250

This work includes legal fees, environmental evaluation, utilities during construction, builder's risk insurance policy premiums. It also includes regulatory and permit fees, including Certificate of Need consulting and IDPH fees, as well as capitalized costs of in-house staff, and commissioning fees.

Item 10. Moveable Equipment not in construction contracts - \$9,869,586

The total amount for equipment is \$9,869,586, of which \$4,799,335 is clinical. Itemization of some of the major equipment required is as follows:

General radiology X-ray

\$800,000

- GE Discovery Digital Radiographic System with Wall Bucky
- Chest chair
- Spine chair
- Octostop board
- Apron rack and lead aprons
- Demi apron set with rack
- Thyroid shields
- Transfer board

Ultrasound

\$170,000

- Ultrasound
- Stretcher
- Probe rack
- Gel warmer

ECG / ECHO

\$475,000

- Echocardiography ultrasound
- Echo bed
- Gel warmer
- Electrocardiograph
- Miscellaneous associated equipment

Infusion Suite

\$200,000

- Infusion Chairs
- Height-adjustable exam beds
- Scales (standing, wheelchair, infant)
- Infusion pumps
- Nurse server carts
- HP monitors
- Infusion carts
- Echo bed
- Gel warmer
- Electrocardiograph
- Miscellaneous associated equipment

Pharmacy

\$224,335

- Safety biological hoods
- Repeater pump
- Pharmacy upright refrigerators
- Ultra-low freezer
- Under-counter refrigerator
- Sharps containers
- Chemo, pharmacy waste containers
- Pharmacy scales
- Lab shaker

Laboratory/Blood Bank

\$2,446,230

- Phlebotomy chair/table
- CBC Analyzer
- Chemistry analyzer
- Coagulation analyzer
- Centrifuge
- Instrument Effluent System
- Upright refrigerator

- Undercounter refrigerator
- Glucometers
- iSTAT
- Blood bank refrigerator
- Ortho gel workstation
- Tube washer
- Cell washer
- Thawing bath
- Platelet Incubator/Shaker
- Sterile connecting device
- Microscope
- Cabinet, Safety, Acid
- Cabinet, Safety, Flammable Storage
- Tube Rocker
- Lab Oven

Audiology testing

\$380,000

- (2) Sound booths
- (2) Audiostar audiometers
- (2) Tympstars
- (2) AuDxPro II
- (2) VRA System
- (2) Video VRA System
- (2) Otoscopes
- (2) Phonak Roger Pens
- (2) Phonak Roger Focus
- (2) MP3 systems
- (3) Verifit 2
- (3) Hi Pro Box
- (3) I Cube III
- (3) Airlink II
- (3) Fitting Link
- (2) NavPro
- (2) ALGO 5

Gym / therapy

\$65,000

- Treadmills
- Therapy ladder
- Exam plinth
- Equipment carts
- Under-counter freezer
- Mats
- Mat storage hangers

Additional miscellaneous clinical equipment with relatively smaller aggregate costs constitute the remainder of the clinical equipment budget. The balance of the equipment budget includes a large volume of equipment located in exam rooms and other non-clinical areas. Examples of these items are: procedure carts, mobile workstations, exam tables, exam stools, medical gas carts, defibrillators and AEDs, vital sign monitors, video procedure carts, display monitors, microscopes, wheelchairs and wheelchair scales, sharps containers, glove box holders and nebulizers. The equipment budget includes endoscopes, rhinolaryngoscopes, bladder scanners, suction machines, stadiometers, ophthalmoscopes and otoscopes, sphygmomanometers and stadiometers.

Furnishings include tables and chairs for waiting areas, conference rooms, and administrative and staff areas, desks and work stations.

Item 14. Other Costs to be Capitalized - \$2,770,250

Information technology includes computers, switches, cabling	\$2,470,250
(Expand the description with a sentence or two.)	
Artwork for lobby and public areas, waiting, exam rooms	\$175,000
Directional signage and signs for functional areas	\$125,000

D. Project Operating Costs

Estimated Project Start Up Operating Cost (first full year) \$ _____18,169,250

Project Direct Operating Expenses – 2 years after project completion (Year 2027)

	Project
Total Operating Costs	\$21,179,012
Equivalent Patient Days	22,965
Direct Cost per Equivalent Patient Day	\$922

E. Total Effect of the Project on Capital Costs

Projected Capital Costs – 2 years after project completion (Year 2027)

	Project FY 2027	Total hospital FY 2027
Equivalent Patient Days (All Lurie Children's Hosp)		533,840
Total Project Capital Cost	\$55,894,541	
Useful Life	29.3	
Total Annual Depreciation	\$2,730,662	\$106,535,662
Depreciation Cost per Equivalent Patient Day	\$119	\$200

SECTION X. CHARITY CARE INFORMATION

Since 1882, Ann & Robert H. Lurie Children's Hospital of Chicago's (Lurie Children's) mission has been to improve the health and well-being of all children. Lurie Children's is the State of Illinois' primary partner in bringing high quality and accessible health care to the most vulnerable children. As the State's only freestanding, acute care children's hospital, Lurie Children's treats more children insured by Medicaid than any other Illinois hospital.

Lurie Children's is steadfast in its commitment to care for all children and families, despite reimbursement the Medicaid program provides the hospital and its physicians. In FY 2021, Lurie Children's was reimbursed \$162.4 million less than the <u>actual cost</u> of providing Medicaid services to children.

Lurie Children's has a robust financial assistance program that is widely publicized and available to patients at any time. In FY 2021, 1,661 individuals applied for financial assistance. 93% of these applicants received financial assistance. Eligibility for financial assistance from Lurie Children's is based upon a family's income as compared to national poverty levels. In general, the relatively few applicants who were not approved for such assistance failed to provide documentation of income and financial resources to demonstrate eligibility.

