ORIGINAL

E-011-16

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

RECEIVED
JAN 26 2016
HEALTH FACILITIES & SERVICES REVIEW BOARD

1. INFORMATION FOR EXISTING FACILITY

Current Facility Name Decatur Digestive Disease Center
Address #2 Memorial Drive, Physician Plz West, Ste 102
City Decatur Zip Code 62526 County Macon
Name of current licensed entity for the facility Decatur Digestive Disease Center, LLC
Does the current licensee: own this facility ____ OR lease this facility X (if leased, check if sublease ☐)
Type of ownership of the current licensed entity (check one of the following:) ____ Sole Proprietorship
____ Not-for-Profit Corporation ____ For Profit Corporation ____ Partnership ____ Governmental
X Limited Liability Company ____ Other, specify ____
Illinois State Senator for the district where the facility is located: Sen. Andy Manar
State Senate District Number 48 Mailing address of the State Senator 141 S. Main St., Macon County Building, Decatur, IL 62561
Illinois State Representative for the district where the facility is located: Rep. Sue Scherer
State Representative District Number 96 Mailing address of the State Representative 1301 E. Mound Rd., Suite 270, Decatur, IL 62526

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

3. NAME OF APPLICANT (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant Decatur Memorial Hospital
Address 2300 N. Edward St.
City, State & Zip Code Decatur, IL 62526
Type of ownership of the current licensed entity (check one of the following:) ____ Sole Proprietorship
X Not-for-Profit Corporation ____ For Profit Corporation ____ Partnership ____ Governmental
____ Limited Liability Company ____ Other, specify ____

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

Exact Legal Name of Entity to be Licensed No Change - See #1
Address ____
City, State & Zip Code ____
Type of ownership of the current licensed entity (check one of the following:) ____ Sole Proprietorship
____ Not-for-Profit Corporation ____ For Profit Corporation ____ Partnership ____ Governmental
____ Limited Liability Company ____ Other, specify ____

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

Exact Legal Name of Entity That Will Own the Site Lillibridge Healthcare Services, Inc.
Address 353 North Clark Street, Suite 3300
City, State & Zip Code Chicago, IL 60654
Type of ownership of the current licensed entity (check one of the following:) ____ Sole Proprietorship
____ Not-for-Profit Corporation X For Profit Corporation ____ Partnership ____ Governmental
____ Limited Liability Company ____ Other, specify ____

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
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1. INFORMATION FOR EXISTING FACILITY

Current Facility Name ______________________________
Address ______________________________
City ______________ Zip Code __________ County ______________
Name of current licensed entity for the facility ______________________________
Does the current licensee: own this facility __________ OR lease this facility ________ (if leased, check if sublease □)
Type of ownership of the current licensed entity (check one of the following:) __________ Sole Proprietorship
_______ Not-for-Profit Corporation ________ For Profit Corporation ________ Partnership _________ Governmental
_______ Limited Liability Company ________ Other, specify ______________
Illinois State Senator for the district where the facility is located: Sen. ______________
State Senate District Number _________ Mailing address of the State Senator ______________

Illinois State Representative for the district where the facility is located: Rep. ______________
State Representative District Number ________ Mailing address of the State Representative ______________

2. OUTSTANDING PERMITS.

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

3. NAME OF APPLICANT

NAME OF APPLICANT (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant Illinois Health and Science
Address 2300 N. Edward St.
City, State & Zip Code Decatur, IL 62526
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
X Not-for-Profit Corporation _______ For Profit Corporation ________ Partnership ____ Governmental
_______ Limited Liability Company ________ Other, specify ______________

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

Exact Legal Name of Entity to be Licensed ______________________________
Address ______________________________
City, State & Zip Code ______________________________
Type of ownership of the current licensed entity (check one of the following:) _______ Sole Proprietorship
______ Not-for-Profit Corporation ______ For Profit Corporation _____ Partnership _____ Governmental
_______ Limited Liability Company ________ Other, specify ______________

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Exact Legal Name of Entity That Will Own the Site ______________________________
Address ______________________________
City, State & Zip Code ______________________________
Type of ownership of the current licensed entity (check one of the following:) _________ Sole Proprietorship
_____ Not-for-Profit Corporation ________ For Profit Corporation ________ Partnership _______ Governmental
_______ Limited Liability Company ________ Other, specify ______________

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

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Address ______________________________
City ______________ Zip Code __________ County ______________
Name of current licensed entity for the facility ______________________________
Does the current licensee: own this facility __________ OR lease this facility ________ (if leased, check if sublease ☐)
Type of ownership of the current licensed entity (check one of the following:) __________ Sole Proprietorship
_______ Not-for-Profit Corporation _______ For Profit Corporation _______ Partnership _______ Governmental
_______ Limited Liability Company _______ Other, specify ______________
Illinois State Senator for the district where the facility is located: Sen. ______________
State Senate District Number _________ Mailing address of the State Senator ______________
____
Illinois State Representative for the district where the facility is located: Rep. ______________
State Representative District Number ________ Mailing address of the State Representative ______________
____

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

3. NAME OF APPLICANT (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant Decatur Digestive Disease Center, LLC
Address #2 Memorial Drive, Physician Plz West, Ste 102
City, State & Zip Code Decatur, IL 62526
Type of ownership of the current licensed entity (check one of the following:) _____ Sole Proprietorship
_______ Not-for-Profit Corporation _______ For Profit Corporation _______ Partnership _____ Governmental
X Limited Liability Company _______ Other, specify ______________

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

Exact Legal Name of Entity to be Licensed ______________________________
Address ______________________________
City, State & Zip Code ______________________________
Type of ownership of the current licensed entity (check one of the following:) _______ Sole Proprietorship
______ Not-for-Profit Corporation ______ For Profit Corporation _____ Partnership _____ Governmental
_______ Limited Liability Company _______ Other, specify ______________

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

Exact Legal Name of Entity That Will Own the Site ______________________________
Address ______________________________
City, State & Zip Code ______________________________
Type of ownership of the current licensed entity (check one of the following:) _________ Sole Proprietorship
______ Not-for-Profit Corporation _______ For Profit Corporation _______ Partnership _______ Governmental
_______ Limited Liability Company _______ Other, specify ______________

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

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

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

9. **ANTICIPATED ACQUISITION PRICE:** $2,117,660.00

10. **FAIR MARKET VALUE OF THE FACILITY:** $4,317,900
    (to determine fair market value, refer to 77 IAC 1130.140)

11. **DATE OF PROPOSED TRANSACTION:** [redacted]

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

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

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

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

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

Name: Zach Dinardo
Address: Sorling Northrup, 1 N. Old State Capitol Plaza, Suite 200
City, State & Zip Code: Springfield, IL 62705
Telephone ( ) Ext. (217) 544-1144

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

Name: John W. Ridley, Executive Vice President and Chief Operating Officer
Address: Decatur Memorial Hospital, 2300 N. Edward St.
City, State & Zip Code: Decatur, IL 62526
Telephone ( ) Ext. (217) 876-2126

18. **CERTIFICATION** Decatur Memorial Hospital

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

Signature of Authorized Officer

Typed or Printed Name of Authorized Officer John W. Ridley

Title of Authorized Officer: Executive Vice President and Chief Operating Officer

Address: 2300 N. Edward St.

City, State & Zip Code: Decatur, IL 62526

Telephone (217) 876-2126 Date: 12/10/15

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

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

Name: ______________________________
Address: ______________________________
City, State & Zip Code: ______________________________
Telephone ( ) Ext. ______________________________

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

Name: ______________________________
Address: ______________________________
City, State & Zip Code: ______________________________
Telephone ( ) Ext. ______________________________

18. **CERTIFICATION** Illinois Health and Science

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

Signature of Authorized Officer Timothy D Stone Jr

Typed or Printed Name of Authorized Officer Timothy D. Stone, Jr.

Title of Authorized Officer: President and CEO

Address: 2300 N. Edward St.

City, State & Zip Code: Decatur, IL 62526

Telephone (217) 876-2114 Date: January 8, 2016

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

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

Name: ________________
Address: ________________
City, State & Zip Code: ________________
Telephone ( ) Ext. ________________

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

Name: ________________
Address: ________________
City, State & Zip Code: ________________
Telephone ( ) Ext. ________________

18. **CERTIFICATION** Decatur Digestive Disease Center, LLC

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

Signature of Authorized Officer ________________

Typed or Printed Name of Authorized Officer VICTOR ELOY, MD

Title of Authorized Officer: MEDICAL DIRECTOR

Address: #2 Memorial Drive, Physician Plz West, Ste 102

City, State & Zip Code: Decatur, IL 62526

Telephone (217) 875-2640 Date: 12/10/2015

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

Attachment #1

A check for $2,500 payable to the Illinois Department of Public Health was submitted with this application.

Decatur Memorial Hospital

DECATUR MEMORIAL HOSPITAL
2300 N Edward Street
Decatur, Illinois 62526

5349 930906

INVOICE DATE	INVOICE NUMBER	PURCHASE ORDER	AMOUNT OF INVOICE	DISCOUNT	BALANCE
01/08/16	OWNERSHIPCHNG	DDDC	2,500.00	0.00	2,500.00
TOTAL					2500.00

VERIFY THE AUTHENTICITY OF THIS MULTI-TONE SECURITY DOCUMENT. CHECK BACKGROUND AREA CHANGES COLOR GRADUALLY FROM TOP TO BOTTOM.

Decatur Memorial Hospital

DECATUR MEMORIAL HOSPITAL
2300 N Edward Street
Decatur, Illinois 62526

HICKORY POINT BANK
PO BOX 2548
DECATUR, ILLINOIS 62526

70-2490
711

CHECK DATE
01/08/16

5349 930906

PAY TWO THOUSAND FIVE HUNDRED AND 00/100 DOLLARS**********

CHECK AMOUNT
******2,500.00

PAY TO THE ORDER OF
ILLINOIS DEPT OF PUBLIC HEALTH
525-535 W JEFFERSON ST
SPRINGFIELD IL 61761

Timothy D. Stone
AUTHORIZED SIGNATURE

[redacted]

Attachment #1
09

Attachment #2

Decatur Memorial Hospital will use cash from internally available resources to acquire 50% of the membership interest of Decatur Digestive Disease Center, LLC.

Attachment #3

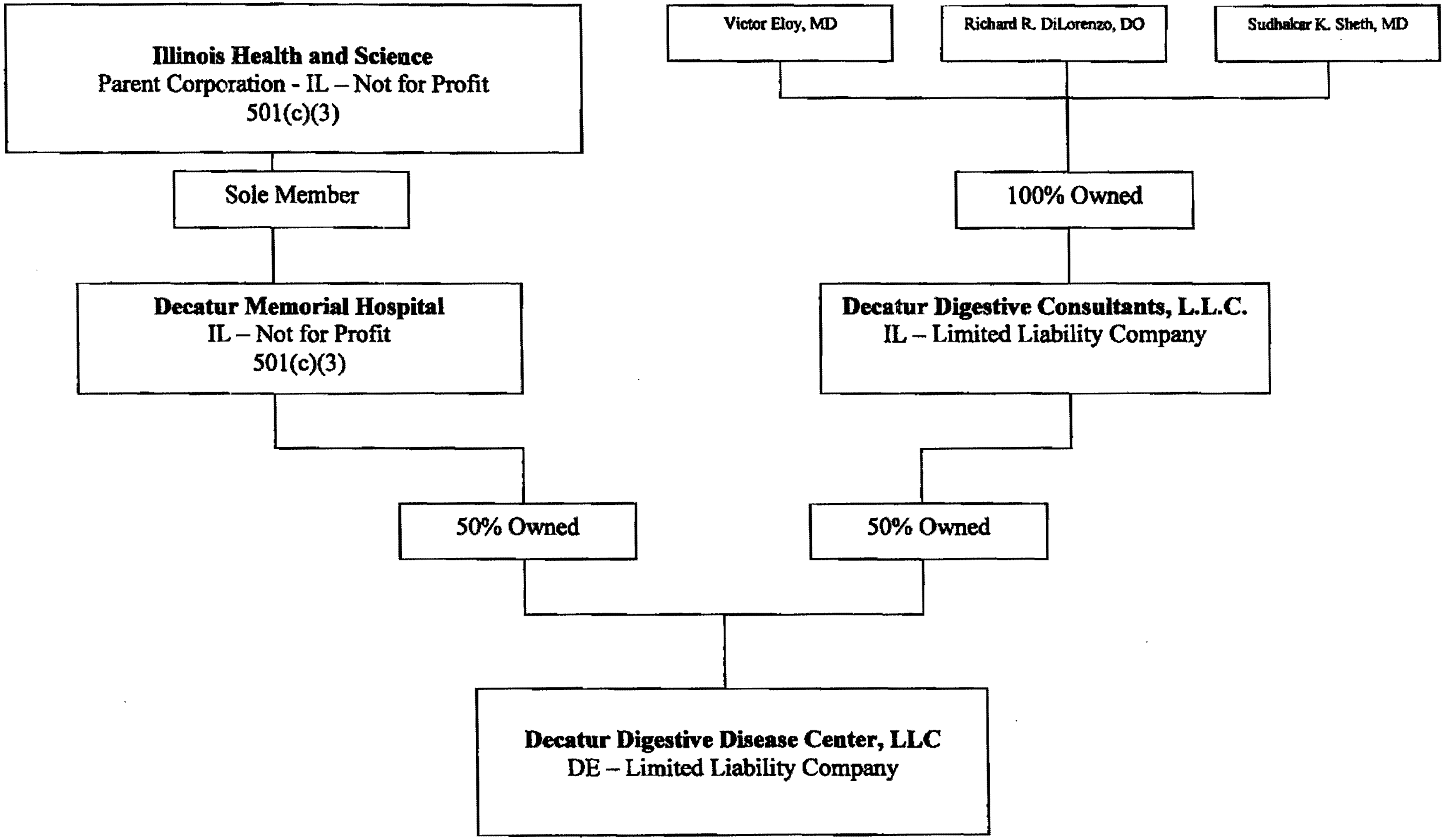
Decatur Digestive Disease Center ("DDDC") is a free-standing, single-specialty ambulatory surgical treatment center which provides gastroenterological surgical services on the campus of Decatur Memorial Hospital in Decatur, Illinois. DDDC has 2 procedure rooms and 4 recovery stations.

DDDC is a Delaware limited liability company which is authorized to transact business in Illinois. DDDC is owned by Decatur Memorial Hospital ("DMH") and Decatur Digestive Consultants, LLC ("DDC") equally. DMH is an Illinois not-for-profit corporation whose sole member is Illinois Health and Science, an Illinois not-for-profit corporation. DDC is an Illinois limited liability company whose members are Victor Eloy, M.D., Richard DiLorenzo, D.O., and Sudhaker Sheth, M.D.

