

[ORIGINAL]

E-034-15

RECEIVED

NOV 20 2015

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

HEALTH FACILITIES &
SERVICES REVIEW BOARD

1. INFORMATION FOR EXISTING FACILITY

Current Facility Name Centegra Hospital - Huntley
Address 10400 Haligus Road
City Huntley Zip Code 60142 County McHenry
Name of current licensed entity for the facility Centegra Hospital - Huntley
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. Karen McConaughay
State Senate District Number 33rd Mailing address of the State Senator 103D State Capital Building,
Springfield, IL 62706
Illinois State Representative for the district where the facility is located: Rep. Michael W. Tryon
State Representative District Number 66th Mailing address of the State Representative 203-N Stratton Office
Building, Springfield, IL 62706

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 # #10-090 Centegra Hospital - Huntley
Project # #14-004 Centegra Hospital - Woodstock, discontinue OB/establish AMI
Project # #14-053 Centegra Hospital - Huntley, establish Cardiac CathProject

3. NAME OF APPLICANT (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant Centegra Hospital - Huntley
Address 10400 Haligus Road
City, State & Zip Code Huntley, IL 60142
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 _____

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 Northern Illinois Medical Center d/b/a Centegra Hospital - McHenry and Centegra Hospital - Huntley
Address 10400 Haligus Road
City, State & Zip Code Huntley, IL 60142
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 Northern Illinois Medical Center d/b/a/ Centegra Hospital - McHenry and Centegra Hospital - Huntley
Address 10400 Haligus Road
City, State & Zip Code Huntley, IL 60142
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 _____

3. NAME OF APPLICANT (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant Centegra Health System
Address 385 Millennium Drive
City, State & Zip Code Crystal Lake, IL 60012
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 _____

3. NAME OF APPLICANT (complete this information for each co-applicant and insert after this page).
Exact Legal Name of Applicant Northern Illinois Medical Center d/b/a/ Centegra Hospital - McHenry
Address 4201 Medical Center Drive
City, State & Zip Code McHenry, IL 60050
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:**
- Purchase resulting in the issuance of a license to an entity different from current licensee;
 - Lease resulting in the issuance of a license to an entity different from current licensee;
 - Stock transfer resulting in the issuance of a license to a different entity from current licensee;
 - Stock transfer resulting in no change from current licensee;
 - Assignment or transfer of assets resulting in the issuance of a license to an entity different from the current licensee;
 - Assignment or transfer of assets not resulting in the issuance of a license to an entity different from the current licensee;
 - Change in membership or sponsorship of a not-for-profit corporation that is the licensed entity;
 - 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;
 - 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;
 - Sale or transfer of the physical plant and related assets of a health care facility not resulting in a change of current licensee;
 - 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:** \$ n/a (there is no cost to this project)
- 10. FAIR MARKET VALUE OF THE FACILITY:** \$ \$236,313,418 This represents the approved permit amounts for (to determine fair market value, refer to 77 IAC 1130.140) projects #10-090 and #14-053.
- 11. DATE OF PROPOSED TRANSACTION:** July 1, 2016
- 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).

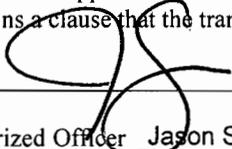
Name: Hadley Streng
Address: 385 Millennium Drive
City, State & Zip Code: Crystal Lake, IL 60012
Telephone () Ext. (815)788-5858

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

Name: Daniel J. Lawler
Address: Barnes & Thornburg LLP, One North Wacker Drive, Suite 4400,
City, State & Zip Code: Chicago, IL 60606
Telephone () Ext. (312)214-4861

18. **CERTIFICATION Applicant: Centegra Hospital - Huntley**

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 

Attachment 7

Typed or Printed Name of Authorized Officer Jason Sciarro

Title of Authorized Officer: President and Chief Operating Officer, Centegra Health System

Address: 10400 Haligus Road

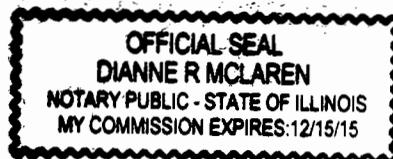
City, State & Zip Code: Huntley, IL 60142

Telephone (815) 788-5823 Date: 11/18/15

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

SUBSCRIBED and SWORN to before me
this 18th day of November 2015.

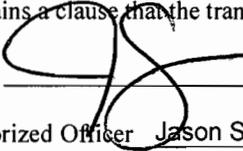

Notary Public



18. CERTIFICATION Co-Applicant: Centegra Health System

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 _____



Attachment 7

Typed or Printed Name of Authorized Officer Jason Sciarro

Title of Authorized Officer: President and Chief Operating Officer, Centegra Health System

Address: 385 Millennium Drive

City, State & Zip Code: Crystal Lake, IL 60012

Telephone (815) 788-5823

Date: 11/18/15

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

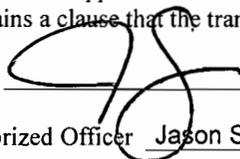
SUBSCRIBED and SWORN to before me
this 18th day of November 2015.


Notary Public



18. CERTIFICATION Co-Applicant: Centegra Hospital - McHenry

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 

Attachment 7

Typed or Printed Name of Authorized Officer Jason Sciarro

Title of Authorized Officer: President and Chief Operating Officer, Centegra Health System

Address: 4201 Medical Center Drive

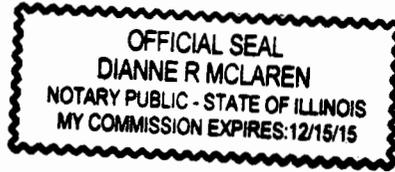
City, State & Zip Code: McHenry, IL 60050

Telephone (815) 788-5823 Date: 11/18/15

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

SUBSCRIBED and SWORN to before me
this 18th day of November 2015.


Notary Public



ATTACHMENT 1

Application Fee

Attached is the check to cover the \$2,500 application fee.

ATTACHMENT 2

Funding

The proposed change of ownership is an internal transfer of assets. No funds will be used to acquire the facility.

ATTACHMENT 3

NARRATIVE DESCRIPTION

On July 24, 2012 the Illinois Health Facilities and Services Review Board approved Centegra Hospital-Huntley, a 128-bed acute care hospital in Huntley, Illinois, Project No. 10-090. Centegra Health System is currently the sole corporate member of Centegra Hospital-Huntley, and it is also the sole corporate member of two existing hospital facilities Centegra Hospital-McHenry and Centegra Hospital-Woodstock.

Under the terms of the proposed transaction, Centegra Hospital-Huntley will be owned and operated as a provider-based location of Centegra Hospital-McHenry, as described in and allowed by the CMS provider-based regulations. Centegra Hospital-Huntley will be supervised and administered with the same level of oversight as any other department or location of Centegra Hospital-McHenry and Centegra Hospital-Huntley will be under the administrative, clinical and financial control of Centegra Hospital-McHenry.

In connection with the proposed transaction, Centegra Hospital-Huntley will transfer all of its assets and liabilities to Northern Illinois Medical Center (d/b/a/ Centegra Hospital-McHenry), and Northern Illinois Medical Center will assume all of the liabilities of Centegra Hospital-Huntley. Further, Centegra Hospital-Huntley will amend its articles of incorporation to change its name, and Northern Illinois Medical Center will adopt the assumed name of Centegra Hospital-Huntley.

The proposed transaction will promote greater access, improved coordination and excellence in clinical innovations of the healthcare provided to the communities served by each hospital campus. The applicants seek to achieve economies of scale through the operation of Centegra Hospital-Huntley as a provider-based campus of Centegra Hospital-McHenry and to realize attendant financial savings relative to the initiation of services at Centegra Hospital-Huntley that are available to provider-based campuses but not to freestanding hospital facilities.

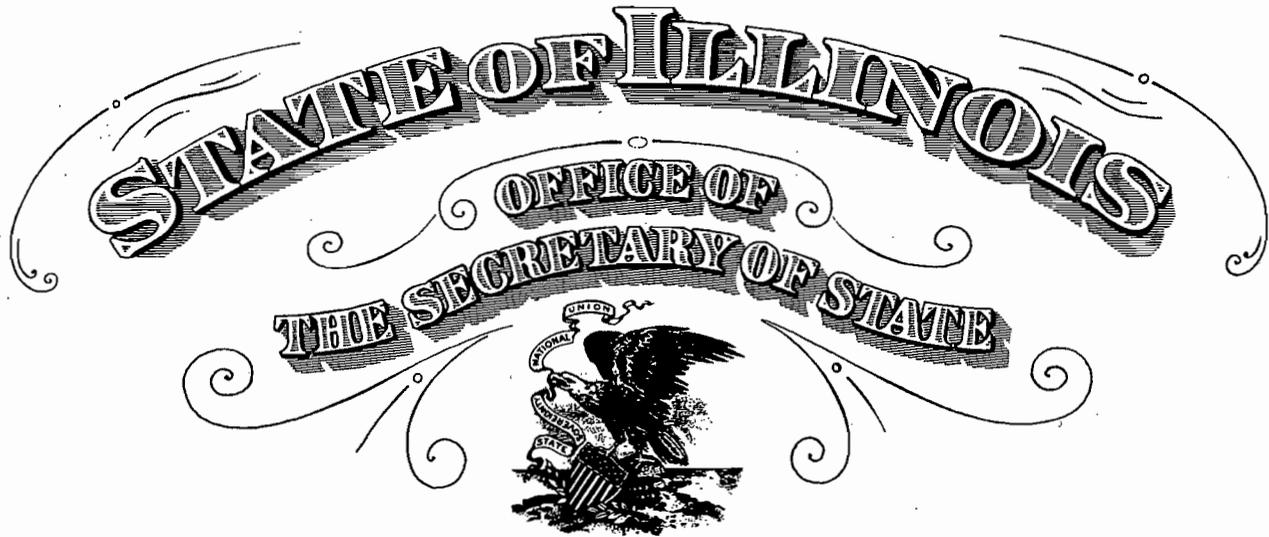
In addition to the permit for Centegra Hospital-Huntley, Project No. 10-090, the applicants also have a permit for Project No. 14-053 by which the State Board approved a cardiac catheterization service at Centegra Hospital-Huntley. Project No. 10-090 is obligated and Project No. 14-053 will be obligated by the proposed transaction date.