The primary reason Lurie Children's does not receive more requests for financial assistance is that the State of Illinois has established nearly universal health coverage for all children who reside in the State through its Medicaid/All Kids programs. Lurie Children's assists the Illinois Department of Healthcare and Family Services by enrolling children who require inpatient services and who qualify for Medicaid/All Kids.

Consolidated Medical Center	2019	2020	2021	
Net Patient Revenue	1,103,151,786	1,090,283,004	1,141,149,793	
Charity Care	9,247,643	13,112,126	5,470,956	
Cost of Charity Care	4,685,225	4,649,996	1,873,129	
Ratio of Charity Care Cost: Net Patient Revenue	0.0042	0.0043	0.0016	

Hospital Only	2019	2020	2021
Net Patient Revenue	917,225,477	889,202,081	914,817,591
Charity Care	6,065,076	9,922,209	3,920,720
Cost of Charity Care	1,703,152	2,920,657	1,094,878
Ratio of Charity Care Cost: Net Patient Revenue	0.0019	0.0033	0.0012

Attachment 39

APPLICATION FOR PERMIT- 06/2022 - Edition

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 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.		ROBERT H. LURIE C	HILDRENS HOSPITAL	OF CHICAGO	225 E CHICAGO AVE			
	(Name)	(Name)		212 - 24	(Address) 7 - 4000			
-	(City)	(State)	(ZIP Code)		phone Number)			
2.	Project Location:	3 HILLCREST	, ,		IMBURG, IL			
	-	(Address)			(City) (State)			
	Dup	AGE			, , ,			
		(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.							
		e Zoom tools provided to			the aerial photo. You will the Make a FIRMette tool			
IS	THE PROJECT S	SITE LOCATED IN A	A SPECIAL FLOOI	D HAZARD AI	REA: YesNo X ?			
IS	THE PROJECT S	SITE LOCATED IN	THE 500-YEAR FL	OOD PLAIN?				
loca	al community building	ermine if the site is in the g or planning departmen eing made by a local offi	t for assistance.		in, contact the county or the			
FIR	RM Panel Number:			Effective Date:				
Naı	me of Official:			Title:				
Bus	siness/Agency:		Address:_					
1000	(City)	(State)	(ZIP Code)	(Telep	hone Number)			
Sig	nature:			Date:				
floo	dplain as designated		e. It does not constitute		od Hazard Area or a 500-year t the property will or will not be			

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

National Flood Hazard Layer FIRMette



739.4 FEET FLOODWAY 1:6,000 Village of Schaum 141N R10E S3 170158 REA OF MINIMAL FLOOD HAZARD

Legend

SEE FIS REPORT FOR DETAILED LEGEND AND INDEX MAP FOR FIRM PANEL LAYOUT

HAZARD AREAS SPECIAL FLOOD

With BFE or Depth Zone AE, AO, AH, VE. AR Without Base Flood Elevation (BFE) Zone A. V. A99

Regulatory Floodway

of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile zame x 0.2% Annual Chance Flood Hazard, Area Future Conditions 1% Annual

Chance Flood Hazard Zone X

Area with Flood Risk due to Levee Zone E Area with Reduced Flood Risk due to Levee. See Notes, Zone X

OTHER AREAS OF FLOOD HAZARD

Area of Minimal Flood Hazard Zone X

Effective LOMRs NO SCREEN

Area of Undetermined Flood Hazard Zone

OTHER AREAS GENERAL

Channel, Culvert, or Storm Sewer

STRUCTURES | 1111111 Leves, Dike, or Floodwall

Cross Sections with 1% Annual Chance Water Surface Elevation

Base Flood Elevation Line (BFE) Coastal Transect

Limit of Study ----- \$1] war

Jurisdiction Boundary

Coastal Transect Baseline Hydrographic Feature Profile Baseline

OTHER FEATURES

Digital Data Avallable

No Digital Data Available

Unmapped

MAP PANELS

The pin displayed on the map is an approximate point selected by the user and does not represer an authoritative property location.

This map complies with FEMA's standards for the use of

digital flood maps if it is not void as described below.

The basemap shown complies with FEMA's basemap accuracy standards

The flood hazard information is derived directly from the authoritative NFHL web services provided by FEMA. This madwas exported on 8/4/2022 at 8:339 PM and does not reflect changes or amendments subsequent to this date and time. The NFHL and effective information may change or become superseded by new data over time. become superseded by new data over time.

This map image is void if the one or more of the following map legend, scale bar, map creation date, community identifiers, FIRM panel number, and FIRM effective date. Map images for unmapped and unmodernized areas cannot be used for elements do not appear: basemap imagery, flood zone labets, regulatory purposes.

1,500

1,000

200



VIA OVERNIGHT DELIVERY

September 15, 2022

Mr. John Kniery Administrator Illinois Health Facilities and Services Review Board 525 W. Jefferson Street, 2nd Floor Springfield, IL 62761

Re: Permit Application

Lurie Children's Outpatient Center in Schaumburg Ann & Robert H. Lurie Children's Hospital of Chicago

Dear Mr. Kniery:

Enclosed are one original and one copy of the above-referenced permit application. Also enclosed is the initial permit application fee in the amount of \$2,500 payable to the Illinois Department of Public Health.

We look forward to the State's review of the project and hope to be on the December 13, 2022 meeting agenda.

If you have any questions, please contact me or Ralph Weber at 847-791-0830.

Sincerely,

Ann Sherline

ann Sherline

Senior Associate General Counsel Ann & Robert H. Lurie Children's Hospital of Chicago 225 East Chicago Avenue, Box 261 Chicago, IL 60611 312-227-4312

Cc: Ralph Weber