Under the proposed transaction, DMH would acquire, contingent upon the Review Board's approval, DDC's 50% ownership interest in DDDC, so that DMH would own 100% of DDDC. Upon approval by the Review Board, DMH will use cash from internally available resources to pay DDC $2,117,660 for its interest in DDDC. This purchase price is consistent with the valuation report of SullivanCotter. The transaction is expected to close on [redacted] or the date of Review Board approval, whichever is later. No change in the size and scope of the facility or its operations will occur as a result of the change of ownership described in this application.

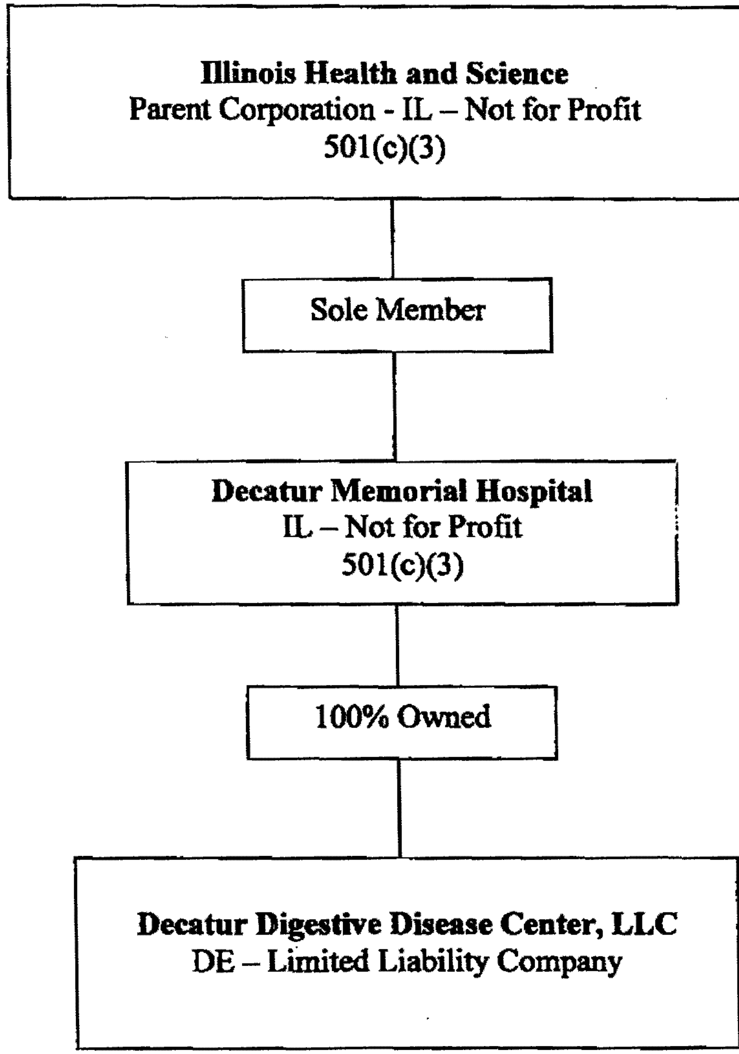
A pre-transaction and post-transaction organizational chart is also attached.

Pre-Transaction Organizational Chart



42B057102 12/1/2015

Post-Transaction Organizational Chart



Attachment #4

A current Certificate of Good Standing from the Illinois Secretary of State is attached for Decatur Memorial Hospital, an Illinois not-for-profit corporation ("DMH"), Illinois Health and Science, an Illinois not-for-profit corporation, and Decatur Digestive Disease Center, LLC, an Illinois limited liability company ("DDDC").

The current members of DDDC are DMH (50%), 2300 N. Edward St., Decatur, IL 62526, and Decatur Digestive Consultants, LLC (50%), #2 Memorial Drive, Decatur, IL 62526. After the proposed transaction, the sole member of DDDC will be DMH (100%), 2300 N. Edward St., Decatur, IL 62526.

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "DECATUR DIGESTIVE DISEASE CENTER, LLC" IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE NINETEENTH DAY OF OCTOBER, A.D. 2015.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID LIMITED LIABILITY COMPANY IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE NOT HAVING BEEN CANCELLED OR DISSOLVED SO FAR AS THE RECORDS OF THIS OFFICE SHOW AND IS DULY AUTHORIZED TO TRANSACT BUSINESS.

AND I DO HEREBY FURTHER CERTIFY THAT THE SAID "DECATUR DIGESTIVE DISEASE CENTER, LLC" WAS FORMED ON THE THIRTIETH DAY OF JULY, A.D. 2003.

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

Jeffrey W. Bullock, Secretary of State

3687423 8300

SR# 20150560179

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

Authentication: 10261760

Date: 10-19-15

Attachment #4

File Number 0098965-7

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

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

DECATUR DIGESTIVE DISEASE CENTER, LLC, A DELAWARE LIMITED LIABILITY COMPANY HAVING OBTAINED ADMISSION TO TRANSACT BUSINESS IN ILLINOIS ON AUGUST 26, 2003, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A FOREIGN LIMITED LIABILITY COMPANY ADMITTED TO TRANSACT BUSINESS 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* 19TH *day of* OCTOBER *A.D.* 2015 .

Authentication #: 1529203038 verifiable until 10/19/2016
Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

File Number 5364-265-9

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

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

ILLINOIS HEALTH AND SCIENCE, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON NOVEMBER 08, 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* 19TH *day of* OCTOBER *A.D.* 2015 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Authentication #: 1529203074 verifiable until 10/19/2016
Authenticate at: http://www.cyberdriveillinois.com

Jesse White
SECRETARY OF STATE

Attachment #4

File Number 0871-246-8

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

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

DECATUR MEMORIAL HOSPITAL, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON SEPTEMBER 09, 1902, 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* 19TH *day of* OCTOBER *A.D.* 2015 .

Authentication #: 1529203086 verifiable until 10/19/2016
Authenticate at: http://www.cyberdriveillinois.com

Jesse White
SECRETARY OF STATE

Attachment #5

A copy of the complete transaction documents is attached. Language stating that the transaction is contingent upon approval of the Review Board is contained in Article 1.01 and Article 4(v).

UNIT ACQUISITION AGREEMENT

This Unit Acquisition Agreement ("**Agreement**") is executed, entered into and delivered on this 7th day of January, 2016 (the "**Execution Date**"), by and between (i) DECATUR MEMORIAL HOSPITAL, an Illinois not for profit corporation which is the surviving entity as a consequence of a merger with DMH Community Services Corporation, an Illinois not for profit corporation, on the 31st day of January, 2007, as the buyer ("**Buyer**"), and (ii) DECATUR DIGESTIVE CONSULTANTS, L.L.C., an Illinois limited liability company, as the seller ("**Seller**"). Buyer and Seller are collectively referred to in this Agreement as the "**Parties**," and either Buyer or Seller may be separately identified in this Agreement as a "**Party.**"

Recitals:

Whereas, Seller owns of record, on the Execution Date of this Agreement, fifty (50) Units in Decatur Digestive Disease Center, LLC, a Delaware limited liability company (the "**Company**"), which constitute a fifty percent (50%) ownership interest in the Company; and

Whereas, Buyer owns of record, on the Execution Date of this Agreement, fifty (50) Units or a fifty percent (50%) ownership interest in the Company; and

Whereas, Buyer desires to acquire all of the Units in the Company which are owned of record by Seller (the "**Company Units**"), and Seller desires to sell such Company Units to Buyer;

Now, therefore, the Parties agree as follows, in consideration of the covenants and the terms and conditions which are expressed and contained in this Agreement:

ARTICLE 1. SALE AND PURCHASE

1.01 No later than the ____ day of ___________, 20___, or the effective date of the issuance of the approval by the Illinois Health Facilities And Services Review Board (the "**Planning Board**") of the transaction which is encompassed by this Agreement (the "**Closing**" or the "**Closing Date**"), at the offices of Buyer, which are located at 2300 N. Edward Street in Decatur, Illinois, or on such other date and/or at such other location as the Parties may mutually determine as being appropriate subsequent to the Execution Date of this Agreement, Seller will sell, assign, convey, transfer and deliver all of Seller's rights, title and interests in and to the Company Units to Buyer, clear of any and all liens, encumbrances and/or restrictions, in consideration of the payment to Seller by Buyer of the purchase price which is described in Article 1.02 (the "**Purchase Price**"). The Purchase Price which is described in this Agreement has been determined and established by the Parties through arms-length negotiations, on the basis of an independent valuation of the Company Units, and accordingly the Purchase Price is, in the collective opinion of the Parties: (i) reflective of the fair market value of the Company Units being acquired by Buyer pursuant to this Agreement; and (ii) commercially reasonable. The Parties, when negotiating the Purchase Price which is being paid under this Agreement, consulted and considered, in addition and where applicable in their collective opinion, the rules and regulations which have been published pursuant to the Medicare Fraud and Abuse or the Anti-Kickback Statute (the "**Anti-Kickback Statute**") and The Ethics in Patient Referrals Act (collectively, the "**Stark Laws**").

1.02 The Purchase Price which is payable to Seller by Buyer under this Agreement is the sum of Two Million One Hundred Seventeen Thousand Six Hundred Sixty Dollars ($2,117,660), and that Purchase Price will be paid to Seller by Buyer by the delivery, at the Closing, of a check issued to Seller by Buyer.

1.03 Seller, subject to Buyer's payment of the Purchase Price which is described in the preceding provisions of **Article 1.02** of this Agreement, releases, by the execution and the subsequent delivery of this Agreement to Buyer, any and all claims, demands, interests, entitlements and/or rights which would otherwise exist in favor of Seller as of the Closing Date identified in this Agreement as a consequence of the application of the provisions of the Company's Operating Agreement, as defined in **Article 2.01(iv)** of this Agreement.

Notwithstanding the foregoing to the contrary, Seller shall receive a distribution of the Company's Profits or an allocation of the Company's Losses, based on Seller's membership interest in the Company through and including the Closing Date, subject to the terms and conditions of the operating agreement between the members of the Company. Such distribution or allocations shall be made to Seller as soon as possible after the Closing Date. To the extent the terms and conditions of this Agreement are inconsistent with the terms and conditions of the operating agreement between the parties, this Agreement shall control.

ARTICLE 2. REPRESENTATIONS AND WARRANTIES

2.01 Seller warrants that the following representations are true and correct as of the Execution Date, will be true and correct on the Closing Date and, where appropriate, will survive the Closing:

(i) Seller is a limited liability company which is validly existing and in good standing under the law of the State of Illinois;

(ii) Seller is the sole owner of the Company Units which are the subject of the transaction encompassed by this Agreement and Seller possesses the power and the authority to sell the Company Units to Buyer pursuant to the terms and under the conditions which are described in this Agreement;

(iii) this Agreement constitutes the legal, valid and binding obligation of Seller;

(iv) the execution, delivery and performance of this Agreement by Seller will not violate or conflict with, result in a breach of any of the terms or conditions of or constitute a default under any other contract or agreement relating to Seller's ownership of the Company Units, including the Company's operating agreement, which is entitled

Limited Liability Company Agreement and which is dated as of the 2nd day of February, 2004 (the "**Company's Operating Agreement**");

(v) Seller owns merchantable and marketable title to the Company Units, clear of all liens, encumbrances and/or restrictions; and

(vi) Seller has not engaged the services of any broker or incurred any liability to pay any brokerage fees or commissions in connection with the transaction which is encompassed by this Agreement.

2.02 Seller is not a party to any agreement, including the Company's Operating Agreement, which would adversely affect the transaction encompassed by this Agreement, and there are no actual or, to Seller's knowledge, any threatened controversies related to or arising as a consequence of any such existing or alleged agreements.

2.03 Neither Seller nor any owners, employees or agents of Seller:

(i) have been excluded or suspended from participation in any state or federal healthcare program; or

(ii) have engaged in any activities which are prohibited under either the Anti-Kickback Statute or the Stark Laws; or

(iii) have presented or caused to be presented a claim or professional charge in violation of the Stark Laws, the False Claims Act, the Civil Monetary Penalties Law or any other similar state or federal statute; or

(iv) have failed to comply with all applicable provisions of the "Health Insurance Portability and Accountability Act of 1996 ("**HIPAA**"), including the regulations issued pursuant to HIPAA.

2.04 Buyer warrants that the following representations are true and correct as of the Execution Date, will be true and correct on the Closing Date and, where appropriate, will survive the Closing:

(i) Buyer is a nonprofit corporation which is validly existing and in good standing under the law of the State of Illinois; and

(ii) the execution, delivery and performance of this Agreement by Buyer has been properly approved and authorized by Buyer, and this Agreement constitutes the legal, valid and binding obligation of Buyer.

ARTICLE 3. LITIGATION

Seller, by the execution and delivery of this Agreement, represents and warrants to Buyer that, as of the Execution Date, to the best of Seller's knowledge, there is no action, claim, dispute, suit, proceeding or investigation, related to Seller's ownership of the Company Units, pending or threatened against Seller, at law, in equity or otherwise, in, by or before any court or governmental department, commission, board or agency (collectively, "**Litigation**").

ARTICLE 4. CLOSING CONDITIONS

The obligations of Buyer under this Agreement are contingent on and subject to the existence of the following conditions, or the delivery by Seller of the following documents at the Closing, executed where appropriate:

(i) the absence, on the Closing Date, of any Litigation involving Seller as a party, or affecting the Company Units;

(ii) a Bill of Sale transferring title to the Company Units to Buyer, in substantially the form which is attached to this Agreement as "**Exhibit A,**" which specifically warrants Seller's conveyance of title to the Company Units clear of all liens, encumbrances, restrictions and other adverse interests;

(iii) termination statements and any other documents which are required to clear title to the Company Units;

(iv) evidence of the prerequisite authority of Seller to sell the Company Units to Buyer pursuant to this Agreement;

(v) the receipt by Buyer of the approval by the Planning Board of the acquisition by Buyer of Seller's Units; and

(vi) such other supplemental documents as may be reasonably required by Buyer to implement and effectuate the terms of this Agreement and to vest in Buyer such good and marketable title in and to the Company Units as Seller is required to transfer to Buyer by virtue of this Agreement.

ARTICLE 5. EXPENSES

Each Party will pay their respective expenses incurred in connection with the preparation, execution and performance of this Agreement, including all fees and expenses which are payable to their attorneys and/or accountants.