ATTACHMENT 4

BACKGROUND OF APPLICANT

See attached:

1. Certificates of Good Standing of Centegra Health System, Centegra Hospital-Huntley and Centegra Hospital-McHenry.
2. Centegra Hospital-McHenry IDPH License.
3. Overview of the current and proposed corporate structure of Centegra Health System entities.



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

CENTEGRA HEALTH SYSTEM, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JUNE 01, 1982, 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.

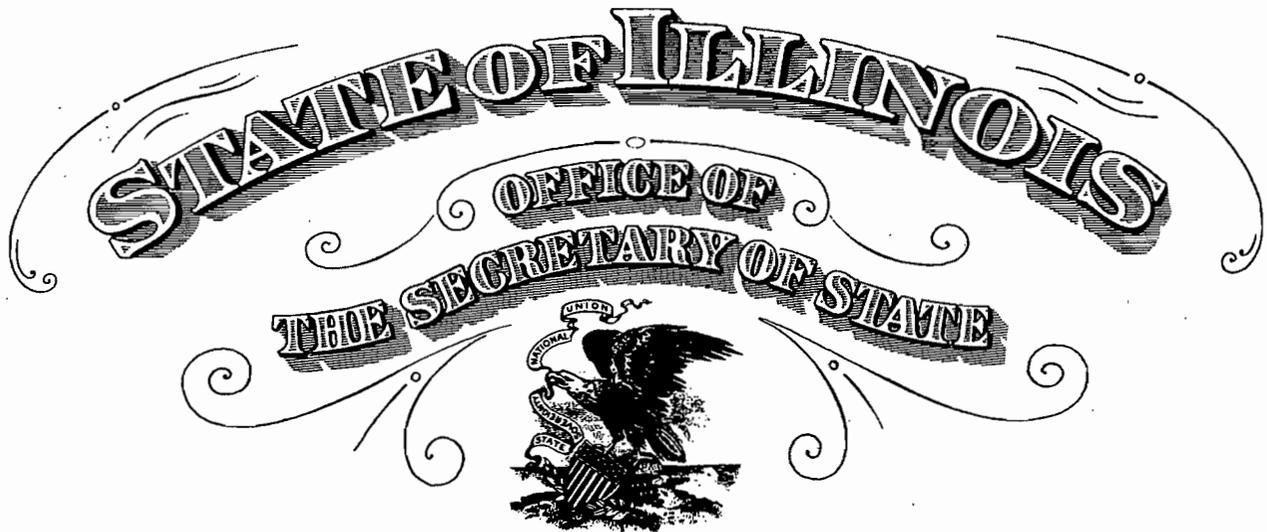
In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 10TH day of NOVEMBER A.D. 2015 .



Authentication #: 1531402584 verifiable until 11/10/2016
Authenticate at: <http://www.cyberdriveillinois.com>

Jesse White

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

CENTEGRA HOSPITAL - HUNTLEY, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON DECEMBER 15, 2010, 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 10TH day of NOVEMBER A.D. 2015 .



Authentication #: 1531402620 verifiable until 11/10/2016
Authenticate at: <http://www.cyberdriveillinois.com>

Jesse White

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

NORTHERN ILLINOIS MEDICAL CENTER, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON MARCH 16, 1956, ADOPTED THE ASSUMED NAME CENTEGRA HOSPITAL - MCHENRY ON AUGUST 21, 2008, 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 10TH day of NOVEMBER A.D. 2015 .



Jesse White

SECRETARY OF STATE

Authentication #: 1531402660 verifiable until 11/10/2016
Authenticate at: <http://www.cyberdriveillinois.com>



**Illinois Department of
PUBLIC HEALTH**

HF108295

LICENSE PERMIT CERTIFICATION REGISTRATION

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

Nirav D. Shah, M.D., J.D.

Director

Issued under the authority of
the Illinois Department of
Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
06/30/2016	General Hospital	0003889
Effective: 07/01/2015		

Centegra Northern Illinois Medical Center
dba Centegra Hospital - McHenry
4201 Medical Center Drive
McHenry, IL 60050

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #4912320 10M 9/12

↑
DISPLAY THIS PART IN A
CONSPICUOUS PLACE

Exp. Date 06/30/2016

Lic Number 0003889

Date Printed 05/12/2015

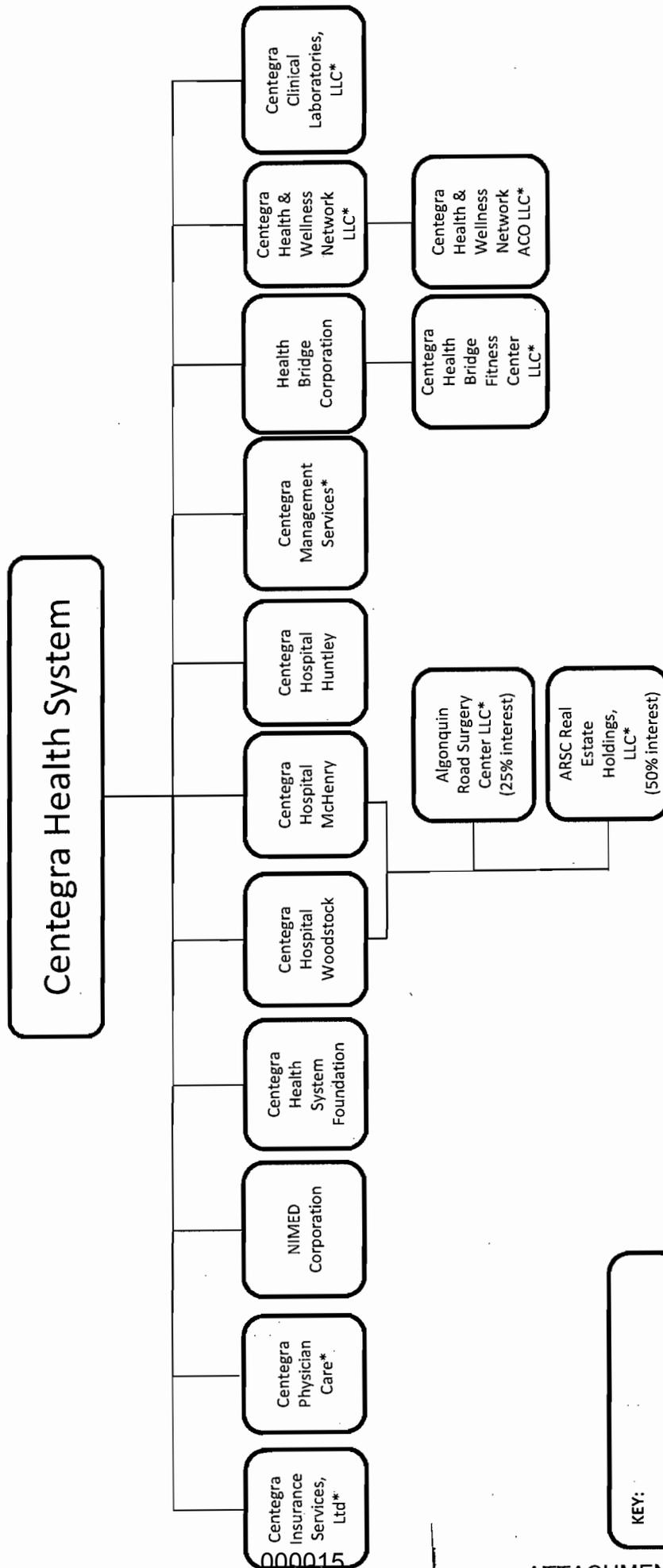
Validation Num

Centegra Northern Illinois Medical Cen
dba Centegra Hospital - McHenry
4201 Medical Center Drive
McHenry, IL 60050

FEE RECEIPT NO.

CURRENT CORPORATE STRUCTURE

The following chart depicts the corporate relationships among the System and its affiliates.