ARTICLE 6. INDEMNIFICATION

6.01 Seller will timely assume the defense of and will subsequently indemnify Buyer as to any liabilities, damages, costs and expenses, including reasonable attorneys' fees, losses, claims or demands (individually, a "**Loss**" and collectively, the "Losses") sustained or incurred by Buyer as a consequence or by virtue of:

(i) any inaccuracy in or breach of any representation or warranty by Seller in this Agreement, or in any other document delivered by Seller pursuant to this Agreement; or

(ii) any breach by Seller of, or any failure by Seller to comply with, any of Seller's covenants or obligations under this Agreement or in any other document delivered by Seller pursuant to this Agreement; or

(iii) the ownership by Seller of the Company Units prior to the Closing Date.

6.02 Buyer will timely assume the defense of and will subsequently indemnify Seller as to any Losses sustained or incurred by Seller as a consequence or by virtue of:

(i) any inaccuracy in or breach of any representation or warranty by Buyer in this Agreement; or

(ii) any breach by Buyer of, or any failure by Buyer to comply with, any of Buyer's covenants or obligations under this Agreement.

(iii) the ownership by Buyer of the Company Units after the Closing Date.

6.03 The Party which is required to defend and indemnify the other Party pursuant to the preceding provisions of this **Article 6** will be entitled to (i) select the legal counsel and other consultants who will be utilized in the defense of the Party being indemnified and (ii) control the defense and/or the negotiation and settlement of the alleged Loss.

ARTICLE 7. TERMINATION

7.01 The transaction which is encompassed by this Agreement may be terminated:

(i) by the mutual agreement of the Parties; or

(ii) by Buyer on the Closing Date if Buyer determines that any of Seller's representations or warranties, as delineated in this Agreement, are then false, misleading or otherwise inaccurate; or

(iii) by Seller on the Closing Date if Seller determines that any of Buyer's representations or warranties, as delineated in this Agreement, are then false, misleading or otherwise inaccurate.

7.02 If the transaction which is encompassed by this Agreement is terminated by either Party, each Party will timely return to the other Party all of that other Party's documents and materials which were previously furnished to the returning Party in connection with that transaction.

ARTICLE 8. GENERAL PROVISIONS

8.01 Amendments. No amendment of this Agreement will be valid or enforceable unless such amendment is reduced to writing and is then properly executed and delivered by the Parties.

8.02 Applicable Law. This Agreement will be construed, interpreted, enforced and governed, in all respects, by and under the law of the State of Illinois.

8.03 Closing and/or Closing Date. The terms **"Closing"** and/or **"Closing Date,"** when utilized in this Agreement, mean, interchangeably, the consummation of the transaction which is encompassed by this Agreement, and the date that transaction is consummated. Unless otherwise expressly stated, the effective date of the covenants, representations and warranties contained in this Agreement, and the effective date of the exhibits attached to this Agreement, is the Closing Date.

8.04 Confidentiality. The Parties intend that the terms and conditions of the transaction which is encompassed by this Agreement remain confidential; consequently, the Parties will endeavor to ensure that such terms and conditions are not disclosed to persons or entities other than their respective attorneys, accountants, bankers or financial consultants.

8.05 Counterparts. This Agreement may be executed by the Parties in multiple original counterparts, and each executed version will then be deemed to be an original version of this Agreement, and all of the executed versions will be deemed to constitute the same document.

8.06 Enforcement. The invalidity or unenforceability of any particular provision of this Agreement will not invalidate the remaining provisions of this Agreement and, in that event, this Agreement will be construed in all respects as if such invalid or unenforceable provision were omitted and deleted.

8.07 Entire Contract. This Agreement constitutes the entire contract between the Parties relating to the acquisition by Buyer of the Company Units which are described in this Agreement.

8.08 Notices. Any notices which are prescribed by or which are otherwise required under this Agreement must be in writing and must either be (i) delivered to the Party entitled to the notice or (ii) mailed, with first-class postage prepaid, to the Party entitled to the notice by registered or certified mail, return receipt requested, at the following addresses, or such other alternative addresses as the Parties may specify, in writing, subsequent to the Execution Date of this Agreement:

Buyer: Attention: Senior Vice President, DMH Network
2300 N. Edward Street
Decatur, Illinois 62526; and

Seller: Attention: Manager
101 Physicians Plaza West
2 Memorial Drive
Decatur, Illinois 62526.

A notice will be deemed to be received in subparagraph (i), on the date of the actual receipt of the notice by the Party entitled to the notice, and in subparagraph (ii), three (3) days after the date of the mailing of the notice.

8.09 Post-Closing Actions. After the Closing, the Parties will execute and timely deliver such other documents and will promptly perform such other acts as may reasonably be required to consummate the transaction contemplated by this Agreement.

8.10 Successors. All of the covenants, terms and provisions which are contained in this Agreement bind and inure to the benefit of the Parties, and their respective successors in interest and/or assigns.

8.11 Survival. All covenants, representations and warranties by the Parties, as expressed in this Agreement, will survive the Closing.

8.12 Venue. This Agreement is being executed and delivered by the Parties in the City of Decatur, in the County of Macon and the State of Illinois. Accordingly, if any litigation is filed to construe, interpret or enforce this Agreement, the Parties stipulate that venue with respect to such litigation would be proper and appropriate in, and by their concurrence should be specifically limited to state courts located in Macon County, Illinois.

8.13 Waiver. The waiver by a Party of a breach by the other Party of any provision of this Agreement will not operate or be construed as a waiver by that Party of any subsequent breach of this Agreement by the other Party.

In witness whereof, the Parties respectively executed and then delivered this Agreement, on the Execution Date, in pursuance of the uses and purposes which are described and contained in this Agreement.

Buyer:	Seller:
DECATUR MEMORIAL HOSPITAL	DECATUR DIGESTIVE CONSULTANTS, L.L.C.
By:________________	By:________________
Name: John W. Ridley	Name: Victor Eloy, M.D.
Title: Senior Vice President DMH Network	Title: Member

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Attachment #5
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UNIT ACQUISITION AGREEMENT

"Exhibit A": Bill of Sale

BILL OF SALE

In consideration of value received, the receipt and sufficiency of that value being acknowledged, DECATUR DIGESTIVE CONSULTANTS, L.L.C., an Illinois limited liability company (**"Seller"**), conveys, assigns, transfers and delivers to DECATUR MEMORIAL HOSPITAL, an Illinois not for profit corporation (**"Buyer"**), as of this _____ day of __________, 20___ (the **"Execution Date"**), all of Seller's rights, title and interests in and to the Company Units which are owned of record by Seller on the Execution Date and which are described in the preceding Unit Acquisition Agreement.

To own and possess such Company Units unto Buyer, and the successors in interest to and/or the assigns of Buyer, to the sole use and benefit of Buyer, forever.

Seller, in addition, represents and warrants to Buyer that: (i) Seller is the owner of the Company Units; (ii) the Company Units are free on the Execution Date from all indebtedness, mortgages, leases, security interests, liens and encumbrances which are related or otherwise attributable to Seller's ownership of the Company Units prior to the Execution Date; (iii) Seller possesses the power and the authority to deliver this Bill of Sale to Buyer in order to transfer the Company Units to Buyer pursuant to this Bill of Sale, under the representations and warranties which are expressed in this Bill of Sale; and (iv) Seller will defend the Company Units against any other claims or demands which are adverse to the rights, title or interests of Buyer in and to such Company Units.

In witness whereof, Seller executed and then delivered this Bill of Sale to Buyer, on the Execution Date, in pursuance of the uses and purposes which are respectively described and contained in this Bill of Sale.

Seller:

DECATUR DIGESTIVE
CONSULTANTS, L.L.C.

By:_______________________________
Name: Victor Eloy, M.D.
Title: Manager

Attachment #6

The latest audited financial statements of Illinois Health and Science and Affiliated Organizations (including Decatur Memorial Hospital) and Decatur Digestive Disease Center, LLC are attached.

Illinois Health and Science and Affiliated Organizations

Auditor's Report and Consolidated Financial Statements

September 30, 2014 and 2013

Illinois Health and Science and Affiliated Organizations

September 30, 2014 and 2013

Contents

BKD LLP
CPAs & Advisors
One Metropolitan Square // 211 N. Broadway, Suite 600 // St. Louis, MO 63102-2733
314.231.5544 // fax 314.231.9731 // bkd.com

Independent Auditor's Report

Board of Directors
Illinois Health and Science and
Affiliated Organizations
Decatur, Illinois

We have audited the accompanying consolidated financial statements of Illinois Health and Science and Affiliated Organizations (the "System"), which comprise the balance sheet as of September 30, 2014, and the related consolidated statements of operations and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System'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 System'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 the System as of September 30, 2014, and the results of its operations, the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Audited by Other Auditors

The 2013 consolidated financial statements were audited by other auditors and their report thereon, dated January 23, 2014, expressed an unmodified opinion.

Other Matter

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information for the year ended September 30, 2014, has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information for the year ended September 30, 2014, is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

The supplementary information for the year ended September 30, 2013, was audited by other auditors whose report dated January 23, 2014, expressed an unmodified opinion on such information in relation to the consolidated financial statements for the year ended September 30, 2013, taken as a whole.

BKD, LLP

St. Louis, Missouri
January 27, 2015

Illinois Health and Science and Affiliated Organizations

Consolidated Balance Sheets

September 30, 2014 and 2013

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	$ 25,431,769	$ 28,941,126
Patient and customer accounts receivable, net of allowance for doubtful accounts of approximately $9,888,205 in 2014 and $11,749,420 in 2013	34,669,761	34,854,640
Inventories of supplies	3,142,042	3,147,659
Prepaid expenses	3,986,081	3,648,795
Other	3,155,857	3,441,588
Total current assets	70,385,510	74,033,808
Assets Limited As To Use		
Restricted assets		
Funds held in trust	42,164,308	43,071,749
Investments and other	14,014,864	11,986,794
Total assets limited as to use	56,179,172	55,058,543
Investments	169,444,740	162,301,818
Farmland	7,453,588	7,453,588
Property, Plant and Equipment, Net	127,882,404	114,888,897
Other Assets	9,940,126	8,300,837
Total assets	$ 441,285,540	$ 422,037,491
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	$ 3,253,721	$ 2,526,095
Accounts payable and withheld taxes	3,963,186	3,355,893
Accrued expenses	11,434,337	12,625,569
Estimated third-party payer settlements and advances	22,642,571	24,139,148
Other liabilities	173,661	240,421
Total current liabilities	41,467,476	42,887,126
Long-term Debt, Net of Current Portion	27,886,542	24,146,173
Deferred Gain on Sale of Property	1,897,243	2,110,360
Other Liabilities	19,958,055	15,834,626
Total liabilities	91,209,316	84,978,285
Net Assets		
Unrestricted	293,897,052	282,000,663
Temporarily restricted	39,406,211	38,349,394
Permanently restricted	16,772,961	16,709,149
Total net assets	350,076,224	337,059,206
Total liabilities and net assets	$ 441,285,540	$ 422,037,491

See Notes to Consolidated Financial Statements

Illinois Health and Science and Affiliated Organizations
Consolidated Statements of Operations and Changes in Net Assets
Years Ended September 30, 2014 and 2013

	2014	2013
Unrestricted Revenue, Gains and Other Support		
Net patient service revenue (net of provision for bad debts of $13,400,062 in 2014 and $18,572,241 in 2013)	$ 254,726,937	$ 243,155,509
Other revenue	17,564,301	16,440,551
Net assets released from restrictions used for operations	370,542	630,966
Trust distributions	1,297,856	1,167,277
Total revenue, gains and other support	273,959,636	261,394,303
Expenses		
Salaries and wages	112,627,065	110,205,471
Employee benefits	22,625,407	25,631,657
Professional fees	3,034,609	2,572,818
Purchased services	18,248,617	15,819,505
Supplies	46,686,791	43,608,019
Other	52,807,554	42,330,844
Interest expense	1,105,204	1,181,496
Depreciation and amortization	20,375,772	21,256,594
Total expenses	277,511,019	262,606,404
Operating loss	(3,551,383)	(1,212,101)
Other Income		
Investment income	15,248,639	16,812,140
Gain in earnings of investment in affiliate	331,002	343,872
Amortization on deferred gain on sale of property	213,117	220,064
Total other income	15,792,758	17,376,076
Excess of revenues over expenses	12,241,375	16,163,975

(Continued)

Illinois Health and Science and Affiliated Organizations

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

Years Ended September 30, 2014 and 2013

	2014	2013
Unrestricted Net Assets		
Excess of revenues over expenses	$ 12,241,375	$ 16,163,975
Transfer to temporarily restricted	(166,000)	(164,500)
Change in pension liability	(850,229)	3,367,590
Other	(26,384)	(10,650)
Net assets released from restrictions used for the purchase of property, plant and equipment	697,627	2,791,939
Increase in unrestricted net assets	11,896,389	22,148,354
Temporarily Restricted Net Assets		
Contributions and grants	398,029	351,461
Net assets released from restrictions	(1,068,169)	(3,422,909)
Investment income and trust distributions	1,925,820	462,647
Net realized gains and losses on sales of investments	606,390	855,572
Transfer from unrestricted net assets	166,000	164,500
Change in value of funds held in trust	(971,253)	1,692,662
Increase in temporarily restricted net assets	1,056,817	103,933
Permanently Restricted Net Assets		
Change in value of funds held in trust	63,812	748,237
Increase in permanently restricted net assets	63,812	748,237
Increase in net assets	13,017,018	23,000,524
Net Assets		
Beginning of year	337,059,206	314,058,682
End of year	$ 350,076,224	$ 337,059,206