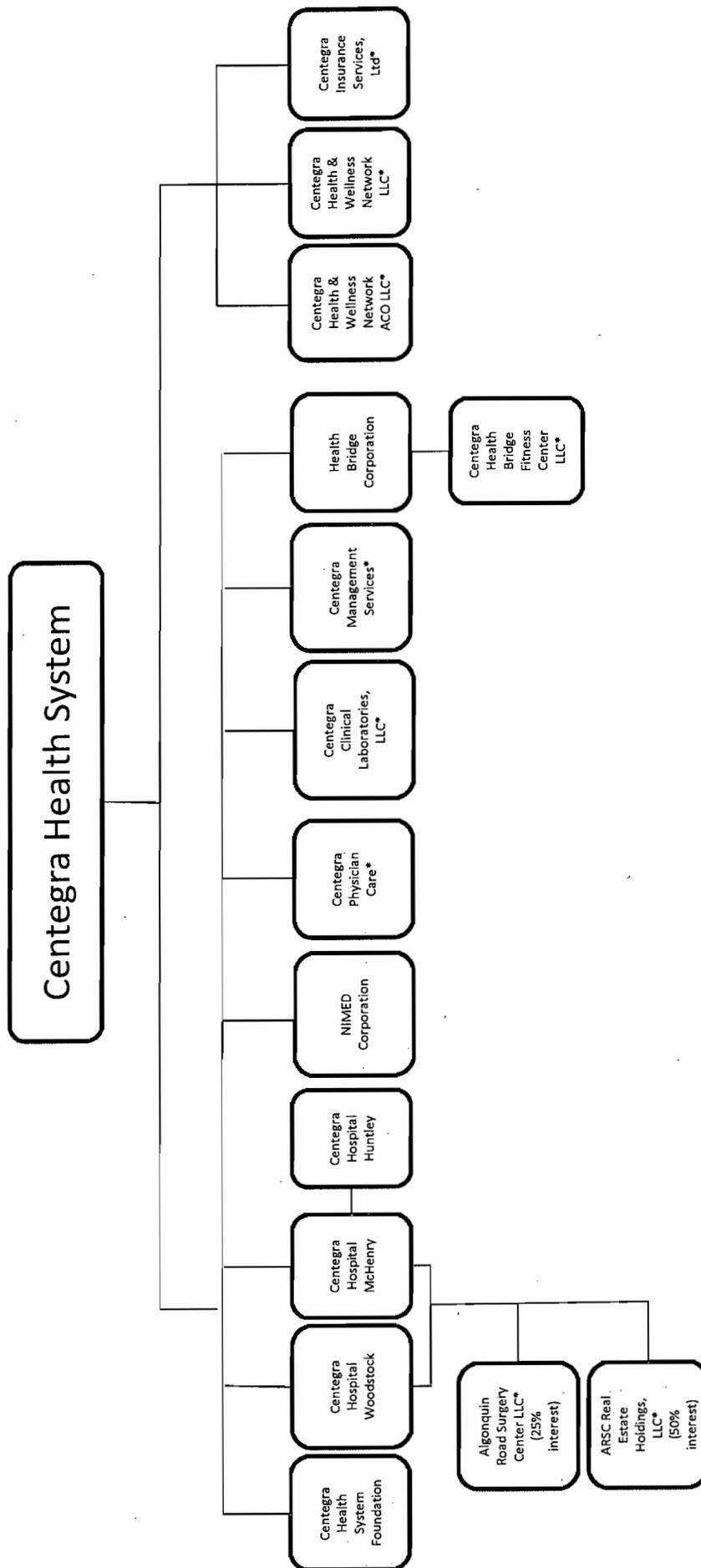


KEY:
 — Affiliate Relationship
 * Indicates Non-501 C (3) entities

Revised 10/20/14

PROPOSED CORPORATE STRUCTURE

The following chart depicts the corporate relationships among the System and its affiliates.



* Indicates Non-501 C (3) entities

ATTACHMENT 5

The Proposed Transaction

Under the terms of the proposed transaction, Centegra Hospital – Huntley will be owned and operated as a provider-based location of Centegra Hospital – McHenry, as described in and allowed by the CMS provider-based regulations. Centegra Hospital – Huntley will be supervised and administered with the same level of oversight as any other department or location of Centegra Hospital – McHenry and Centegra Hospital – Huntley will be under the administrative, clinical and financial control of Centegra Hospital – McHenry.

As a result of the proposed transaction, the applicant plans to promote greater access, improved coordination, and excellence in clinical innovations of the healthcare provided to the communities served by each hospital campus. The applicant seeks to achieve economies of scale through the operation of Centegra Hospital – Huntley as a provider-based campus of Centegra Hospital – McHenry and to realize attendant financial savings relative to the initiation of services at Centegra Hospital – Huntley that are available to provider-based campuses but not to freestanding hospital facilities.

In connection with the contemplated transaction, Centegra Hospital – Huntley will transfer all of its assets and liabilities to Northern Illinois Medical Center (d/b/a/ Centegra Hospital – McHenry), and Northern Illinois Medical will assume all of the liabilities of Centegra Hospital – Huntley. Further, Centegra Hospital – Huntley will amend its articles of incorporation to change its name and Northern Illinois Medical Center will adopt the assumed name of Centegra Hospital – Huntley.

The Resolution of the Centegra Health System Board of Governors can be found on pages 2 – 4 of this attachment.

RESOLUTION
OF THE
CENTEGRA HEALTH SYSTEM
BOARD OF GOVERNORS

WHEREAS, the Board of Governors of Centegra Health System, an Illinois not for profit corporation ("Centegra"), deem it to be in the best interest of Centegra and the communities that it serves, that Centegra Hospital-Huntley (the "Hospital") become operationally, financially and clinically integrated as a campus of Centegra Hospital-McHenry ("CHM"), and that the Hospital be operated as a provider-based campus of CHM;

WHEREAS, in order to carry out, effectuate and consummate the transactions described above, there are a number of steps that need to be taken, including without limitation, those actions that are set forth in the CHH Provider Basing Work Plan in the form presented at this meeting (the "Work Plan").

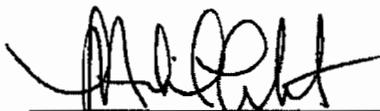
NOW THEREFORE BE IT RESOLVED, that the authorized officers of Centegra are hereby authorized to take those steps necessary to ensure that the Hospital becomes operationally, financially and clinically integrated as a campus of CHM, to include common Medicare and Medicaid provider agreements, common Joint Commission accreditation, and to meet all other regulatory requirements necessary to operate the Hospital as a provider-based campus of CHM;

FURTHER RESOLVED, that the authorized officers of Centegra are hereby authorized to adopt and implement measures to transfer the Hospital Certificate of Need to the Northern Illinois Medical Center, d/b/a Centegra Hospital-Huntley, an Illinois not for profit corporation, to ensure financial, clinical, and operational integration of the Hospital with CHM, and to develop common administrative policies, departmental scope of services and plans of care in order for the Hospital and CHM to comply with applicable Federal and State of Illinois statutes and regulations; and

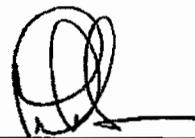
FURTHER RESOLVED, that the officers of Centegra are hereby authorized, empowered and directed to take such actions and to execute and deliver all such other documents, instruments and certificates as may in their discretion be necessary or desirable in order to carry out the intent of the foregoing resolution, including without limitation, those actions set forth in the Work Plan.

Adopted this the 2nd day of November, 2015 by the Centegra Health System Board of Governors.

ATTEST:



Secretary



Chairman of the Board

RESOLUTION
OF THE
NORTHERN ILLINOIS MEDICAL CENTER
BOARD OF DIRECTORS

WHEREAS, the Board of Directors of Northern Illinois Medical Center, d/b/a Centegra Hospital-McHenry, an Illinois not for profit corporation (the "Corporation"), deem it to be in the best interest of the Corporation and the communities that it serves, that Centegra Hospital-Huntley (the "Hospital") become operationally, financially and clinically integrated as a campus of Centegra Hospital-McHenry ("CHM"), and that the Hospital be operated as a provider-based campus of CHM;

WHEREAS, in order to carry out, effectuate and consummate the transactions described above, there are a number of steps that need to be taken, including without limitation, those actions that are set forth in the CHH Provider Basing Work Plan in the form presented at this meeting (the "Work Plan").

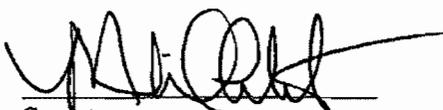
NOW THEREFORE BE IT RESOLVED, that the authorized officers of the Corporation are hereby authorized to take those steps necessary to ensure that the Hospital becomes operationally, financially and clinically integrated as a campus of CHM, to include common Medicare and Medicaid provider agreements, common Joint Commission accreditation, and to meet all other regulatory requirements necessary to operate the Hospital as a provider-based campus of CHM;

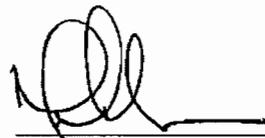
FURTHER RESOLVED, that the authorized officers of the Corporation are hereby authorized to adopt and implement measures to transfer the Hospital Certificate of Need to the Corporation, to ensure financial, clinical, and operational integration of the Hospital with CHM, and to develop common administrative policies, departmental scope of services and plans of care in order for the Hospital and CHM to comply with applicable Federal and State of Illinois statutes and regulations; and

FURTHER RESOLVED, that the officers of the Corporation are hereby authorized, empowered and directed to take such actions and to execute and deliver all such other documents, instruments and certificates as may in their discretion be necessary or desirable in order to carry out the intent of the foregoing resolution, including without limitation, those actions set forth in the Work Plan.

Adopted this the 2nd day of November, 2015 by the Northern Illinois Medical Center Board of Directors.

ATTEST:


Secretary


Chairman of the Board

RESOLUTION
OF THE
CENTEGRA HOSPITAL-HUNTLEY
BOARD OF DIRECTORS

WHEREAS, the Board of Directors of Centegra Hospital-Huntley, an Illinois not for profit corporation (the "Corporation"), deem it to be in the best interest of the Corporation and the communities that it serves, that Centegra Hospital-Huntley (the "Hospital") become operationally, financially and clinically integrated as a campus of Centegra Hospital-McHenry ("CHM"), and that the Hospital be operated as a provider-based campus of CHM;

WHEREAS, in order to carry out, effectuate and consummate the transactions described above, there are a number of steps that need to be taken, including without limitation, those actions that are set forth in the CHH Provider Basing Work Plan in the form presented at this meeting (the "Work Plan").

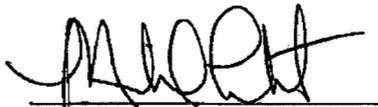
NOW THEREFORE BE IT RESOLVED, that the authorized officers of the Corporation are hereby authorized to take those steps necessary to ensure that the Hospital becomes operationally, financially and clinically integrated as a campus of CHM, to include common Medicare and Medicaid provider agreements, common Joint Commission accreditation, and to meet all other regulatory requirements necessary to operate the Hospital as a provider-based campus of CHM;

FURTHER RESOLVED, that the authorized officers of the Corporation are hereby authorized to adopt and implement measures to transfer the Hospital Certificate of Need to the Corporation, to ensure financial, clinical, and operational integration of the Hospital with CHM, and to develop common administrative policies, departmental scope of services and plans of care in order for the Hospital and CHM to comply with applicable Federal and State of Illinois statutes and regulations; and

FURTHER RESOLVED, that the officers of the Corporation are hereby authorized, empowered and directed to take such actions and to execute and deliver all such other documents, instruments and certificates as may in their discretion be necessary or desirable in order to carry out the intent of the foregoing resolution, including without limitation, those actions set forth in the Work Plan.

Adopted this the 2nd day of November, 2015 by the Centegra Hospital-McHenry Board of Directors.

ATTEST:


Secretary


Chairman of the Board

ATTACHMENT 6

Financial Statements

Attached are the Centegra Health System and Affiliates Consolidated Financial Statements and Schedules for June 30, 2015 and 2014.



CENTEGRA HEALTH SYSTEM AND AFFILIATES

Consolidated Financial Statements and Schedules

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)



KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

Independent Auditors' Report

The Board of Governors
Centegra Health System:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Centegra Health System and affiliates (the Health System), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Centegra Health System and affiliates as of June 30, 2015 and 2014, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

September 4, 2015

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Consolidated Statements of Financial Position

June 30, 2015 and 2014

(In thousands)

Assets	2015	2014
Current assets:		
Cash and cash equivalents	\$ 29,785	6,928
Short-term investments	13,062	18,568
Patient accounts receivable, net of allowance for uncollectible accounts of \$29,817 in 2015 and \$31,099 in 2014	68,076	74,403
Other receivables	5,008	3,767
Inventories	8,324	6,947
Prepaid expenses	5,661	6,097
Total current assets	129,916	116,710
Assets limited or restricted as to use:		
Under bond indenture agreements – held by trustee	47,397	130,209
Interest in investments of charitable remainder trusts	2,259	2,006
Internally designated for capital improvements	42,731	43,966
Pledges receivable, net	3,367	1,847
	95,754	178,028
Land, buildings, and equipment, net	313,958	232,172
Long-term investments	121,450	124,705
Deferred finance charges, net	2,307	2,136
Investment in joint ventures and other assets	1,721	1,517
Goodwill	8,192	8,192
Intangible assets, net	3,043	3,023
Estimated insurance recoveries	4,825	7,137
Total assets	\$ 681,166	673,620

See accompanying notes to consolidated financial statements.

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Consolidated Statements of Operations

Years ended June 30, 2015 and 2014

(In thousands)

	<u>2015</u>	<u>2014</u>
Net patient service revenue before provision for uncollectible accounts receivable	\$ 446,414	430,576
Provision for uncollectible accounts receivable	<u>22,680</u>	<u>25,077</u>
• Net patient service revenue	423,734	405,499
Other revenue:		
Unrestricted contributions	915	426
Other revenue	31,293	27,958
Net assets released from restrictions for operations	<u>363</u>	<u>135</u>
Total revenue	<u>456,305</u>	<u>434,018</u>
Expenses:		
Salaries	200,667	196,313
Employee benefits	45,182	43,496
Purchased services and other	75,444	64,047
Supplies	64,167	60,813
Utilities	4,537	4,585
Professional fees	5,128	4,183
Depreciation and amortization	20,308	21,660
Interest	8,500	7,864
Insurance	7,603	6,052
Illinois Medicaid program assessment	13,368	17,197
Repairs and maintenance	<u>8,381</u>	<u>9,074</u>
Total expenses	<u>453,285</u>	<u>435,284</u>
Income (loss) from operations	3,020	(1,266)
Nonoperating gains (losses):		
Investment income and other, net	<u>15,231</u>	<u>8,840</u>
Revenue and gains in excess of expenses and losses	18,251	7,574
Net assets released from restrictions for purchase of land, buildings, and equipment	2,118	402
Change in net unrealized gains and losses on other-than-trading securities	<u>(19,352)</u>	<u>16,606</u>
Increase in unrestricted net assets	\$ <u>1,017</u>	<u>24,582</u>

See accompanying notes to consolidated financial statements.

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2015 and 2014

(In thousands)

	2015	2014
Unrestricted net assets:		
Revenue and gains in excess of expenses and losses	\$ 18,251	7,574
Net assets released from restrictions for purchase of land, buildings, and equipment	2,118	402
Change in net unrealized gains and losses on other-than-trading securities	(19,352)	16,606
Increase in unrestricted net assets	1,017	24,582
Temporarily restricted net assets:		
Contributions	3,493	2,851
Changes in the fair value of charitable remainder trusts	253	272
Provision for uncollectible pledges	(162)	(197)
Net assets released from restrictions for purchase of land, buildings, and equipment	(2,118)	(402)
Net assets released from restrictions for operations	(363)	(135)
Increase in temporarily restricted net assets	1,103	2,389
Change in net assets	2,120	26,971
Net assets at beginning of year	241,350	214,379
Net assets at end of year	\$ 243,470	241,350

See accompanying notes to consolidated financial statements.

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended June 30, 2015 and 2014

(In thousands)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,120	26,971
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	20,245	21,019
Amortization of bond premium, net	(1,015)	(931)
Amortization of bond issuance costs	160	71
Amortization of intangible assets	63	641
Provision for uncollectible accounts receivable	22,680	25,077
Gain from investment in joint ventures, net of cash distributions received	(203)	(228)
Changes in fair value of charitable remainder trusts	(253)	(272)
Change in net unrealized gains and losses on other-than-trading securities	19,352	(16,606)
Realized gains, net	(7,716)	(885)
Restricted contributions	(3,493)	(2,851)
Net assets released from restrictions for operations	363	135
Changes in assets and liabilities:		
Patient accounts receivable	(16,353)	(42,747)
Inventories, prepaid expenses, other receivables, and other assets	(1,353)	(2,077)
Accounts payable, accrued expenses, self-insured, and other liabilities	8,516	(246)
Estimated payables under third-party reimbursement programs, net	(1,332)	5,939
Net cash provided by operating activities	<u>41,781</u>	<u>13,010</u>
Cash flows from investing activities:		
Acquisition of land, buildings, and equipment, net	(101,933)	(27,810)
Purchases of investments and assets limited as to use	(64,793)	(157,890)
Proceeds from maturity or sale of investments and assets limited as to use	145,965	27,592
Purchase of physician practices	(219)	(1,310)
Net cash used in investing activities	<u>(20,980)</u>	<u>(159,418)</u>
Cash flows from financing activities:		
Proceeds from restricted contributions	3,493	2,851
Proceeds from issuance of long-term debt	—	138,808
Payments for bond issuance costs	(331)	(1,171)
Repayments of long-term debt	(743)	(1,035)
Net assets released from restrictions for operations	(363)	(135)
Net cash provided by financing activities	<u>2,056</u>	<u>139,318</u>
Net increase (decrease) in cash and cash equivalents	22,857	(7,090)
Cash and cash equivalents at beginning of year	6,928	14,018
Cash and cash equivalents at end of year	\$ <u>29,785</u>	<u>6,928</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 9,392	9,406
Supplemental disclosure of noncash transactions:		
Debt forgiveness	\$ 50	50

See accompanying notes to consolidated financial statements.

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(Dollar amounts in thousands)

(1) Organization and Purposes

Centegra Health System (CHS), a not-for-profit corporation, was incorporated for charitable, educational, and scientific purposes to support health and human services by providing management assistance, and in all other relevant ways. The accompanying consolidated financial statements include the accounts of CHS and the following affiliates, which it controls (collectively referred to as the Health System):

- Northern Illinois Medical Center (NIMC) and Memorial Medical Center (MMC) are both not-for-profit hospitals that provide acute care services to the Chicago Northwest suburban metropolitan area.
- Centegra Hospital – Huntley (CHH) is a not-for-profit entity that will own and operate Centegra Hospital – Huntley, a hospital currently being built in Huntley, Illinois, that will provide acute care services to the Chicago Northwest suburban metropolitan area.
- Centegra Health System Foundation (Foundation) is a not-for-profit corporation that solicits funds through fund-raising campaigns and donations from the general public in support of NIMC and MMC and other Health System affiliates.
- NIMED, Corp. (NIMED) is a not-for-profit entity that owns and operates various properties and leases office facilities to physicians and other professionals affiliated with the Health System.
- Centegra Health Bridge Fitness Center, L.L.C. operates a health and wellness center and is a single-member limited liability company disregarded for federal income tax.
- Health Bridge Corporation (Health Bridge) is a not-for-profit entity that operates a health and wellness center.
- Centegra Management Services, Inc. (CMS) is a for-profit medical services organization that provides general management services to physician practices.
- Centegra Primary Care, L.L.C. (CPC) operates various group physician practices with emphasis on primary care and is a single-member limited liability company disregarded for federal income tax.
- Centegra Insurance Services, LTD (CIS) is a Class B licensed captive insurance company domiciled in the Cayman Islands. CIS provides professional and general liability insurance coverage exclusively to CHS and affiliated entities.
- Centegra Clinical Laboratories, L.L.C. (CCL) is a reference laboratory that provides the laboratory and pathology services to Centegra Health System and its affiliates. CCL is a single-member limited liability company disregarded for federal income tax.
- Centegra Health and Wellness Network (CHWN) is an association of primary care physicians and specialists formed as a partnership between local community independent physicians and Centegra employed physicians. CHWN provides its members with a continuum of personal healthcare services to proactively manage their health. CHWN is single-member limited liability company disregarded for federal income tax.