Illinois Health and Science and Affiliated Organizations

Consolidated Statements of Cash Flows

Years Ended September 30, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Increase in net assets	$ 13,017,018	$ 23,000,524
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	20,375,772	21,256,594
Amortization of deferred financing costs	17,730	16,125
Amortization of deferred gain on sale of property	(213,117)	(220,064)
Net investment gains	(10,050,217)	(12,633,948)
Gain in earnings of investment in affiliate	(331,002)	(343,872)
Provision for doubtful accounts	13,400,062	18,572,241
Change in pension liability	850,229	(3,367,590)
Restricted contributions and trust distributions	(2,323,849)	(814,108)
(Increase) decrease in operating assets		
Patient accounts receivable	(13,215,183)	(9,495,687)
Inventories of supplies	5,617	(19,906)
Other assets and prepaid expenses	(1,742,572)	(4,782,608)
Increase (decrease) in operating liabilities		
Accounts payable and withheld taxes	607,293	(805,772)
Other liabilities	3,206,440	1,597,369
Estimated third-party payer settlements	(1,496,577)	2,722,826
Accrued expenses	(1,191,232)	2,982,774
Net cash provided by operating activities	20,916,412	37,664,898
Cash Flows From Investing Activities		
Purchases of investments	(35,243,471)	(47,177,715)
Proceeds from sales and maturities of investments	37,544,376	40,869,033
Purchases of restricted assets	(2,716,374)	(5,782,966)
Proceeds from sales and maturities of restricted assets	2,202,135	5,786,368
Goodwill	-	(677,606)
Distribution from investment in affiliate	365,000	350,000
Purchase of property, plant and equipment	(33,369,279)	(11,796,165)
Net cash used in investing activities	(31,217,613)	(18,429,051)
Cash Flows From Financing Activities		
Principal payments on long-term debt	(1,836,000)	(1,836,000)
Issuance of long-term debt	7,000,000	-
Principal payments on capital lease obligations	(696,005)	(763,733)
Restricted contributions and trust distributions	2,323,849	814,108
Net cash provided by (used in) financing activities	6,791,844	(1,785,625)
Net increase (decrease) in cash and cash equivalents	(3,509,357)	17,450,222
Cash and Cash Equivalents		
Beginning of year	28,941,126	11,490,904
End of year	$ 25,431,769	$ 28,941,126
Supplemental Disclosure of Noncash Investing and Financing Activities		
Cash payments for interest	$ 410,063	$ 475,738

See Notes to Consolidated Financial Statements

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Illinois Health and Science (the "Parent" or "IHS") (formerly DMH Health Systems) considers all majority owned or controlled entities as affiliated organizations for financial statement reporting purposes. The accompanying consolidated financial statements of the Parent include the accounts of the following affiliated organizations (collectively referred to herein as the "System"): Decatur Memorial Hospital (the "Hospital"), Decatur Memorial Health Foundation (the "Foundation"), DMH World Wide, Ltd ("DMH World Wide") and Heartland Risk Management Company ("Heartland"). The Parent, the Hospital, the Foundation and Heartland are not-for-profit corporations. DMH World Wide is a for-profit corporation. The primary purpose of the System is to support and encourage health care related services by providing financial and management assistance to its affiliated organizations. The primary purpose of the Hospital is to provide general acute care services on an inpatient and outpatient basis to the service area in which it operates. The primary purpose of the Foundation is to promote the interests of the Hospital and to hold real estate which supports the Hospital's charitable purpose.

IHS formed DMH World Wide in January 2010. On October 1, 2013, DMH International and Pioneer Pharmacy were merged into Global Isotopes, LLC d.b.a. Zevacor Molecular ("Zevacor Molecular"). Zevacor Molecular is the surviving company and is now a wholly- owned subsidiary of DMH World Wide. Zevacor Molecular is developing, constructing and operating cyclotrons, as well as, producing medical-grade radiopharmaceutical. In August 2014, DMH World Wide formed Global RE, LLC ("Global RE") and Global 70, LLC ("Global 70") which are 100 percent owned subsidiaries. Global RE was formed for the sole purpose of holding real estate associated with Zevacor Molecular operations. Global 70 was formed for the sole purpose of holding the 70 MEV Cyclotron asset which will be utilized in association with Zevacor Molecular operations.

Heartland was formed in March 2012 as a captive insurance subsidiary for IHS. The primary purpose of Heartland is to provide self-insurance services for medical malpractice claims.

The Hospital continues to own 50 percent of the Decatur Digestive Disease Center, LLC, ("DDDC") which houses an Ambulatory Surgery Treatment Center that is limited to endoscopy. DDDC is accounted for under the equity method. DDDC is included in other long-term assets in the consolidated balance sheets and the related equity in earnings of DDDC is included in non-operating other income in the consolidated statements of operations and changes in net assets. DDDC provides or supports the provision of health care services in the Hospital's service area.

Principles of Consolidation

All significant intercompany balances and transactions have been eliminated in consolidation. The following is a summary of significant accounting policies followed in the preparation of the consolidated financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. The System 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 service revenue, which includes contractual allowances and third-party payer settlements; provisions for bad debt; reserves for losses and expenses related to health care professional and general liabilities; and risks and assumptions for measurement of pension liabilities. Management relies on historical experience, on other assumptions believed to be reasonable under the circumstances and recommendations made by the System's external advisors and actuaries in making its judgments and estimates. Actual results could differ from those estimates.

Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that changes in risks in the near term would materially affect the amounts reported in the consolidated balance sheets and the consolidated statements of operations.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with purchased maturities of three months or less. Assets limited as to use or restricted are excluded. The carrying amount of cash and cash equivalents approximates fair value due to short maturities of these investments. A portion of the System's cash and cash equivalents are held by various financial institutions in denomination in excess of federally insured limits.

Inventories of Supplies

Inventories of supplies are stated at the lower of cost or market. Cost is primarily determined on the basis of current cost.

Investments

Highly liquid investments maturing more than three months from the purchase date are considered short-term investments. Short-term investments consist primarily of highly rated bank deposits and are stated at cost which approximates fair value. Investments in equity securities and mutual funds with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Fair value is defined as the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value is estimated based on quoted market prices, except for alternative investments for which quoted market prices are not available. The System has adopted a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data and unobservable inputs reflect the System's own assumptions about how market participants would value an asset based on the best information available. Cash and cash equivalents are carried at cost, which approximates fair value. Investment income or loss (including realized gains and losses on investments, interest, dividends and unrealized gains and losses on trading securities) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Investment income restricted for specific purposes by donor or legal requirements is recorded as temporarily or permanently restricted on the consolidated statements of changes in net assets.

Investments and assets limited as to use are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks and the near term may affect the amounts reported in the consolidated balance sheets and the consolidated statements of operations and changes in net assets.

Assets Limited as to Use

Assets limited as to use primarily include assets held at fair value by trustees under bond indenture and assets restricted by donors for a specific time period or purpose. Amounts required to meet current liabilities of the System have been reclassified as current assets in the consolidated balance sheets.

Patient Accounts Receivable

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the System analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for uncollectible accounts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party coverage, the System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the System records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Farmland and Farmland Held In Trusts

Various farmland in central Illinois has been purchased by or donated, without restrictions, to the System. In addition, the System is beneficiary to various trusts which include farmland. Farmland is recorded at cost, or if donated, at the fair value at the date of donation or receipt of trust. Farmland held in trusts is recorded at fair market value by the trustee.

Property, Plant and Equipment

Property, plant and equipment acquisitions are recorded at cost, or if donated, at the fair value at the date of donation. Costs of maintenance and repairs are charged to expenses when incurred; costs of betterments are capitalized. Upon sale or retirement of property, plant and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in the consolidated statement of operations. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method over the estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings	15 - 20 years
Land improvements	2 - 40 years
Equipment	1 - 20 years
Automotive	4 - 7 years

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

The System records impairments of its property, plant and equipment when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated lives. Impairments are recorded to reduce the carrying value of the assets to their net realizable values determined by management based on facts and circumstances at the time of the determination.

Goodwill

The excess of acquisition costs over the fair value of acquired net assets is recorded as goodwill. The System reviews the carrying value of its goodwill whenever events or circumstances indicate that the carrying amount may not be recoverable. When such factors indicate that goodwill should be evaluated for possible impairment, the System performs an analysis using an estimate of the related business segment's undiscounted cash flows over the remaining life of the asset in measuring whether the asset is recoverable. Goodwill is included in other assets in the accompanying consolidated balance sheets. No impairment losses were recorded in 2014 or 2013.

During 2013, the System acquired $677,606 of goodwill. On March 1, 2013, DMH World Wide acquired the remaining 50 percent shareholder stock of Zevacor Molecular, which resulted in $500,000 of goodwill. On June 1, 2013, Zevacor Molecular acquired Pioneer Pharmacy, which resulted in $177,606 of goodwill.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the System are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the System has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the System in perpetuity.

Bond Issuance Costs

Costs incurred in issuing all bonds are being amortized based on the effective interest method.

Excess of Revenues Over Expenses

The consolidated statements of operations and changes in net assets include excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), transfers to temporarily restricted net assets, prior period adjustments and the change in pension liability.

Net Patient Service Revenue

The System has agreements with third-party payers that provide for payments to the System at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amount from patients, third-party payers and others for services rendered, including estimated retroactive adjustments under reimbursable agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Changes to prior year third-party settlement estimates (decreased) increased net patient service revenue and excess of revenues over expenses by approximately $1,264,000 and $(821,000) for the years ended September 30, 2014 and 2013, respectively.

Charity Care

The System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Professional Liability Claims

The Hospital is insured above specified deductible amounts through a commercial insurance carrier for professional and patient care liability under the terms of claims-made policies. A claims-made policy covers the Hospital only for those claims reported to the insurance carrier within reporting periods as defined in the policy. In connection with its insurance program, the Hospital has engaged the services of a professional consultant for actuarial evaluations of the liability for the ultimate cost of estimated professional and patient care liability claims for incurred but not reported incidents, which have occurred prior to September 30, 2014, but have not been reported to the insurance carriers. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during the policy term but reported subsequently will be uninsured.

Effective March 2012, IHS formed Heartland as a captive insurance subsidiary to handle its professional liability claims. The Hospital continued to engage the services of a professional consultant for actuarial evaluations of the liability for the ultimate cost of estimated professional and patient care liability claims for incurred but not reported incidents, which have occurred prior to September 30, 2014, but have not been reported to the insurance carriers.

Self-Insurance

The self-insurance professional liability is reviewed annually by an independent actuary. Heartland contributes self-insurance amounts determined by the actuary to be sufficient to pay for expected future losses. Accruals related to the estimated self-insurance liability and the corresponding charge to expense are based on management's analysis of asserted and unasserted claims and management utilizes the actuary to assist in assessing these liabilities.

Income Taxes

The Parent, the Hospital, the Foundation, and Heartland are not-for-profit corporations as described in Section 501(c)(3) of the *Internal Revenue Code* (the "Code") and are exempt from Federal income taxes on related income pursuant to Section 501(a) of the Code. DMH World Wide is a corporation that is subject to federal and state income taxes. Zevacor Molecular, Global RE, and Global 70 are treated as disregarded entities for income tax purposes, and all of their activity is included on DMH World Wide's tax return. In addition, the Hospital is subject to federal and state income tax on its unrelated business income under Section 512 of the Code. The System had no uncertain positions in income tax liabilities or expenses.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the month's ending date in the month following transfer. Transfers occurring in September are recognized on the current periods ending date.

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Hospital recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

In 2014 and 2013, the Hospital completed the requirements under both the Medicare and Medicaid programs and has recorded revenue of approximately $1,527,828 and $4,886,762, which is included in other revenue within operating revenues in the statement of operations.

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the consolidated financial statements were issued.

Illinois Health and Science and Affiliated Organizations
Notes to Consolidated Financial Statements
September 30, 2014 and 2013

Reclassifications

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Net Patient Service Revenue, Patient Accounts Receivable and Concentration of Credit Risk

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided. This provision for uncollectible accounts is presented on the statement of operations as a component of net patient service revenue.

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payers follows:

Medicare

Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital is reimbursed for services at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are reimbursed on a prospectively determined rates-per-discharge and outpatient services are reimbursed on a fee for service basis, as defined.

In December 2008, the Centers for Medicare and Medicaid Services ("CMS") approved a five year Hospital Assessment Program beginning July 1, 2008, and running through June 30, 2013. The Hospital recorded the assessment and payment monthly. For the year ended September 30, 2013, the System recorded a net benefit of $4,593,649. The Program was extended and for the year ended September 30, 2014, the System recorded a net benefit of $4,713,235.

In October 2013, the Illinois Department of Healthcare and Family Services approved a one year Enhanced Hospital Assessment Program beginning October 23, 2013, and running through June 10, 2014. The Program has since been extended to June 2019. The Hospital records the assessment and payment monthly. For the year ended September 30, 2014, the System recorded a net detriment of $1,030,529. The Hospital received funds to offset the detriment from the Illinois Hospital Association's voluntary contribution program where hospitals that receive a net benefit contribute to a fund to help those hospitals with a net detriment. The Hospital received $728,934 from the voluntary contribution program which was recorded as other revenue.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term

Blue Cross

The Hospital is reimbursed at a tentative reimbursement rate of actual charges for substantially all services rendered to inpatient Blue Cross program beneficiaries. A final settlement is determined after the submission of an annual cost report by the Hospital and reviewed by Blue Cross.

Reported costs and services provided under the reimbursement arrangements with Medicare, Medicaid and Blue Cross are subject to retroactive audit and adjustments. Provisions have been made in the consolidated financial statements for estimated contractual adjustments, representing the difference between the standard charges for services and estimated total payments to be received from third-party payers. Management believes that adjustments, if any, which ultimately may result from final determination of amounts to be received under these contracts should not have a material effect on the consolidated financial statements.

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

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the years ended September 30, 2014 and 2013, respectively, was approximately:

	2014	2013
Governmental payers	$ 97,021,111	$ 93,504,011
Commercial	123,243,232	112,553,428
Patients	47,862,656	55,670,311
Total	$ 268,126,999	$ 261,727,750

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at September 30, 2014 and 2013, is as follows:

	2014	2013
Medicare	31%	36%
Medicaid	37%	20%
Blue Cross	9%	10%
Commercial insurance	3%	4%
Other third-party payers	16%	20%
Patients	4%	10%
	100%	100%

Note 3: Charity Care

The Hospital is a not-for-profit health care provider established to meet the health care needs of area residents and is legally required to provide emergency services before determining the source of payment. Further, the Hospital provides care to patients who meet certain criteria under a charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

The Hospital maintains records to identify and monitor the level of charity care it provides. The Hospital determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries, wages and benefits, supplies and other operating expenses, based on data from its costing system. The costs of caring for charity care patients for the years ended September 30, 2014 and 2013, approximated $4,349,326 and $7,658,820, respectively.