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(Dollar amounts in thousands)

Centegra Health and Wellness Network ACO, LLC (ACO) is an accountable care organization that seeks to improve the quality of and access to, and control the cost of healthcare; provided to the patients and populations served by Centegra. CHWN ACO is a single-member limited liability company disregarded for federal income tax.

CHS, NIMC, MMC, and NIMED are collectively referred to as the Obligated Group. The Obligated Group was formed for the purpose of issuing debt (note 9). In 2015 and 2014, the Obligated Group transferred \$26,000 and \$0, respectively, to fund the operations and capital projects of CPC. The Obligated Group intends to continue to transfer assets to the affiliates to fund future operations as necessary.

All significant intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

(2) Summary of Significant Accounting Policies

Significant accounting policies of the Health System, which conform to general practice within the healthcare industry, are as follows:

- The preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- The consolidated statements of operations include revenue and gains in excess of expenses and losses. Transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenue and expenses. Transactions incidental to the provision of healthcare services are reported as gains and losses. Changes in unrestricted net assets, which are excluded from revenue and gains in excess of expenses and losses, consistent with industry practice, include net changes in unrealized gains and losses on other-than-trading securities, and 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).
- Accounting Standards Codification (ASC) Subtopic 820-10, *Fair Value Measurement – Overall*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Subtopic 820-10 also establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC Subtopic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value (note 7).
- ASC Topic 825-10, *Financial Instruments – Overall*, gives the Health System the irrevocable option to report most financial assets and financial liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. The Health System's management did not elect to measure any additional eligible financial assets or financial liabilities at fair value, and as a result, adoption of ASC Topic 825-10 did not have an effect on the consolidated results of operations or financial position of the Health System.

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(Dollar amounts in thousands)

- Assets limited as to use include assets set aside by the Health System’s board of governors for future capital improvements, over which the board of governors retain control and may at their discretion use for other purposes; assets held by a trustee and limited as to use in accordance with the requirements of bond indenture agreements; the Health System’s beneficiary interest under the terms of irrevocable charitable remainder trusts; and pledges receivable. Assets limited as to use required for current liabilities are reported as current assets.
- Unconditional promises to give cash or other assets are reported at fair value at the date the promise is received. Pledges to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful pledges receivable is provided based upon the judgment of the Health System considering such factors as the creditworthiness, of the donor, prior collection history, type of contribution, and nature of fund-raising activity. The primary purpose of the pledges is for the Huntley Hospital construction project. The discount rate on pledge amounts for 2015 and 2014 ranges from 1.68% and 1.62%, respectively. Included in assets limited as to use are the following pledge receivable as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Pledges receivable before unamortized discount and allowance for uncollectible pledges	\$ 3,838	2,133
Less unamortized discount	112	89
Subtotal	<u>3,726</u>	<u>2,044</u>
Less allowance for uncollectible pledges	359	197
Net pledges receivable	<u>\$ 3,367</u>	<u>1,847</u>
Amounts due in:		
Less than one year	\$ 1,163	482
One to five years	2,204	1,365
Total	<u>\$ 3,367</u>	<u>1,847</u>

- The Health System is a beneficiary under the terms of irrevocable charitable remainder trusts. Charitable remainder trusts are arrangements in which the donor establishes and funds a trust with specific distributions to be made to a designated beneficiary or beneficiaries over the trust’s term. Obligations to the beneficiaries are limited to the trust’s assets. Although the Health System has no control over the administration or investment of the funds held in the trusts, the fair value of the interest is recognized as an asset and direct addition to temporarily restricted net assets in the consolidated financial statements (note 6). Income from the trusts is to be utilized for scholarships, educational programs, continuing education for employees, or educational programs for the public. Investments of the trusts consist primarily of cash and cash equivalents, common stocks, and corporate bonds and notes.

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(Dollar amounts in thousands)

Changes in the fair value of the Health System's interest and distributions received from the trusts are recorded directly to temporarily restricted net assets. Upon termination of the trusts, the remaining assets will be distributed to a combination of the Health System and other organizations as specified in the trust agreements. The Health System may ultimately have unrestricted use of the assets it receives or the donor may place temporary restrictions on their use.

- Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in revenue and gains in excess of expenses in the accompanying consolidated statements of operations unless the income or loss is restricted by donor or law. The change in net unrealized gains and losses on investments is excluded from revenue and gains in excess of expenses in the accompanying consolidated statements of operations unless the investments are classified as trading securities. Management deems all securities to be other-than-trading securities. A decline in the market value of any available-for-sale security below cost that is deemed to be other-than-temporary results in a reduction in carrying amount to fair value. The impairment is included in the consolidated statements of operations as a realized loss and a new cost basis for the security is established. To determine whether an impairment is other than temporary, the Health System considers whether they have the ability and intent to hold the investment until a market price recovery and considers whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, and forecasted performance of the investee.
- The Health System considers demand deposits with banks, cash on hand, and all highly liquid debt instruments purchased with original terms of three months or less to be cash and cash equivalents, excluding those instruments classified as assets limited as to use.
- The Health System includes certificates of deposit, repurchase agreements, certain mutual bond funds, and certain mutual equity funds within short-term investments, excluding those instruments classified as assets limited as to use.
- Except as otherwise noted, the carrying value of all financial instruments of the Health System approximates their fair value.
- Inventory of supplies is stated at the lower of cost (first-in, first-out) or market.
- Land, buildings, and equipment are stated at cost, or if donated, at fair value at date of donation. Depreciation is provided over the estimated useful lives of depreciable assets and is computed on the straight-line method.
- Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated statements of financial

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(Dollar amounts in thousands)

position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated.

- Goodwill, which represents the excess of purchase price over identified net assets acquired, principally relates to the acquisition of physician practices within CPC. The Health System follows ASC Subtopic 958-805, *Not-for-Profit Entities – Business Combinations*, which discontinues the amortization of goodwill. Under ASC Subtopic 350-20, *Intangibles – Goodwill and Other*, goodwill is to be reviewed for impairment at least annually. The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the entity must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed. The Health System acquired a physician practice for \$219 during 2015, including \$98 of equipment and \$121 of separately identified intangible assets. The Health System acquired a physician practice for \$1,310 during 2014, including \$19 of equipment, \$401 of goodwill, and \$890 of separately identified intangible assets related to intangibles such as covenants not to compete, electronic medical records, and the trade name. The Health System acquired a physician practice for \$10,456 during 2013, including \$474 of accounts receivable, \$252 of equipment, \$6,991 of goodwill, and \$2,739 of separately identified intangible assets related to intangibles such as covenants not to compete, electronic medical records, and the trade name.

Goodwill totaling \$8,192 at June 30, 2015 and 2014 is reported within in the accompanying consolidated statements of financial position. Intangible assets totaling \$3,043 and \$3,023, respectively, at June 30, 2015 and 2014, respectively. Amortization of \$63 and \$641 in 2015 and 2014, respectively, has been recorded related to covenants not to compete and electronic medical records, which are being amortized over a one- and seven-year period, respectively. The Health System performed its goodwill impairment tests as of June 30, 2015 and 2014. The fair value of each reporting unit exceeded of its carrying value, and the Health System was not required to recognize an impairment loss during the years ended June 30, 2015 and 2014. Intangible assets are reported net of accumulated amortization of \$1,403 and \$1,340 at June 30, 2015 and 2014, respectively, in the accompanying consolidated statements of financial position.

- All contributions are considered to be available for unrestricted use unless specifically restricted by donors. Contributions are reported as direct additions to temporarily restricted net assets 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 as net assets released from restriction. Temporarily restricted net assets used for operating purposes are included with net assets released from restrictions for operations to the extent expended during the period. Gifts

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(Dollar amounts in thousands)

of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. Donor-restricted contributions whose restrictions are met within the same year as received are reported directly within the consolidated statements of operations.

- Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Temporarily restricted net assets as of June 30, 2015 and 2014 are restricted for various programs and equipment and building acquisitions and construction.
- Provisions for estimated self-insured professional and general liability, workers' compensation, and employee healthcare risks include estimates of the ultimate cost of both reported losses and losses incurred but not reported as of the respective consolidated statement of financial position dates. The Health System has adopted Accounting Standards Update (ASU) 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries*. ASU 2010-24 clarifies that healthcare entities should not net insurance recoveries against the related claim liability and that the claim liability amount should be determined without consideration of insurance recoveries (note 12).
- Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Those 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.
- The Health System follows the provisions of ASU 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. ASU 2011-07 requires that entities that recognize significant amounts of patient service revenue at the time the services are rendered even though they do not assess the patient's ability to pay must present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their consolidated statements of operations. In addition, there are enhanced disclosures about the entity's policies for recognizing revenue and assessing bad debts. The ASU also requires disclosures of patient service revenue as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The provision for doubtful accounts on the accompanying consolidated statements of operations for the years ended June 30, 2015 and 2014 have been presented on a separate line as a deduction from net patient service revenue (net of contractual allowances and discounts) to reflect the application of ASU 2011-07.
- The Medicare and Medicaid Electronic Health Record (EHR) Incentive Programs (the Programs) provide incentive payments to eligible hospitals and professionals as they adopt, implement, upgrade, or demonstrate meaningful use of certified EHR technology in their first year of participation and demonstrate meaningful use for up to five remaining participation years. The Programs define meaningful use as meeting certain core and menu criteria at certain levels dependent upon the program, the stage of meaningful use, and whether the participant is a hospital or provider professional. The

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(Dollar amounts in thousands)

Health System accounts for the Programs using International Accounting Standards (IAS) 20, *Accounting for Government Grants and Disclosures of Government Assistance*. The Health System applies the “ratable recognition” approach, which states that the grant income can be recognized ratably over the entire EHR reporting period once the “reasonable assurance” income recognition threshold of IAS 20 is met. For the years ended June 30, 2015 and 2014, the Health System recognized \$3,692 and \$5,803, respectively, as other revenue related to the Medicare and Medicaid EHR incentives, which have been received or are expected to be received based on certifications prepared by management under the appropriate guidelines for meaningful use attestation.

- Deferred finance charges and unamortized bond discount and premium are amortized using the bonds outstanding method.
- CHS, NIMC, MMC, the Foundation, NIMED, and Health Bridge are not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code (Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. A provision for income taxes has not been recorded for CMS as they have incurred operating losses during 2015 and 2014. Additionally, there are net operating losses available for carryforward, which expire at various future dates through 2024. Deferred tax assets arising primarily from net operating loss carryforwards have been offset in their entirety by a valuation allowance at both June 30, 2015 and 2014. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

ASC Topic 740, *Income Taxes*, addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under ASC Topic 740, the Health System must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. ASC Topic 740 also provides guidance on derecognition, classification, interest and penalties on income taxes, and accounting in interim periods and requires increased disclosures. As of June 30, 2015 and 2014, the Health System does not have a liability for unrecognized tax benefits.

- The Health System incurs expenses for the provision of healthcare services and related general and administrative activities.
- In connection with the preparation of the consolidated financial statements and in accordance with ASC Topic 855, *Subsequent Events*, the Health System evaluated subsequent events after the consolidated financial statements date of June 30, 2015 through September 4, 2015, which was the date the financial statements were issued, noting no events requiring recording or disclosure.

Other significant accounting policies are set forth in the consolidated financial statements and in the following notes.

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(Dollar amounts in thousands)

(3) **Third-Party Reimbursement Programs**

NIMC, MMC, and CPC (collectively referred to as the Providers) have agreements with third-party payors that provide for reimbursement at amounts different from their established rates. Estimated contractual adjustments arising under third-party reimbursement programs principally represent the differences between the Providers' billings at list price and the amounts reimbursed by Medicare, Blue Cross, and certain other contracted third-party payors; the difference between the Providers' billings at list price and the allocated cost of services provided to Medicaid patients; and any differences between estimated third-party reimbursement settlements for prior years and subsequent final settlements. A summary of the reimbursement methodologies with major third-party payors is as follows:

(a) *Medicare*

The Providers are paid for inpatient acute care, outpatient, rehabilitative, and home health services rendered to Medicare program beneficiaries under prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. The prospectively determined rates are not subject to retroactive adjustment. The Providers' classification of patients under the prospective payment systems and the appropriateness of the patients' admissions are subject to validation reviews.

For services rendered to Medicare beneficiaries for psychiatric services, the Providers are reimbursed based upon a combination of prospectively determined rates and cost reimbursement methodologies. For the cost reimbursement, the Providers are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Providers and audits by the Medicare fiscal intermediary. The Providers' Medicare reimbursement reports through June 30, 2009 have been audited by the Medicare fiscal intermediary.

(b) *Medicaid*

The Providers are paid for inpatient acute care services rendered to Medicaid program beneficiaries under prospectively determined rates-per-discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicaid outpatient services are reimbursed based on fee schedules. Medicaid reimbursement methodologies may be subject to periodic adjustment, as well as to changes in existing payment levels and rates, based on the amount of funding available to the State of Illinois Medicaid program and any such changes could have a significant effect on the hospital's revenue.

The State of Illinois (the State) has an assessment program to assist in the financing of its Medicaid program, originally through June 30, 2013, which was extended by the State through June 30, 2018. Pursuant to this program, hospitals within the State are required to remit payment to the State of Illinois Medicaid program under an assessment program approved by the Centers for Medicare and Medicaid Services (CMS). The Health System has included its annual assessment of \$9,373 and \$9,166 as an operating expense in the accompanying 2015 and 2014 consolidated statements of operations, respectively.

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(Dollar amounts in thousands)

The assessment program also provides hospitals within the State with additional Medicaid reimbursement based on funding formulas also approved by CMS. The Health System has included its additional annual reimbursement of \$11,137 for 2015 and 2014 within net patient service revenue in the accompanying consolidated statements of operations. No accelerated disbursements were received in 2015 or 2014.

As of and for the years ended June 30, 2015 and 2014, the Health System has included its related assessment of \$3,995 and \$8,031 (retroactive to June 10, 2012), under the Enhanced Hospital Assessment Program as an operating expense in the accompanying consolidated statements of operations. The Enhanced Hospital Assessment Program provides hospitals within the State with additional Medicaid reimbursement based on funding formulas also approved by CMS. The Health System has included its additional related reimbursements received in 2015 and 2014 of \$5,106 and \$10,501 (retroactive to June 10, 2012), within net patient service revenue in the accompanying consolidated statements of operations.

On January 9, 2015, CMS approved a new Medicaid supplemental hospital payment program for services provided to individuals who qualify as a Medicaid beneficiary under the Affordable Care Act. The program is retroactive to March 1, 2014 and expires June 30, 2018. Recognition is triggered based upon the date of CMS approval, and accordingly, the Health System recognized \$4,292 of net reimbursement in 2015 based on the CMS approval date of January 9, 2015.

Total reimbursement, including retroactive reimbursement, recognized by the Health System under the various Medicaid assessment programs amounted to \$20,535 and \$21,638 in 2015 and 2014, respectively, with such amounts included in net patient service revenue. Related total assessments under the various Medicaid assessment programs amounted to \$13,368 and \$17,197 in operating expense in 2015 and 2014, respectively.

(c) Blue Cross

The Providers also participate as providers of healthcare services under reimbursement agreements with Blue Cross under its indemnity program. The provisions of the agreements stipulate that services will be reimbursed at a tentative reimbursement rate and that final reimbursement for these services is determined after the submission of an annual cost report by the Providers and a review by Blue Cross. The Blue Cross reimbursement reports for 2014 and prior years have been reviewed by Blue Cross.

(d) Other

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

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(Dollar amounts in thousands)

Accruals for settlements with third-party payors are made based on estimates of amounts to be received or paid under the terms of the respective contracts and related settlement principles and regulations of the federal Medicare program, the Illinois Medicaid program, and the Blue Cross Plan of Illinois. Included in 2015 and 2014 as an addition to net patient service revenue is \$325 and \$624, respectively, related to changes in prior year third-party revenue estimates.

Patients' accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patients' accounts receivable, the Health System analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for uncollectible accounts receivable. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the Health System analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for accounts receivable, if necessary. For receivables associated with patient responsibility (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 patients are screened against the Health System's charity care policy and uninsured discount policy. For any remaining patient responsibility balance, the Health System records a provision for uncollectible accounts receivable 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) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The Health System's allowance for uncollectible accounts for self-pay patients, which includes uninsured patients and residual copayments and deductibles for which managed care has already paid, decreased from 83.1% of self-pay accounts receivable at June 30, 2014, to 76.6% of self-pay accounts receivable at June 30, 2015. In addition, the Health System's self-pay write-offs decreased \$9,735 from \$59,842 for fiscal year 2014 to \$50,107 for fiscal year 2015. The Health System does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant write-offs from third-party payors.

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(Dollar amounts in thousands)

The Health System recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Health System recognizes revenue for services provided (on the basis of discounted rates, as provided by policy). On the basis of historical experience, a portion of the Health System's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Health System records a provision for uncollectible accounts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the period from these major payor sources, is as follows:

	<u>2015</u>	<u>2014</u>
Medicare	\$ 129,253	112,171
Medicaid	42,727	46,248
Managed care	250,559	232,785
Patients and other	49,941	73,921
Charity and other write-offs	<u>(26,066)</u>	<u>(34,549)</u>
Net patient service revenue before provision for uncollectible accounts receivable	\$ <u>446,414</u>	<u>430,576</u>

(4) Concentration of Credit Risk

The Providers grant credit without collateral to their patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Medicare	18%	22%
Medicaid	35	25
Managed care	32	34
Patients and other	15	19
	<u>100%</u>	<u>100%</u>

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

	<u>2015</u>	<u>2014</u>
Medicare	41%	40%
Medicaid	13	12
Managed care	39	41
Patients and other	7	7
	<u>100%</u>	<u>100%</u>

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(Dollar amounts in thousands)

(5) Charity Care

The Health System provides quality medical healthcare regardless of race, creed, sex, national origin, handicap, age, or ability to pay. Although reimbursement for services rendered is critical to the operation and stability of the Health System, it is recognized that not all individuals possess the ability to purchase essential medical services and that the Health System's mission is to serve the community with respect to providing healthcare services and healthcare education. Therefore, in keeping with the Health System's commitment to serve all members of its community, charity care, and/or subsidized care will be considered where the need and/or individual's inability to pay exists. In accordance with ASU 2010-23, *Health Care Entities (Topic 954): Measuring Charity Care for Disclosure*, the Health System accounts for charity care as the amount of charges reduced to cost foregone for services and supplies furnished under the Health System's charity care policy. In 2013, the Health System adopted a presumptive charity care policy that assesses self-pay accounts to determine if patients who have not applied for charity would qualify for charity care. The Health System has not changed their charity care or uninsured discount policies during fiscal year 2014 or 2015.

The following is a summary of the Health System's community service, as defined under its policies, for 2015 and 2014 in terms of services to the indigent and benefits to the broader community (including the cost foregone for charity care services):

	<u>2015</u>	<u>2014</u>
Benefits for the indigent:		
Charity care at cost	\$ 5,928	8,363
Excess of cost over reimbursement for services provided to Public Aid patients (1)	<u>18,492</u>	<u>12,822</u>
Total quantifiable benefits for the indigent	<u>24,420</u>	<u>21,185</u>
Benefits for the community:		
Unpaid costs of Medicare programs	26,615	27,389
Education programs	668	1,273
Other community benefits	<u>3,668</u>	<u>2,793</u>
Total quantifiable benefits for the community	<u>30,951</u>	<u>31,455</u>
Total benefits	<u>\$ 55,371</u>	<u>52,640</u>

(1) 2015 and 2014 amounts have been reduced to incorporate the net additional reimbursement of \$1,764 and \$1,971, respectively, received by the Health System from the Medicaid tax assessment program, and net additional reimbursement of \$1,111 and \$2,470 received by the Health System from the Enhanced Hospital Assessment Program in 2015 and 2014, respectively. 2015 amounts have also been reduced to incorporate the net additional reimbursement of \$4,292 received by the Health System from the new Medicaid supplemental hospital payment program under the Affordable Care Act.

Benefits for the community include services provided to other needy populations that may not qualify as poor but that need special services and support. Examples include the elderly, substance abusers, and victims

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(Dollar amounts in thousands)

of child abuse. They also include the cost of health promotion and education, health clinics, and screenings. Examples of these programs include a group for people with life-threatening illnesses, a breast cancer support program, a bereavement support group, a support group for people (and their families) recovering from strokes, and a support group for survivors of traumatic brain injuries.

The Health System also provides a variety of educational programs designed to promote the wellness of all members of the community. Although many of these programs are offered for a low fee to help defray costs, this fee has been waived if the participant does not have the ability to pay. Programs offered include smoking cessation clinics, weight control programs, diabetic education, babysitting clinics, CPR classes, and infant and child saver classes, among other educational programs.

During 2015 and 2014, the Health System contributed 43,515 hours and 56,019 hours, respectively, toward the common purpose of servicing the healthcare of the community. The estimated values of these contributions in 2015 and 2014 were \$425 and \$547, respectively. These amounts are appropriately not reflected within the consolidated financial statements.

(6) Investments

The Health System reports investments in equity securities with readily determinable fair values and all investments in debt securities at fair value. Fair value is determined primarily on the basis of quoted market prices or other observable market inputs. A summary of the composition of the Health System's investment portfolio at June 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Certificates of deposit	\$ 1,020	1,025
Money market funds	88,617	140,580
Mutual bond funds	51,508	62,885
Mutual equity funds	83,495	112,958
Interest in investments of charitable remainder trusts	2,259	2,006
	<u>\$ 226,899</u>	<u>319,454</u>

Investments are reported in the accompanying consolidated statements of financial position at June 30, 2015 and 2014 as follows:

	<u>2015</u>	<u>2014</u>
Short-term investments	\$ 13,062	18,568
Assets limited as to use:		
Internally designated for capital improvements	42,731	43,966
Under bond indenture agreements – held by trustee	47,397	130,209
Interest in investments of charitable remainder trusts	2,259	2,006
Long-term investments	121,450	124,705
	<u>\$ 226,899</u>	<u>319,454</u>

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(Dollar amounts in thousands)

The composition of investment return from the Health System's investment portfolio for 2015 and 2014 is as follows:

	2015	2014
Interest and dividend income, net of fees and expenses	\$ 6,757	7,352
Realized gains, net	7,716	885
Change in fair value of charitable remainder trusts	253	272
Net change in unrealized gains and losses during the holding period	(19,352)	16,606
	\$ (4,626)	25,115

Changes in unrealized gains and losses during the holding period are attributable to other-than-trading securities and, accordingly, are excluded from the determination of revenue and gains in excess of expenses and losses. Investment returns are included in the accompanying consolidated statements of operations and changes in net assets for 2015 and 2014 as follows:

	2015	2014
Other revenue	\$ —	1
Nonoperating gains – investment income and other, net	14,473	8,236
Net change in net unrealized gains and losses on other-than-trading securities	(19,352)	16,606
Changes in fair value of charitable remainder trusts	253	272
	\$ (4,626)	25,115

Gross unrealized losses on investment securities and the fair value of the related securities, aggregated by investment and length of time that individual securities have been in a continuous unrealized loss position, at June 30, 2015 is as follows:

	2015					
	Less than 12 months		12 Months or longer		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
PIMCO Real Return Fund						
Institutional Class	\$ 5,746	(220)	—	—	5,746	(220)
William Blair BD FD CL I	7,333	(153)	—	—	7,333	(153)
Kayne Anderson MLP INVT	4,717	(183)	—	—	4,717	(183)
PIMCO Foreign Bond Fund						
Institutional Class	3,948	(10)	—	—	3,948	(10)
Hotchkis & Wiley High Yield	10,801	(104)	—	—	10,801	(104)
Total	\$ 32,545	(670)	—	—	32,545	(670)

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(Dollar amounts in thousands)

The decline in fair value of the mutual funds in 2015 is attributed to general market fluctuations and economic events. The Health System has the intent and ability to hold these investments until a market price recover or maturity, and therefore, these investments are not considered other than temporarily impaired. No mutual funds were held in a loss position in 2014.

(7) Fair Value Measurements

(a) Fair Value of Financial Instruments

The following methods and assumptions were used by the Health System in estimating the fair value of its financial instruments:

- The carrying amount reported in the consolidated statements of financial position for the following approximates fair value because of the short maturities of these instruments: cash and cash equivalents, certificates of deposit/repurchase agreements, money market funds, accounts payable, accrued expenses, and estimated payables under third-party reimbursement programs.
- Short-term investments, assets limited as to use, and long-term investments: mutual funds and corporate bonds and notes are measured using quoted market prices at the reporting date multiplied by the quantity held. The carrying value equals fair value.
- Long-term debt: The fair value of fixed-rate long-term debt is estimated based on quoted market prices for the same or similar issues on the current rates offered to the Health System for debt of the same remaining maturities. For variable-rate debt, carrying amounts approximate fair value. The following table presents the carrying amounts and estimated fair values of the Health System's long-term debt:

	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt	\$ 347,132	343,468	348,890	343,455

(b) Fair Value of Financial Instruments

ASC Subtopic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Health System has the ability to access at the measurement date.
- Level 2 inputs are 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

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(Dollar amounts in thousands)

observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 inputs are unobservable inputs for the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined by using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following tables present assets and liabilities that are measured at fair value on a recurring basis at June 30, 2015 and 2014:

	Total fair value	Fair value measurements at June 30, 2015 using		
		Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents:				
Cash	\$ 29,785	29,785	—	—
Total cash and cash equivalents	29,785	29,785	—	—
Short-term investments:				
Certificates of deposit	1,020	1,020	—	—
Money market funds	5,638	5,638	—	—
Mutual bond funds	2,380	2,380	—	—
Mutual equity funds	4,024	4,024	—	—
Total short-term investments	13,062	13,062	—	—
Assets limited as to use (including current portion):				
Money market funds	57,909	57,909	—	—
Mutual bond funds	10,073	10,073	—	—
Mutual equity funds	22,146	22,146	—	—
Interests in investments of charitable remainder trusts	2,259	—	2,259	—
Total assets limited as to use	92,387	90,128	2,259	—

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(Dollar amounts in thousands)

	Total fair value	Fair value measurements at June 30, 2015 using		
		Level 1	Level 2	Level 3
Long-term investments:				
Money market funds	\$ 25,070	25,070	—	—
Mutual bond funds	39,055	28,491	10,564	—
Mutual equity funds	57,325	52,798	4,527	—
Total long-term investments	121,450	106,359	15,091	—
Total assets	\$ 256,684	239,334	17,350	—

	Total fair value	Fair value measurements at June 30, 2014 using		
		Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents:				
Cash	\$ 6,928	6,928	—	—
Total cash and cash equivalents	6,928	6,928	—	—
Short-term investments:				
Certificates of deposit	1,025	1,025	—	—
Money market funds	1,497	1,497	—	—
Mutual bond funds	5,224	5,224	—	—
Mutual equity funds	10,822	10,822	—	—
Total short-term investments	18,568	18,568	—	—
Assets limited as to use (including current portion):				
Money market funds	132,695	132,695	—	—
Mutual bond funds	13,502	13,502	—	—
Mutual equity funds	27,978	27,978	—	—
Interests in investments of charitable remainder trusts	2,006	—	2,006	—
Total assets limited as to use	176,181	174,175	2,006	—

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(Dollar amounts in thousands)

	Total fair value	Fair value measurements at June 30, 2014 using		
		Level 1	Level 2	Level 3
Long-term investments:				
Money market funds	\$ 6,388	6,388	—	—
Mutual bond funds	44,159	33,597	10,562	—
Mutual equity funds	74,158	69,631	4,527	—
Total long-term investments	124,705	109,616	15,089	—
Total assets	\$ 326,382	309,287	17,095	—

Transfers between Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. The Health System evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended June 30, 2015 and 2014, there were no significant transfers into or out of Level 1, 2, or 3.