Note 4: Investments and Assets Limited As to Use

Investments

Investments stated at fair value at September 30, 2014 and 2013, consist of the following:

	2014	2013
Short-term investments	$ 22,151,044	$ 19,154,493
U.S. Treasury and government obligations	11,388,337	13,432,251
Corporate bonds	13,681,809	13,968,063
Mutual funds	110,909,271	105,651,715
Marketable equity securities	7,234,377	6,116,512
Other	4,079,902	3,978,784
Total investments	$ 169,444,740	$ 162,301,818

Assets Limited As to Use

The composition of assets limited as to use stated at fair value at September 30, 2014 and 2013, consist of the following:

	2014	2013
Assets limited as to use		
Restricted assets		
Short-term investments	$ 4,147,575	$ 2,749,928
U.S. Treasury and government obligations	1,431,533	1,432,612
Corporate bonds	1,679,787	1,462,245
Mutual funds	6,755,969	6,342,009
Funds held in trust (Note 11)	42,164,308	43,071,749
Total assets limited as to use	$ 56,179,172	$ 55,058,543

Investment income and realized gains or losses are comprised of the following for the years ended September 30, 2014 and 2013:

	2014	2013
Interest and dividend income (including trust distributions), net of fees	$ 9,028,488	$ 6,663,688
Net realized gains on sales of investments	5,148,683	8,296,771
Change in net unrealized investment gains	4,901,534	4,337,177
	$ 19,078,705	$ 19,297,636

Investment income, realized gains or losses of investments and assets limited as to use are included in the consolidated statements of operations and changes in net assets for the years ended September 30, 2014 and 2013, as follows:

	2014	2013
Unrestricted revenue, gains and other support		
Trust distributions	$ 1,297,856	$ 1,167,277
Other income		
Investment income	15,248,639	16,812,140
Changes in temporarily and permanently restricted net assets		
Investment income and trust distributions	1,925,820	462,647
Net realized gains on sales of investments	110,270	849,146
Change in net unrealized investment gains on temporarily restricted investments	496,120	6,426
	$ 19,078,705	$ 19,297,636

Note 5: Fair Value Measurements

Authoritative guidance on fair value 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 under the authoritative guidance 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 System 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

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for assets at fair value:

- *Short-term investments:* Valued at cash value due to their liquidity. Short-term investments include cash and cash equivalents, certificates of deposits and money market funds.

- *Marketable equity securities:* Valued at the closing price reported in the active market in which the individual securities are traded.

- *Corporate bonds:* Certain corporate bonds are valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds traded in the over-the-counter market and listed securities for which no sale was reported on the last business day of the fiscal year are valued at the average of the last reported bid and asked prices. For certain corporate bonds that do not have an established fair value, a fair value is established based on yields currently available on comparable securities of issuers with similar credit ratings.

- *U.S. treasury and government obligations:* Certain securities are valued at the closing price reported in the active market in which the individual security is traded. For certain securities that do not have an established fair value, a fair value is established based on yields currently available on comparable securities.

- *Mutual funds:* Valued at the net asset value (NAV) of shares held by the System at year-end.

- *Interests held in trusts:* Valued at the System's interests in each beneficial interests in trust at year-end based upon current market value of each trust. Trusts are valued as a whole unit of account and not by the underlying assets that compromise each trust, thus qualifying these as Level 3 in the hierarchy.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the System believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Recurring Measurements

The following table presents the financial instruments carried at fair value as of September 30, 2014 and 2013, by category on the statement of financial position in accordance with the valuation hierarchy defined above:

	Level 1	Level 2	Level 3	Total
September 30, 2014				
Short-term investments	$ 26,298,619	$ -	$ -	$ 26,298,619
U.S. Treasury and government obligations	7,667,412	5,152,458	-	12,819,870
Corporate bonds	-	15,361,596	-	15,361,596
Mutual funds	117,665,240	-	-	117,665,240
Marketable equity securities	6,146,377	-	1,088,000	7,234,377
Interests held in trust	-	-	42,164,308	42,164,308
Other	-	-	4,079,902	4,079,902
	$ 157,777,648	$ 20,514,054	$ 47,332,210	$ 225,623,912
September 30, 2013				
Short-term investments	$ 21,904,421	$ -	$ -	$ 21,904,421
U.S. Treasury and government obligations	6,877,630	7,987,233	-	14,864,863
Corporate bonds	-	15,430,308	-	15,430,308
Mutual funds	111,993,724	-	-	111,993,724
Marketable equity securities	5,116,512	-	1,000,000	6,116,512
Interests held in trust	-	-	43,071,749	43,071,749
Other	-	-	3,978,784	3,978,784
	$ 145,892,287	$ 23,417,541	$ 48,050,533	$ 217,360,361

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended September 30, 2014. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted markct prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 securities.

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated balance sheets using significant unobservable (Level 3) inputs.

	Interests Held In Trusts	Alternative Investments
September 30, 2012, Balance	$ 40,630,850	$ 3,486,325
Realized gains/losses	738,377	184,921
Unrealized gains/losses	2,086,680	53,816
Settlements/distributions	(717,315)	(76,833)
Purchases	3,385,921	1,830,555
Sales	(3,052,764)	(500,000)
September 30, 2013, Balance	43,071,749	4,978,784
Realized gains/losses	714,392	79,467
Unrealizes gains/losses	573,217	127,982
Settlements/distributions	(2,385,433)	(42,759)
Purchases	2,069,564	558,333
Sales	(1,879,181)	(533,905)
September 30, 2014, Balance	$ 42,164,308	$ 5,167,902

The System had made investments that have limited ability to initiate redemptions due to notice periods and maturities. Details on typical redemption terms by asset class are provided below:

	Remaining Life	Redemption Terms	Redemption Restrictions and Terms	Redemption Restrictions In Place at Year-end
Investments				
Cash and cash equivalents	N/A	Daily	None	None
Certificates of deposit	0 to 15 years	At maturity	Interest penalty	None
U.S. Treasury and government obligations	0 to 29 years	Daily	None	None
Corporate bonds	0 to 39 years	Daily	None	None
Mutual funds	N/A	Daily	None	None
Marketable equity securities	N/A	Daily	None	None
Interests held in trust	N/A	N/A	N/A	N/A
Other	N/A	Quarterly to annually with varying notice periods/upon termination of partnership	None	None

The System has certain investments, principally private corporations, partnerships and private investment funds for which a portion of quoted market prices are not available. These investments are considered alternative investments. Because of the inherent uncertainty of valuations, values may differ from the values that would have been used had a ready market existed. The value of these alternative investments represents the ownership interest in the net asset value of the respective investment. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. Investments included in Level 3 consist of the System's ownership in alternative investments. Management has not developed quantitative inputs nor adjusted the fair values obtained from general partners for the alternative investments. Each alternative investment has its own specific liquidity requirements. The Hospital is currently invested in five alternative investments with the following liquidity requirements: after the investment is held for a year, the Hospital may liquidate its investment on each calendar quarter with at least a 20 day notice; the Hospital may liquidate its investment on each calendar quarter with at least 135 days notice; and the remaining three become liquid at the stated termination of the partnership.

During 2014 and 2013, there were no transfers between investment Levels 1 and 2 which are considered material to the financial statements.

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements.

	Fair Value at September 30, 2014	Valuation Technique	Unobservable Inputs
Marketable Equity Securities at Fair Value	$ 1,088,000	Fair Value	Fair value of assets not traded on an active exchange
Interests Held in Trust			
Securities at Fair Value	$ 9,197,318	Net Asset Value	Net Asset Valuation
Farmland at Fair Value	$ 18,066,424	Fair Value	Land appraisal valuation inputs
Other	$ 4,079,902	Fair Value	Fair Value of Assets

Note 6: Property, Plant and Equipment, Net

Property, plant and equipment at September 30, 2014 and 2013, consist of the following:

	2014	2013
Land	$ 4,228,204	$ 4,228,204
Land improvements	11,518,953	12,057,579
Buildings	175,109,798	167,436,513
Fixed and major movable equipment	191,258,188	185,736,908
Building and equipment under capital lease obligations	14,629,090	14,635,332
Automotive equipment	1,652,343	1,432,633
Construction-in-process	18,176,293	172,776
	416,572,869	385,699,945
Less: Accumulated depreciation	288,690,465	270,811,048
Total property, plant and equipment, net	$ 127,882,404	$ 114,888,897

Cost and the related accumulated depreciation for equipment under capital lease obligations were $14,629,090 and $3,101,025, respectively, at September 30, 2014. Cost and the related accumulated depreciation for equipment under capital lease obligations were $14,635,333 and $2,173,524, respectively, at September 30, 2013.

The State of Illinois Department of Public Health awarded DMH a grant of $565,730 for the period of July 1, 2011 through June 30, 2013, for Agile Trac software and call system for three inpatient units. DMH received the entire grant in the amount of $565,730 during the year ended September 30, 2013.

Note 7: Long-Term Debt and Capital Lease Obligations

During 1996, the Illinois Health Finance Authority issued $21,865,000 of Revenue Refunding Bonds, Series 1996B dated November 1, 1996, for the Hospital. Approximately $20,640,000 of the 1996B Series bonds were used to purchase Government securities which were deposited in a trust fund administered for the Hospital. The principal of these securities, together with the interest earned thereon, is sufficient to pay the principal and interest on $18,990,000 of the Series 1991B bonds, in accordance with the First Supplemental Bond Trust Indenture, dated November 1, 1996. The outstanding principal of the 1991B defeased bonds is $10,690,000 at September 30, 2014. The remaining proceeds of the Series 1996B bonds were used to pay for expenses related to the issuance of the Series 1996B bonds. The Series 1996B bonds were paid off in August 2011.

During 2010, the Illinois Hospital Facility issued $18,360,000 of Revenue Bonds, Series 2010A through 2010D dated December 22, 2010, for the Hospital. All of the proceeds of the 2010 bonds were used to early extinguish a bridge loan. The Series 2010 bonds are limited obligations of the Illinois Hospital Facility and are payable solely out of the revenues and receipts derived for or on behalf of the operation of the Hospital. Accordingly, the bonds have been recorded in the accompanying consolidated financial statements as an obligation of the Hospital. In March 2012, the Hospital refinanced $9,914,400 of the bonds from an interest rate of 3.99 percent to 2.75 percent. In July 2014, the Hospital refinanced $4,773,600 of the bonds from an interest rate of 3.99 percent to 3.00 percent.

During August 2014, Global RE borrowed $7,000,000 at an interest rate of 3.75 percent. The promissory note is for five years with interest and principal due quarterly. A balloon payment is due at the end of the five years for $3,710,000. Proceeds of the note were used to purchase a building and for building improvements that the System plans on making. The collateral for the note is the building.

A summary of long-term debt at September 30, 2014 and 2013, is as follows:

	2014	2013
Illinois Hospital Facility, Revenue Bonds, Series 2010 A to D, at interest rates of 2.75% and 3.00%, through 2020; collateralized by unrestricted receivables of the Hospital as evidenced by a direct obligation note	$ 11,475,000	$ 13,311,000
Note payable with an interest rate of 3.75%, collateralized by a building, payable in quarterly principal installments of $175,000 plus accrued interest, with a balloon payment of $3,710,000 due in August 2019	7,000,000	-
Capital lease obligations, at imputed interest rates between 3.25% and 4.5% with an amortized cost of $11,528,065	12,665,263	13,361,268
	31,140,263	26,672,268
Less		
Current portion of long-term debt	3,253,721	2,526,095
Long-term debt	$ 27,886,542	$ 24,146,173

Scheduled principal repayments on long-term debt and payments on capital lease obligations are as follows:

Year Ending September 30,	Long-Term Debt	Capital Lease Obligations
2015	$ 2,536,000	$ 1,219,380
2016	2,536,000	1,228,012
2017	2,536,000	1,244,145
2018	2,536,000	1,254,415
2019	6,036,000	970,336
Thereafter	2,295,000	12,987,571
	$ 18,475,000	18,903,859
Less: Amount representing interest and service charges under capital lease obligations		6,238,596
		$ 12,665,263

Bond issuance costs and original issue discount are being amortized using the effective interest method. Such amortization amounted to $17,730 and $16,125 for the years ended September 30, 2014 and 2013, respectively.

Long-term debt has an aggregate fair value based on market values of approximately $18,502,556 and $13,347,406 at September 30, 2014 and 2013, respectively.

Capital Leases

The Hospital entered into a capital lease to purchase a $3.5 million piece of equipment during fiscal year 2012. The Hospital also contracted for two medical office buildings. One building was built for the Hospital and capitalized at $2.9 million. The other building was an existing doctors' practice and capitalized at $650,000.

Note 8: Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets restricted by purpose or by time at September 30, 2014 and 2013, consist of the following:

	2014	2013
Health care services		
Purchase of equipment	$ 5,317,913	$ 5,146,161
Indigent care	39,222	38,841
Health education	2,877,304	2,580,571
Various specific health care programs	2,346,213	787,009
Funds held in trust to be received		
October 21, 2013	-	1,459,914
September 30, 2018	9,353,021	8,980,755
September 30, 2026	19,472,538	19,356,143
	$ 39,406,211	$ 38,349,394

Permanently restricted net assets at September 30, 2014 and 2013, are restricted to:

	2014	2013
Assets to be invested in perpetuity, the income from which is expendable to support operations and other health care services	$ 16,772,961	$ 16,709,149

During fiscal 2014 and 2013, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes of indigent care, health care education and various specific health care programs in the amount of $370,542 and $630,996, respectively. During fiscal 2014 and 2013, net assets were released from donor restrictions and used for the purchase of property, plant and equipment in the amount of $697,627 and $2,791,939, respectively.

The System'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, as all of which are donor-restricted endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of directors has determined that donor-restricted endowment funds will be governed by specific policies, which assure that the original gift shall be protected to perpetuity as the endowed corpus and distribution shall not be made if it were to bring the value below that threshold; which explain the calculation used to determine funds available for expenditure, and which govern the process for expenditure of funds, in accordance with donor restrictions. The Investment Policy adopted by the board of directors reiterates these basic principles for donor-restricted funds and defines the return objectives and risk parameters for all System investments.

The System had the following donor-restricted endowment balances during the year ended September 30, 2014:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 8,552,582	$ 3,434,212	$ 11,986,794
Investment return			
Investment income	307,927	-	307,927
Net appreciation (realized and unrealized)	606,390	-	606,390
Total investment return	914,317	-	914,317
Contributions/trust distributions	2,015,921	-	2,015,921
Transfer from unrestricted funds	166,000	-	166,000
Appropriation of endowment assets for expenditure	(1,068,169)	-	(1,068,169)
Endowment net assets, end of year	$ 10,580,651	$ 3,434,212	$ 14,014,863

The System had the following donor-restricted endowment balances during the year ended September 30, 2013:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 10,141,311	$ 3,434,212	$ 13,575,523
Investment return			
Investment income	290,749	-	290,749
Net appreciation (realized and unrealized)	855,572	-	855,572
Total investment return	1,146,321	-	1,146,321
Contributions/trust distributions	523,359	-	523,359
Transfer from unrestricted funds	164,500	-	164,500
Appropriation of endowment assets for expenditure	(3,422,909)	-	(3,422,909)
Endowment net assets, end of year	$ 8,552,582	$ 3,434,212	$ 11,986,794

Temporarily restricted and permanently restricted net assets (endowments only) at September 30, 2014, are invested for the following purposes:

	Temporarily Restricted	Permanently Restricted	Total
Health care services			
Purchase of equipment	$ 5,317,913	$ 1,356,579	$ 6,674,492
Indigent care	39,222	59,937	99,159
Health education	2,877,304	1,853,696	4,731,000
Various specific health care programs	2,346,213	164,000	2,510,213
	$ 10,580,652	$ 3,434,212	$ 14,014,864

Temporarily restricted and permanently restricted net assets (endowments only) at September 30, 2013, are invested for the following purposes:

	Temporarily Restricted	Permanently Restricted	Total
Health care services			
Purchase of equipment	$ 5,146,161	$ 1,356,579	$ 6,502,740
Indigent care	38,841	59,937	98,778
Health education	2,580,571	1,853,696	4,434,267
Various specific health care programs	787,009	164,000	951,009
	$ 8,552,582	$ 3,434,212	$ 11,986,794

Note 9: Pension Plans

The Hospital has a noncontributory defined benefit pension plan (the "Plan") covering certain employees of the Hospital and affiliated entities. The benefits were based on years of service and participant compensation, as defined. At December 31, 1995, this Plan was frozen so that no future employees would be eligible to participate in the Plan and no further benefits would accrue to current Plan participants. These amendments to the Plan have been considered in the determination of the actuarial present value of accumulated plan benefits and related assumptions for 2014 and 2013.

The amortization of any unrecognized net loss is determined using a straight-line amortization of the cost over the average remaining service period of employees expected to receive the benefits under the Plan.

The following tables set forth the funded status of the Plan as well as the components of net periodic benefit cost and the weighted-average assumptions at September 30:

	2014	2013
Change in benefit obligation		
Projected benefit obligation at beginning of year	$ 13,894,739	$ 17,602,994
Interest cost	688,685	653,074
Amendments recognized	495,086	-
Liability (gain) loss	1,235,580	(366,099)
Change in discount rate	-	(1,953,844)
Benefit payments	(1,672,670)	(2,041,386)
Projected benefit obligation at end of year	14,641,420	13,894,739
Change in plan assets		
Fair value of plan assets at beginning of year	12,674,013	13,138,188
Actual return on plan assets	1,027,305	1,359,141
Employer contribution	640,832	218,070
Benefit payments	(1,672,670)	(2,041,386)
Fair value of plan assets at end of year	12,669,480	12,674,013
Funded status	$ (1,971,940)	$ (1,220,726)
Components of net periodic benefit cost		
Interest cost	$ 688,685	$ 653,074
Return on plan assets		
Expected return	(992,887)	(1,026,368)
Asset gain	-	(332,773)
Amortization of		
Prior service cost	50,080	-
Unrecognized net loss	541,817	714,874
Asset gain	-	332,773
Net periodic pension cost	287,695	341,580
Accumulated benefit obligation at end of year	$ 14,641,420	$ 13,894,739
Amounts recognized in unrestricted net assets		
Unrecognized net actuarial loss	$ 7,391,132	$ 6,731,787
Weighted-average assumptions		
Discount rate	4.32%	4.92%
Expected long-term rate of return on plan assets	8.00%	8.00%

The projected benefit payments under the Plan for each of the five fiscal years subsequent to September 30, 2014, are as follows: $1,543,827 in 2015, $1,099,571 in 2016, $1,078,054 in 2017, $1,281,307 in 2018 and $1,189,594 in 2019. Projected aggregate benefit payments under the Plan for the five-year period ended September 30, 2024, are $5,694,138. The Hospital contributed $640,832 and $218,070 for the Plan year ended September 30, 2014 and 2013, respectively. The Hospital's estimated contribution to the Plan for the year subsequent to September 30, 2014, is $0.

The assets of the Plan are invested in a manner that is intended to achieve a rate of return of 8.0 percent, which is the Plan's assumed long-term rate of return.

The investment portfolio of the Plan is diversified in a manner that is intended to achieve the return objective and reduce the volatility of returns. The Plan relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends) over a long-term time horizon. Third party managers invest the Plan's assets.

The following table presents the pension plan financial instruments carried at fair value as of September 30, 2014, by category in accordance with the valuation hierarchy defined in Note 5 "Fair Value Measurements":

	Level 1	Level 2	Level 3	Total
Pension assets				
Mutual funds	$ -	$ 12,669,480	$ -	$ 12,669,480

The following table presents the pension plan financial instruments carried at fair value as of September 30, 2013, by category in accordance with the valuation hierarchy defined in Note 6 "Fair Value Measurements":

	Level 1	Level 2	Level 3	Total
Pension assets				
Cash and cash equivalents	$ 542,889	$ -	$ -	$ 542,889
U.S. Treasury and government obligations	1,101,118	1,249,204	-	2,350,322
Corporate bonds	-	1,427,010	-	1,427,010
Mutual funds	8,353,792	-	-	8,353,792
	$ 9,997,799	$ 2,676,214	$ -	$ 12,674,013

Actual and targeted allocations of the Plan's assets by investment category were as follows at September 30, 2014 and 2013:

	2014			2013	
	Actual	Target		Actual	Target
Equity securities	63%	Not to Exceed	80%	60%	65%
Debt securities	30%	Minimum of	20%	36%	30%
Short-term investments	7%	Not to Exceed		4%	5%
Alternative Investments	N/A	Not to Exceed	20%	N/A	N/A
	100%			100%	

The Hospital also sponsors a 403(b) Plan. The Hospital elected to contribute 0 percent of each participant's annual compensation in fiscal years 2014 and 2013, plus 50 percent of the first 3 percent contributed by each participant who contributed to the DMH Health Systems 403(b) Plan, after eligibility requirements and one year of service were met for fiscal years 2014 and 2013. The Hospital contributions to the Illinois Health and Science 403(b) Plan totaled $1,591,558 and $1,507,720 for the years ended September 30, 2014 and 2013, respectively.

The Hospital also sponsors a 457(b) Plan for certain key employees. All contributions to the Plan are from participants. Due to Internal Revenue Service requirements surrounding 457(b) Plans, the assets of the Plan are considered Hospital assets. The Hospital's Other Asset and Other Liability accounts include $5,403,899 and $4,671,205 at September 30, 2014 and 2013, respectively, representing the value of the Plan's assets.

Zevacor sponsors a 401(k) Plan that began accepting contributions in fiscal year 2013. Zevacor elected to contribute 0 percent of each participant's annual compensation in fiscal year 2014, plus 50 percent of the first 3 percent contributed by each participant who contributed to the Zevacor 401(k) Plan, after eligibility requirements and one year of service were met for fiscal year 2014. Participants that worked for Zevacor's predecessors or the Hospital and met the eligibility requirements were immediately allowed to contribute up to 3 percent of their salary. Zevacor's contributions to the 401(k) Plan totaled $15,400 and $1,419 for the years ended September 30, 2014 and 2013, respectively.

Note 10: Other Benefit Plans

The Hospital sponsors a postretirement medical benefits plan to certain employees and retired employees. The Retiree Supplement Plan is contributory. The Plan was amended in 1995 to no longer accept new entrants. Retirees who had previously met the eligibility requirements were allowed to maintain coverage based upon the provisions of the Plan and their continued compliance. The Plan is unfunded and the accrued postretirement benefit cost is recorded as a component of accrued expenses in the accompanying consolidated balance sheets at September 30, 2014 and 2013.

The Hospital also sponsors a partially self-insured medical and health program funded by contributions from the Hospital and its eligible employees, which is further discussed in Note 13.

The following tables set forth the accumulated benefit obligation of the retiree supplement plan as well as the components of net periodic benefit cost and the weighted-average assumptions at September 30:

	2014	2013
Change in benefit obligation		
Accumulated postretirement benefit obligation at beginning of year	$ 626,124	$ 736,727
Interest cost	24,060	22,019
Benefit payments	(35,112)	(27,878)
Plan participant contributions	3,210	3,225
Administrative cost	(9,924)	(8,099)
(Gain) loss attributable to other charges	(12,325)	(99,870)
Accumulated postretirement benefit obligation end of year	596,033	626,124
Funded status	(596,033)	(626,124)
Accrued liability for postretirement benefits	$ (596,033)	$ (626,124)
Components of net periodic benefit cost		
Interest cost	$ 24,060	$ 22,019
Net periodic benefit cost	$ 24,060	$ 22,019
Weighted-average assumptions		
Discount rate	3.25%	4.00%
Health care cost trend rate (grading to 5.50% in 2024)	6.39%	6.50%

A one percentage point increase in the assumed health care cost trend rate would have increased aggregate service and interest costs and the APBO by approximately $1,324 and $38,376, respectively. Likewise, a one percentage point decrease in the assumed health care cost trend rate would have decreased aggregate service and interest costs and the APBO by approximately $(1,221) and $(35,415), respectively.

The projected benefit payments under the plan for each of the five fiscal years subsequent to September 30, 2014, are as follows: $56,620 in 2015, $56,635 in 2016, $56,273 in 2017, $55,381 in 2018 and $53,951 in 2019. Projected aggregate benefit payments under the plan for the five-year period ending September 30, 2024, are $231,076.

Note 11: Restricted Funds Held in Trust Administered by Third Parties

The System is the income beneficiary of several perpetual trusts. The corpus of these trusts is not controlled by the System, but is administered by third parties appointed by the donors. The trusts include cash, equities, fixed income securities and land. The estimated value of the trusts' corpus amounted to approximately $13,338,750 and $13,275,000 at September 30, 2014 and 2013, respectively. The estimated value of the trusts is reflected as a component of restricted funds held in trust in the accompanying consolidated balance sheets. The System received trust distributions that are included in the accompanying consolidated statement of operations and changes in net assets amounting to approximately $678,200 and $598,500 for the years ended September 30, 2014 and 2013, respectively. The System also received unrestricted trust distributions which are included in temporarily restricted net assets amounting to approximately $117,400 and $146,000 for the years ended September 30, 2014 and 2013, respectively.

The System is also the beneficiary of three trusts that revert to the System after 50 years which are administered and controlled by third parties appointed by the donors. The trusts include cash, equities, fixed income securities and land. The estimated value of the trusts' corpus amounted to approximately $28,825,600 and $29,796,800 at September 30, 2014 and 2013, respectively. The estimated value of the trusts is reflected as a component of restricted funds held in trust in the accompanying consolidated balance sheets. The System received unrestricted trust distributions amounting to approximately $619,600 and $564,900 for the years ended September 30, 2014 and 2013, respectively. The System received a final distribution from one of the three 50 year trusts in fiscal year 2014 in the amount of $1,459,914 which the System included in restricted trust distributions.

Note 12: Insurance

The Hospital is self-insured for employee group health insurance coverage for substantially all of its employees. The Hospital pays for claims on a current basis. In addition, the Hospital has purchased stop-loss insurance coverage which limits the amount of potential self-insurance loss to $230,000 in aggregate claims per individual per year and unlimited per individual per lifetime. The liability for estimated incurred but not reported self-insured health claims amounts are approximately $1,837,700 and $3,037,700 at September 30, 2014 and 2013, respectively, and was recorded as a component of accrued expenses in the accompanying consolidated balance sheets. Claims expense of approximately $10,501,500 and $14,086,200 for the years ended September 30, 2014 and 2013, respectively, is recorded as a component of employee benefits in the accompanying consolidated statements of operations and changes in net assets.

Heartland maintains a program of self-insurance for professional liability and general liability risks as of March 1, 2012. This program is maintained on behalf of all System affiliates and employees, including the employed physicians. More than 70 hospital-based physicians are covered by this program. The coverage limits are $1,500,000 per claim and a shared $5,000,000 annual aggregate, with various retroactive dates. Loss adjustment expenses erode the stated policy limits. The estimated liability for the System's self-insured portion, which is included in other liabilities, amounts to $10,195,861 and $8,037,741 at September 30, 2014 and 2013, respectively.

Heartland self-insures the first losses for both professional liability and general liability claims. The estimated liability for self-insured claims 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 the Hospital's Risk Manager and Vice President of Quality Systems.

Heartland incurred approximately $334,700 and $575,700 in expense for the years ended September 30, 2014 and 2013, respectively, for self-insured professional and general liability risks. In management's opinion, adequate provision has been made for the estimated self-insurance liability.

Heartland provided the System with occurrence basis general liability coverage with limits of $1,500,000 per occurrence, with varying sublimits for fire damage and medical expenses, and a $5,000,000 annual aggregate. Loss adjustment expenses erode the stated policy limits. In addition to the self-insured portion, the Hospital purchases commercial insurance for claims in excess of the self-insurance limits. These excess insurance policies, which are claims-made, are purchased through Zurich and Beazley Insurance.

Note 13: Commitments

The Hospital has entered into a lease agreement with the Decatur YMCA dated August 17, 1999, for a certain parcel of real estate not subject to the Hospital's Master Indenture. The land lease which has a nominal rent and is for a period of 50 years is being used by the YMCA to house their facility. The Hospital has also entered into a nonrecourse guarantee with the bank providing a mortgage to the YMCA that can only be satisfied from the specific real estate under lease.

The Hospital has entered into venture capital commitments of $5 million to Ascension Health Ventures – CHV III, LP and $2.5 million to River Cities Capital. The Hospital has funded $500,000 to River Cities Capital and $1,513,888 to Ascension Health Ventures.

In 2009, the Foundation completed the sale of several parcels of land and buildings (collectively, the "properties") for $30,400,000. As part of the transaction, the Hospital leased back certain space in many of these properties for periods ranging from five to 20 years, with no option to extend. The leases for all properties leased back qualify as operating leases. The Foundation realized a gain on the sale of the properties of $3,026,316, which has been deferred and is being amortized within "other income" in the consolidated statements of operations ratably over the leaseback period. The Foundation recognized $213,117 and $220,064 of this gain in the years ended September 30, 2014 and 2013, respectively, as other income. Under general operating lease agreements, the System rents medical and office equipment. Management expects that, in the normal course of business, leases that expire will be renewed or replaced by other leases.

The System has a $5.1 million asset purchase commitment at September 30, 2014. The asset seller requires a letter of credit as collateral for the commitment. The System has collateralized the letter of credit with the bank by a lien on certain securities. The letter of credit would be used by the asset seller only if the System defaulted on the asset purchase.

Total rental expense for all operating leases was $3,086,301 and $2,723.636 at September 30, 2014 and 2013, respectively.

Minimum lease payments under operating leases expiring after September 30, 2014, are as follows: 2015 - $5,066,600, 2016 - $4,695,400, 2017 - $4,406,300, 2018 - $4,400,800, 2019 - $3,545,900 and $17,365,400 thereafter.

Note 14: Functional Expenses

The System provides general health care services to residents within its service area. Expenses related to providing these services for the years ended September 30, 2014 and 2013 are as follows:

	2014	2013
Health care services	$ 236,861,696	$ 232,317,524
General and administrative	40,649,323	30,288,880
	$ 277,511,019	$ 262,606,404

Note 15: Related Parties

Certain members of the System's board of directors hold key management positions at financial institutions with which the System transacts business on a regular basis. See Note 8 related to the Illinois Facility Revenue Bonds. These board members recuse themselves from voting on board resolutions involving banking matters.

Supplemental Schedules

Illinois Health and Science and Affiliated Organizations

Consolidating Balance Sheet

September 30, 2014

	Decatur Memorial Hospital	Decatur Memorial Health Foundation	Heartland Risk Management	DMH World Wide and Affiliate	Illinois Health and Science	Total	Eliminations	Consolidated
Assets								
Current assets								
Cash and cash equivalents	$ 19,379,251	$ 1,024,968	$ 1,915,558	$ 2,535,743	$ 576,249	$ 25,431,769	$ -	$ 25,431,769
Patient and customer accounts receivable, net of allowance for doubtful accounts of approximately $9,888,205	34,669,761	-	-	-	-	34,669,761	-	34,669,761
Inventories of supplies	3,042,368	-	-	99,674	-	3,142,042	-	3,142,042
Prepaid expenses	3,782,234	71,876	-	122,069	9,902	3,986,081	-	3,986,081
Due from affiliates	36,069	-	-	-	-	36,069	(36,069)	-
Other	1,947,075	269	476,750	830,183	-	3,254,277	(98,420)	3,155,857
Total current assets	62,856,758	1,097,113	2,392,308	3,587,669	586,151	70,519,999	(134,489)	70,385,510
Assets limited as to use								
Restricted assets								
Funds held in trust	42,164,308	-	-	-	-	42,164,308	-	42,164,308
Investments and other	10,054,431	3,960,433	-	-	-	14,014,864	-	14,014,864
Total restricted assets	52,218,739	3,960,433	-	-	-	56,179,172	-	56,179,172
Investments	128,560,413	14,375,501	3,034,079	-	23,474,747	169,444,740	-	169,444,740
Farmland	-	7,453,588	-	-	-	7,453,588	-	7,453,588
Property, plant and equipment, net	101,550,404	3,912,285	-	23,072,579	-	128,535,268	(652,864)	127,882,404
Other assets	24,747,798	-	-	993,006	14,951,479	40,692,283	(30,752,157)	9,940,126
Total assets	$ 369,934,112	$ 30,798,920	$ 5,426,387	$ 27,653,254	$ 39,012,377	$ 472,825,050	$ (31,539,510)	$ 441,285,540

Attachment #6
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Illinois Health and Science and Affiliated Organizations

Consolidating Balance Sheet (Continued)

September 30, 2014

	Decatur Memorial Hospital	Decatur Memorial Health Foundation	Heartland Risk Management	DMH World Wide and Affiliate	Illinois Health and Science	Total	Eliminations	Consolidated
Liabilities and Net Assets								
Current liabilities								
Current portion of long-term debt	$ 1,836,000	$ -	$ -	$ 700,000	$ -	$ 2,536,000	$ -	$ 2,536,000
Current portion of obligations under capital leases	717,721	-	-	586,670	-	1,304,391	(586,670)	717,721
Accounts payable and withheld taxes	3,754,557	-	15,500	193,129	-	3,963,186	-	3,963,186
Accrued expenses	11,109,290	197,699	-	145,768	80,000	11,532,757	(98,420)	11,434,337
Estimated third-party payer settlements	22,642,571	-	-	-	-	22,642,571	-	22,642,571
Other liabilities	173,661	-	-	-	-	173,661	-	173,661
Due to affiliates	-	36,069	-	-	-	36,069	(36,069)	-
Total current liabilities	40,233,800	233,768	15,500	1,625,567	80,000	42,188,635	(721,159)	41,467,476
Long-term debt, net of current portion	9,639,000	-	-	6,300,000	-	15,939,000	-	15,939,000
Obligations under capital leases, net of current portion	11,947,542	-	-	2,494,926	-	14,442,468	(2,494,926)	11,947,542
Deferred gain on sale of property	-	1,897,243	-	-	-	1,897,243	-	1,897,243
Other liabilities	17,188,460	-	3,422,459	21,470,561	-	42,081,480	(22,123,425)	19,958,055
Total liabilities	79,008,802	2,131,011	3,437,959	31,891,054	80,000	116,548,826	(25,339,510)	91,209,316
Net assets								
Unrestricted	238,706,571	24,707,476	1,988,428	(4,237,800)	38,932,377	300,097,052	(6,200,000)	293,897,052
Temporarily restricted	36,797,878	2,608,333	-	-	-	39,406,211	-	39,406,211
Permanently restricted	15,420,861	1,352,100	-	-	-	16,772,961	-	16,772,961
Total net assets	290,925,310	28,667,909	1,988,428	(4,237,800)	38,932,377	356,276,224	(6,200,000)	350,076,224
Total liabilities and net assets	$ 369,934,112	$ 30,798,920	$ 5,426,387	$ 27,653,254	$ 39,012,377	$ 472,825,050	$ (31,539,510)	$ 441,285,540

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Illinois Health and Science and Affiliated Organizations

Consolidating Balance Sheet

September 30, 2013

	Decatur Memorial Hospital	Decatur Memorial Health Foundation	Heartland Risk Management	DMH World Wide and Affiliate	DMH Health Systems	Total	Eliminations	Consolidated
Assets								
Current assets								
Cash and cash equivalents	$ 23,633,334	$ 2,892,954	$ 1,426,938	$ 387,215	$ 600,685	$ 28,941,126	$ -	$ 28,941,126
Patient accounts receivable, net of allowance for doubtful accounts of approximately	34,854,640	-	-	-	-	34,854,640	-	34,854,640
Inventories of supplies	3,071,259	-	-	76,400	-	3,147,659	-	3,147,659
Prepaid expenses	3,526,214	72,070	-	50,511	-	3,648,795	-	3,648,795
Due from affiliates	5,173,054	-	-	-	-	5,173,054	(5,173,054)	-
Other	3,107,427	-	483,750	368,205	-	3,959,382	(517,794)	3,441,588
Total current assets	73,365,928	2,965,024	1,910,688	882,331	600,685	79,724,656	(5,690,848)	74,033,808
Assets limited as to use								
Restricted assets								
Funds held in trust	41,611,835	1,459,914	-	-	-	43,071,749	-	43,071,749
Investments and other	9,662,573	2,324,221	-	-	-	11,986,794	-	11,986,794
Total restricted assets	51,274,408	3,784,135	-	-	-	55,058,543	-	55,058,543
Investments	149,361,301	11,040,444	2,000,073	-	-	162,401,818	(100,000)	162,301,818
Farmland	-	7,453,588	-	-	-	7,453,588	-	7,453,588
Property, plant and equipment, net	110,268,550	4,029,274	-	591,073	-	114,888,897	-	114,888,897
Other assets	7,320,481	-	-	980,356	-	8,300,837	-	8,300,837
Total assets	$ 391,590,668	$ 29,272,465	$ 3,910,761	$ 2,453,760	$ 600,685	$ 427,828,339	$ (5,790,848)	$ 422,037,491

Attachment #6
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Illinois Health and Science and Affiliated Organizations

Consolidating Balance Sheet (Continued)

September 30, 2013

	Decatur Memorial Hospital	Decatur Memorial Health Foundation	Heartland Risk Management	DMH World Wide and Affiliate	DMH Health Systems	Total	Eliminations	Consolidated
Liabilities and Net Assets								
Current liabilities								
Current portion of long-term debt	$ 1,836,000	$ -	$ -	$ -	$ -	$ 1,836,000	$ -	$ 1,836,000
Current portion of obligations under capital leases	690,095	-	-	-	-	690,095	-	690,095
Accounts payable and withheld taxes	3,008,048	-	-	347,845	-	3,355,893	-	3,355,893
Accrued expenses	12,367,176	197,806	15,500	79,131	-	12,659,613	(34,044)	12,625,569
Estimated third-party payer settlements	24,139,148	-	-	-	-	24,139,148	-	24,139,148
Other liabilities	240,421	-	2,596,699	-	-	2,837,120	-	2,837,120
Due to affiliates	-	35,176	-	5,137,878	-	5,173,054	(5,173,054)	-
Total current liabilities	42,280,888	232,982	2,612,199	5,564,854	-	50,690,923	(5,207,098)	45,483,825
Long-term debt, net of current portion	11,475,000	-	-	-	-	11,475,000	-	11,475,000
Obligations under capital leases, net of current portion	12,671,173	-	-	-	-	12,671,173	-	12,671,173
Deferred gain on sale of property	-	2,110,360	-	-	-	2,110,360	-	2,110,360
Other liabilities	13,721,677	-	-	-	-	13,721,677	(483,750)	13,237,927
Total liabilities	80,148,738	2,343,342	2,612,199	5,564,854	-	90,669,133	(5,690,848)	84,978,285
Net assets								
Unrestricted	260,167,522	23,144,988	1,298,562	(3,111,094)	600,685	282,100,663	(100,000)	282,000,663
Temporarily restricted	35,917,359	2,432,035	-	-	-	38,349,394	-	38,349,394
Permanently restricted	15,357,049	1,352,100	-	-	-	16,709,149	-	16,709,149
Total net assets	311,441,930	26,929,123	1,298,562	(3,111,094)	600,685	337,159,206	(100,000)	337,059,206
Total liabilities and net assets	$ 391,590,668	$ 29,272,465	$ 3,910,761	$ 2,453,760	$ 600,685	$ 427,828,339	$ (5,790,848)	$ 422,037,491

Attachment #6
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Illinois Health and Science and Affiliated Organizations

Consolidating Statements of Operations and Changes in Net Assets

Year Ended September 30, 2014

	Decatur Memorial Hospital	Decatur Memorial Health Foundation	Heartland Risk Management	DMH World Wide and Affiliate	Illinois Health and Science	Total	Eliminations	Consolidated
Unrestricted Revenues, Gains and Other Support								
Net patient service revenue (net of provision for bad debts of $13,400,062)	$ 254,729,379	$ -	$ -	$ -	$ -	$ 254,729,379	$ (2,442)	$ 254,726,937
Other revenue	14,665,096	1,782,284	1,924,327	5,649,530	-	24,021,237	(6,456,936)	17,564,301
Net assets released from restrictions used for operations	208,262	162,280	-	-	-	370,542	-	370,542
Trust distributions	1,083,820	214,036	-	-	-	1,297,856	-	1,297,856
Total revenues, gains and other support	270,686,557	2,158,600	1,924,327	5,649,530	-	280,419,014	(6,459,378)	273,959,636
Expenses								
Salaries and wages	109,827,995	116,272	-	4,148,731	-	114,092,998	(1,465,933)	112,627,065
Employee benefits	21,857,607	37,621	-	730,179	-	22,625,407	-	22,625,407
Professional fees	3,034,609	-	-	-	-	3,034,609	-	3,034,609
Purchased services	16,869,775	485,645	84,862	724,174	84,161	18,248,617	-	18,248,617
Supplies	43,659,021	35,846	-	4,000,895	632	47,696,394	(1,009,603)	46,686,791
Other	51,749,469	1,603,133	1,184,582	2,242,674	11,538	56,791,396	(3,983,842)	52,807,554
Interest expense (including amortization of $17,730)	990,855	-	-	392,138	-	1,382,993	(277,789)	1,105,204
Depreciation and amortization	19,458,314	156,480	-	906,059	-	20,520,853	(145,081)	20,375,772
Total expenses	267,447,645	2,434,997	1,269,444	13,144,850	96,331	284,393,267	(6,882,248)	277,511,019
Operating income (loss)	3,238,912	(276,397)	654,883	(7,495,320)	(96,331)	(3,974,253)	422,870	(3,551,383)
Other Income								
Investment income	12,408,883	1,631,058	34,982	-	1,596,586	15,671,509	(422,870)	15,248,639
Gain in earnings of investment in affiliate	331,002	-	-	-	-	331,002	-	331,002
Amortization on deferred gain on sale of property	-	213,117	-	-	-	213,117	-	213,117
Total other income (expense)	12,739,885	1,844,175	34,982	-	1,596,586	16,215,628	(422,870)	15,792,758
Excess (deficit) of revenues over expenses	15,978,797	1,567,778	689,865	(7,495,320)	1,500,255	12,241,375	-	12,241,375
Transfer to temporarily restricted	(166,000)	-	-	-	-	(166,000)	-	(166,000)
Change in minimum pension liability	(850,229)	-	-	-	-	(850,229)	-	(850,229)
Transfers among affiliates	(37,086,534)	(39,903)	-	6,395,000	36,831,437	6,100,000	(6,100,000)	-
Prior period adjustment	-	-	-	(26,384)	-	(26,384)	-	(26,384)
Net assets released from restrictions used for the purchase of property, plant and equipment	663,014	34,613	-	-	-	697,627	-	697,627
Increase (decrease) in unrestricted net assets	$ (21,460,952)	$ 1,562,488	$ 689,865	$ (1,126,704)	$ 38,331,692	$ 17,996,389	$ (6,100,000)	$ 11,896,389

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Illinois Health and Science and Affiliated Organizations

Consolidating Statements of Operations and Changes in Net Assets

Year Ended September 30, 2013

	Decatur Memorial Hospital	Decatur Memorial Health Foundation	Heartland Risk Management	DMH World Wide and Affiliate	DMH Health Systems	Total	Eliminations	Consolidated
Unrestricted Revenues, Gains and Other Support								
Net patient service revenue (net of provision for bad debts of $18,572,241)	$ 243,155,509	$ -	$ -	$ -	$ -	$ 243,155,509	$ -	$ 243,155,509
Other revenue	16,326,432	1,751,993	2,036,147	1,306,461	-	21,421,033	(4,980,482)	16,440,551
Net assets released from restrictions used for operations	214,514	455,677	-	-	-	670,191	(39,225)	630,966
Trust distributions	879,091	288,186	-	-	-	1,167,277	-	1,167,277
Total revenues, gains and other support	260,575,546	2,495,856	2,036,147	1,306,461	-	266,414,010	(5,019,707)	261,394,303
Expenses								
Salaries and wages	109,538,727	116,088	-	1,557,029	-	111,211,844	(1,006,373)	110,205,471
Employee benefits	25,355,196	36,869	-	239,592	-	25,631,657	-	25,631,657
Professional fees	2,572,818	-	-	-	-	2,572,818	-	2,572,818
Purchased services	14,598,664	298,230	101,047	821,564	-	15,819,505	-	15,819,505
Supplies	42,894,413	39,224	-	1,147,200	-	44,080,837	(472,818)	43,608,019
Other	40,933,137	1,682,323	1,740,063	1,515,822	15	45,871,360	(3,540,516)	42,330,844
Interest expense (including amortization of $16,125)	1,181,496	-	-	-	-	1,181,496	-	1,181,496
Depreciation and amortization	21,066,421	157,233	-	32,940	-	21,256,594	-	21,256,594
Total expenses	258,140,872	2,329,967	1,841,110	5,314,147	15	267,626,111	(5,019,707)	262,606,404
Operating income (loss)	2,434,674	165,889	195,037	(4,007,686)	(15)	(1,212,101)	-	(1,212,101)
Other Income								
Investment income	15,258,230	1,553,837	73	-	-	16,812,140	-	16,812,140
Gain in earnings of investment in affiliate	343,872	-	-	-	-	343,872	-	343,872
Amortization on deferred gain on sale of property	-	220,064	-	-	-	220,064	-	220,064
Total other income (expense)	15,602,102	1,773,901	73	-	-	17,376,076	-	17,376,076
Excess (deficit) of revenues over expenses	18,036,776	1,939,790	195,110	(4,007,686)	(15)	16,163,975	-	16,163,975
Transfer to temporarily restricted	(164,500)	-	-	-	-	(164,500)	-	(164,500)
Change in minimum pension liability	3,367,590	-	-	-	-	3,367,590	-	3,367,590
Transfers among affiliates	(772,653)	(27,347)	-	800,000	-	-	-	-
Prior period adjustment	(10,650)	-	-	-	-	(10,650)	-	(10,650)
Net assets released from restrictions used for the purchase of property, plant and equipment	2,764,592	27,347	-	-	-	2,791,939	-	2,791,939
Increase (decrease) in unrestricted net assets	$ 23,221,155	$ 1,939,790	$ 195,110	$ (3,207,686)	$ (15)	$ 22,148,354	$ -	$ 22,148,354

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Decatur Digestive Disease Center, LLC

Financial Report
December 31, 2014

Decatur Digestive Disease Center, LLC

Contents

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Independent Auditor's Report

To the Members
Decatur Digestive Disease Center, LLC

We have audited the accompanying financial statements of Decatur Digestive Disease Center, LLC (the "Center"), which comprise the balance sheet as of December 31, 2014 and 2013 and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Decatur Digestive Disease Center, LLC as of December 31, 2014 and 2013 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

January 26, 2015

Decatur Digestive Disease Center, LLC

Balance Sheet

	December 31, 2014	December 31, 2013
Assets		
Current Assets		
Cash	$ 117,328	$ 72,397
Patient accounts receivable - Net (Note 2)	147,025	140,675
Prepaid expenses	10,035	6,640
Inventory	16,053	21,177
Total current assets	290,441	240,889
Property and Equipment - Net (Note 3)	83,590	120,891
Total assets	$ 374,031	$ 361,780
Liabilities and Members' Equity		
Current Liabilities		
Estimated third-party payor settlements	$ 107,609	$ 60,460
Accrued expenses	55,151	36,954
Total current liabilities	162,760	97,414
Other Liabilities	2,763	5,486
Total liabilities	165,523	102,900
Members' Equity	208,508	258,880
Total liabilities and members' equity	$ 374,031	$ 361,780

Decatur Digestive Disease Center, LLC

Statement of Operations

	Year Ended December 31, 2014	Year Ended December 31, 2013
Net Patient Service Revenue (Note 5)	$ 1,720,105	$ 1,640,774
Expenses		
Salaries and wages	393,184	357,681
Employee benefits	117,192	114,580
Medical supplies and drugs	175,120	153,300
Purchased services	83,924	63,448
General and administrative	83,669	87,544
Office rent	69,112	69,112
Management fees	13,200	13,200
Other	39,808	44,365
Depreciation	49,601	69,946
Provision for uncollectible accounts	15,122	23,934
Loss on disposal of property and equipment	1,036	-
Total expenses	1,040,968	997,110
Operating Income	679,137	643,664
Interest Income	491	606
Net Income	$ 679,628	$ 644,270

Decatur Digestive Disease Center, LLC

Statement of Members' Equity

Balance - January 1, 2013	$	264,610
Net income		644,270
Distributions		(650,000)
Balance - December 31, 2013		258,880
Net income		679,628
Distributions		(730,000)
Balance - December 31, 2014	**$**	**208,508**

Decatur Digestive Disease Center, LLC

Statement of Cash Flows

		Year Ended	
		December 31, 2014	December 31, 2013
Cash Flows from Operating Activities			
Net income		$ 679,628	$ 644,270
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation		49,601	69,946
Loss on disposal of property and equipment		1,036	-
Provision for uncollectible accounts		15,122	23,934
Changes in assets and liabilities which (used) provided cash:			
Patient accounts receivable		(21,472)	(12,545)
Prepaid expenses		(3,395)	13,229
Inventory		5,124	(3,500)
Estimated third-party payor settlements		47,149	(13,488)
Accrued expenses		18,197	(14,680)
Other liabilities		(2,723)	(630)
Net cash provided by operating activities		788,267	706,536
Cash Flows from Investing Activities - Purchase of property and equipment		(13,336)	(36,233)
Cash Flows from Financing Activities - Distributions		(730,000)	(650,000)
Net Increase in Cash		44,931	20,303
Cash - Beginning of year		72,397	52,094
Cash - End of year		$ 117,328	$ 72,397

See Notes to Financial Statements.

Note 1 - Nature of Business and Significant Accounting Policies

Decatur Digestive Disease Center, LLC (the "Center") is engaged to provide ambulatory endoscopy services for Decatur, Illinois and the surrounding area.

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

Patient Accounts Receivable - Accounts receivable for patients, insurance companies, and governmental agencies are based on gross charges. An allowance for uncollectible accounts is established on an aggregate basis by using historical write-off rate factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience and adjusted for economic conditions and other trends affecting the Center's ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible.

Inventories - Inventories, which consist of medical and pharmaceutical products, are stated at cost, determined on a first-in, first-out basis, or market.

Property and Equipment - Property and equipment amounts are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful lives of the improvements.

Estimated Third-party Payor Settlements - Estimated settlements with third-party payors relate to estimated payments received from Blue Cross/Blue Shield in excess of contractually agreed-upon payments for services provided to the insurance carrier's members seen at the Center.

Allocation of Income/Loss and Distributions - Annual net income/loss is allocated to member capital accounts based on ownership percentage, and distributions are made to members based on the approval of the board.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Net Patient Service Revenue - The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per-diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including retroactive adjustments under reimbursement agreements with Blue Cross/Blue Shield. Retroactively calculated adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Laws and regulations governing the Medicare program are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations. Final determination of compliance of such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusions from the Medicare program.

Income Taxes - The Center is treated as a partnership for federal income tax purposes. Consequently, federal income taxes are not payable or provided for by the Center. Members are taxed individually on their pro-rata ownership share of the Center's earnings. The Center's net income or loss is allocated among the members in accordance with the Center's operating agreement.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including January 26, 2015, which is the date the financial statements were available to be issued.

Note 2 - Patient Accounts Receivable

The details of patient accounts receivable are set forth below:

	2014	2013
Patient accounts receivable	$ 354,161	$ 348,894
Less allowance for uncollectible accounts	(30,238)	(34,280)
Less allowance for contractual adjustments	(176,898)	(173,939)
Net patient accounts receivable	$ 147,025	$ 140,675

Note 2 - Patient Accounts Receivable (Continued)

The Center grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The composition of receivables from patients and third-party payors was as follows:

	2014	2013
Medicare	24 %	27 %
Blue Cross/Blue Shield of Illinois	17	14
Other third-party payors	44	42
Patient	15	17
Total	100 %	100 %

Note 3 - Property and Equipment

Cost of property, plant, and equipment and depreciable lives are summarized as follows:

	2014	2013	Depreciable Life - Years
Equipment	$ 625,201	$ 613,261	3-15
Leasehold improvements	1,013,919	1,013,919	5
Total cost	1,639,120	1,627,180	
Accumulated depreciation	(1,555,530)	(1,506,289)	
Net property and equipment	$ 83,590	$ 120,891	

Depreciation expense on property and equipment totaled $49,601 and $69,946 at December 31, 2014 and 2013, respectively.

Note 4 - Medical Malpractice Claims

Based on the nature of its operations, the Center is at times subject to pending or threatened legal actions which arise in the normal course of its activities.

The Center is insured against medical malpractice claims under a claims-made policy. The Center accrues the expense of asserted and unasserted claims occurring during the year by estimating the probability and ultimate cost of any such claim. Such estimates are based on the Center's own claim experience. The Center has no knowledge of asserted or unasserted claims as of December 31, 2014 and 2013. Accordingly, no accrual for claims has been included in the financial statements. However, because of the risks involved in providing healthcare services, it is reasonably possible that an event has occurred that will be the basis of a future material claim in the near term.

Note 5 - Patient Service Revenue

Approximately 76 percent and 74 percent of the Center's net patient service revenue was received from the Medicare and Blue Cross/Blue Shield of Illinois programs for the years ended December 31, 2014 and 2013, respectively. Less than 1 percent of the Center's revenue was derived from self-pay revenue in both 2014 and 2013. The Center has agreements with third-party payors that provide for reimbursement at amounts different from established rates. A summary of the basis of reimbursement with these third-party payors is as follows:

- **Medicare** - Services related to respective program beneficiaries are reimbursed based on a fee-for-service basis.
- **Blue Cross/Blue Shield of Illinois** - Outpatient services are reimbursed on a percentage-of-charge basis not to exceed a fee-per-case basis.
- **Other Third-party Payors** - The Center has also entered into agreements with certain commercial carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement to the Center under these agreements provides for discounts from established charges.

Note 6 - Operating Lease

The Center has an operating lease for facilities that expires in September 2015. Total rent expense under this lease was $69,112 for the years ended December 31, 2014 and 2013. The future minimum rental commitment is $54,943 for the year ended December 31, 2015.

Note 7 - Related Party Transactions

The Center purchases accounting and other administrative services from Decatur Memorial Hospital (the "Hospital"), which is a member of the Center. The Center paid $13,200 to Decatur Memorial Hospital for those services for each of the years ended December 31, 2014 and 2013.

The Center has a service agreement with Decatur Memorial Hospital whereby the Hospital provides employees to the Center for use in its operations. The Center reimburses the Hospital for the actual expenses associated with each employee utilized. There was an outstanding payable recognized in accrued expenses of approximately $21,000 and $15,000 for the years ended December 31, 2014 and 2013, respectively, for this service agreement. Total expense was approximately $507,000 and $475,000 for the years ended December 31, 2014 and 2013, respectively.

Attachment #7

Section 1130.520 Requirements for Exemption Involving the Change of Ownership of a Health Care Facility

1. The applicants affirm the following:

   a. The categories of service and number of beds as reflected in the Inventory of Health Care Facilities will not substantially change for at least 12 months following the project's completion date.

   b. Applicants intend to maintain ownership and control of the facility for a minimum of two years.

   c. Any projects for which permits have been issued have been completed or will be completed or altered in accordance with the provisions of 77 Ill. Adm. Code §1130.520.

   d. Failure to complete the project in accordance with the applicable provisions of Section 1130.500(d) (now Section 1130.500(c)) no later than 24 months from the date of exemption approval (or by a later date established by HFSRB upon a finding that the project has proceeded with due diligence) and failure to comply with the material change requirements of this Section will invalidate the exemption.

2. The applicants certify that no adverse action has been taken against any of the applicants by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois against any health care facility owned or operated by any of the applicants, directly or indirectly, within three years preceding the filing of the application.

3. Anticipated Benefits for the Community

   Having the Decatur Digestive Disease Center operate as a Decatur Memorial Hospital department will foster collaboration with the Decatur Memorial Hospital Gastrointestinal Surgeons creating a Center of Excellence platform. These physicians will be brought together to function at a high level as a service that focuses both on diagnostic and surgical approaches.

   On an annual basis, Colon Cancer, is a top 5 cancer diagnosis in Decatur and Macon County. Bringing these two services together will assist in coordinating patient care and help manage care for patients in need of this service.

4. Anticipated or Potential Cost Savings

In regards to the acquisition by Decatur Memorial Hospital of the Decatur Digestive Disease Center, there are several opportunities for potential cost savings. Anticipated cost savings include the following:

- Ability to access decreased supply costs thru DMH's MSS ownership
- In addition to nursing staff who are currently cross-trained, there will be the ability to cross-train administrative assistant staff
- Increased resource availability that DMH has the potential to provide

5. Description of Quality Improvement Program

The Decatur Digestive Disease Center will utilize quality improvement programs that include the following:

- Continuation of Joint Commission accreditation in which both facilities currently participate in
- System integration that will be provided thru the implementation of DMH's electronic medical records to increase quality of care provided to the patients and physicians
- Ability to access resources in relation to emergency care situations
- Ability to access pharmaceutical resources currently unavailable to the Digestive Center
- Integration of the quality programs to ensure equal standards of care provided between the hospital environment and the ambulatory center environment

6. Description of the applicant's organizational structure, including a listing of controlling or subsidiary persons.

Decatur Digestive Disease Center, LLC will be the wholly-owned subsidiary of Decatur Memorial Hospital after the proposed transaction. Decatur Memorial Hospital is an Illinois not-for-profit corporation whose sole member is Illinois Health and Science, an Illinois not-for-profit corporation. The pre-transaction and post-transaction organizational charts are part of this application in Attachment #3.

7. Description of the selection process that the acquiring entity will use to select the facility's governing body.

Currently, the business and affairs of the limited liability company which owns and operates the facility, Decatur Digestive Disease Center, LLC, is governed by a Board of Managers which consists of 6 members, with 3 being appointed by each member, Decatur Digestive Consultants and DMH. After the proposed transaction, it is anticipated that the operating agreement of the facility will be amended so that DMH, as the sole member of the facility, will appoint all the members of the Board of Managers, with the exact number of members on the Board of Managers to be determined.

8. A statement that the applicant has prepared a written response addressing the review criteria contained in 77 Ill. Adm. Code 1110.240 and that the response is available for public review on the premises of the health care facility.

   The applicants have prepared a written response addressing the review criteria contained in 77 Ill. Adm. Code 1110.240 which will be available for public review on the premises of the facility.

9. A description or summary of any proposed changes to the scope of services or levels of care currently provided at the facility that are anticipated to occur within 24 months after acquisition.

   There are no proposed changes to the scope of services or levels of care currently provided at the facility that are anticipated to occur within 24 months after acquisition.