(8) Land, Buildings, and Equipment

A summary of land, buildings, and equipment at June 30, 2015 and 2014 is as follows:

	2015	2014
Land and land improvements	\$ 42,366	42,366
Buildings	254,916	249,410
Equipment	202,105	191,906
Construction in progress	110,282	24,144
	609,669	507,826
Less accumulated depreciation	(295,711)	(275,654)
Property and equipment, net	\$ 313,958	232,172

Construction in progress as of June 30, 2015 consists of costs incurred related to Huntley Hospital project, which is projected to be complete in mid-2016, and various other renovation projects. As of June 30, 2015, the Health System has \$57,423 of contractual commitments associated with the Huntley Hospital project.

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(Dollar amounts in thousands)

Interest cost is capitalized as a component cost of significant capital projects. Interest income earned on any project-specific borrowed funds is offset against interest cost capitalized. A summary of interest cost capitalized for the years ended June 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Gross interest cost capitalized	\$ 6,958	627
Investment income on borrowed funds held by trustee	742	—
Net interest cost capitalized	<u>\$ 6,216</u>	<u>627</u>

(9) Long-Term Debt

A summary of long-term debt at June 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
NIMC:		
Revenue bonds, Series 2012, due in varying installments through 2038, with interest payable at varying fixed effective tax-exempt interest rates from 4.0% to 5.0%	\$ 82,535	82,535
Revenue bonds, Series 2014A, due in varying installments through 2043, with interest payable at varying fixed effective tax-exempt interest rates from 4.63% to 5.0%	7,596	7,596
MMC:		
Revenue bonds, Series 2012, due in varying installments through 2038, with interest payable at varying fixed effective tax-exempt interest rates from 4.0% to 5.0%	58,446	58,446
Revenue bonds, Series 2014A, due in varying installments through 2043, with interest payable at varying fixed effective tax-exempt interest rates from 4.63% to 5.0%	7,596	7,596
CHH:		
Revenue bonds, Series 2014A, due in varying installments through 2043, with interest payable at varying fixed effective tax-exempt interest rates from 4.63% to 5.0%	119,523	119,523
Variable rate revenue bonds, Series 2014B, due in varying installments through 2045, with variable effective interest rate of 1.90% and 1.43 % at June 30, 2015 and 2014, respectively	210	210
Variable rate revenue bonds, Series 2014C, due in varying installments through 2045, with variable effective interest rate of 1.45% and 1.43% at June 30, 2015 and 2014, respectively	150	150

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(Dollar amounts in thousands)

	<u>2015</u>	<u>2014</u>
NIMED:		
Revenue bonds, Series 2012, due in varying installments through 2038, with interest payable at varying fixed effective tax-exempt interest rates from 4.0% to 5.0%	\$ 49,443	49,443
Total obligated group	325,499	325,499
NIMED:		
Other	71	121
Health Bridge:		
Special limited obligation revenue bonds, Series 2000A, due in varying installments through 2021, with interest payable at a variable tax-exempt rate of 1.28% and 1.26% at June 30, 2015 and 2014, respectively	3,276	3,765
Promissory note, due in varying installments through 2021 with interest payable at a taxable variable rate of 1.58% and 1.55% as of June 30, 2015 and 2014, respectively	1,496	1,700
Total	330,342	331,085
Less:		
Current installments	(788)	(743)
Unamortized bond discount	(2,110)	(2,240)
Add:		
Unamortized bond premium	18,900	20,045
Long-term debt, excluding current installments and unamortized bond discount/premium	\$ <u>346,344</u>	<u>348,147</u>

CHS, NIMC, and MMC (Original Obligated Group) entered into a Master Trust Indenture dated as of March 15, 1998, which was amended as of March 1, 2002 and supplemented as of July 17, 2008. The purpose of the Master Trust Indenture is to provide a mechanism for the efficient and economical issuance of notes by individual members of the Original Obligated Group using the collective borrowing capacity and credit rating of the Original Obligated Group. The Master Trust Indenture requires members of the Original Obligated Group to make principal and interest payments on notes issued for their benefit as well as other Original Obligated Group members, if the other members are unable to make such payments.

The Original Obligated Group entered into a new Master Trust Indenture dated as of November 15, 2012 and supplemented as of June 1, 2014. Members of the new Obligated Group include CHS, NIMC, MMC, CHH, and NIMED (Obligated Group). The purpose of the Master Trust Indenture is to provide a mechanism for the efficient and economical issuance of notes by individual members of the Obligated Group using the collective borrowing capacity and credit rating of the Obligated Group. The Master Trust Indenture requires

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(Dollar amounts in thousands)

members of the Obligated Group to make principal and interest payments on notes issued for their benefit as well as other Obligated Group members, if the other members are unable to make such payments.

On November 20, 2012, the Illinois Finance Authority issued revenue bonds, Series 2012, in the amount of \$190,425, which excludes bond premium of \$16,892 and bond discount of \$1,344, on behalf of NIMC, MMC, and NIMED. The Series 2012 bonds were issued pursuant to the Master Trust Indenture. Principal payments are due each September 1 starting in fiscal year 2019, and interest is payable semiannually on September 1 and March 1. Under the terms of the related bond indenture, NIMC, MMC, and NIMED are required to make quarterly deposits with a trustee for the payment of principal and interest on the Series 2012 bonds.

Proceeds of the series 2012 bonds were used to advance refund Series 1998 Bonds, the Series 2002 Variable Rate Revenue Bonds, the Series 2007 A and B Revenue Bonds, the 2006 First Midwest Bank Note, the Series 2003 A Bonds, terminate the 2002 interest rate swap, and establish a project fund for capital expenditures. Additionally, prior to the issuance of the Series 2012 Bonds the Health System elected to advance refund the Series 2003 B bonds, the Series 2007 C bonds, and the Series 2010 Revenue Bonds. The Health System also elected to settle the 2008 swap agreements.

On May 20, 2014, the Illinois Finance Authority issued revenue bonds, Series 2014A, in the amount of \$134,715, which excludes bond premium of \$4,757 and bond discount of \$1,024, on behalf of NIMC, MMC, and CHH. The Series 2014 bonds were issued pursuant to the June 1, 2014 first supplement to the Master Trust Indenture for the primary purpose of constructing a new hospital in Huntley, Illinois. Principal payments are due each August 31 starting in fiscal year 2019 and interest is payable on August 29, 2014 and thereafter, semi-annually on the last business day of each February and August. The bond indenture restricts the bond proceeds to be deposited in qualified investments such as certificates of deposit, money market mutual funds, commercial paper, certain highly rated senior debt obligations, and other investments as defined in the bond indenture. Such amounts are included in assets whose use is limited in the accompanying consolidated balance sheets. Under the terms of the related bond indenture, NIMC, MMC, and CHH are required to make quarterly deposits with a trustee for the payment of principal and interest on the Series 2014 bonds.

On May 20, 2014, Wintrust Bank and the Illinois Finance Authority, authorized variable rate revenue bonds, Series 2014B and First Midwest Bank and the Illinois Finance Authority authorized variable rate revenue bonds, Series 2014C, in an amount up to \$33,805 and \$24,480, respectively, on behalf of NIMC, MMC, and CHH. The Series 2014 bonds were issued pursuant to the June 1, 2014 first supplement to the Master Trust Indenture for the primary purpose of constructing a new hospital in Huntley, Illinois. The initial draws for the 2014B and 2014C bonds were \$210 and \$150, respectively, and additional draws will be made from time to time thereafter in an aggregate principal amount not to exceed the stated principal amounts of the bonds. Principal payments are due on the last business day of August starting in fiscal year 2019 and interest is payable monthly starting July 1, 2014. The Series 2014B and Series 2014C bonds are subject to a put option, such that Wintrust Bank and First Midwest Bank have agreed to hold the 2014B and 2014C bonds for an initial private placement rate period ending on July 1, 2024, at which time the bonds are subject to optional redemption. The Obligated Group may provide written notice to Wintrust and First Midwest Bank (Purchasers) no sooner than 18 months and no later than four months prior to the end of the initial private

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(Dollar amounts in thousands)

placement rate period of its desire to request the Purchasers to purchase the bonds in a new private placement rate period. The Purchasers must provide notice within 60 days of the request. In the event no repurchase agreement is reached, the Obligated Group may be required to repurchase the bonds unless the bonds can be remarketed prior to the July 1, 2024. Under the terms of the related bond indenture, NIMC, MMC, and CHH are required to make monthly payments of principal and interest directly to the bondholders of the Series 2014B and 2014C bonds.

On December 15, 2000, the City of Crystal Lake issued special limited obligation revenue bonds, Series 2000A, in the amount of \$8,288 on behalf of Health Bridge. The Series 2000A bonds were issued pursuant to a financing agreement. Principal and interest are payable monthly at a tax-exempt variable rate. The Series 2000A bonds are secured by a mortgage property with a net book value of \$9,003 and \$8,967 as of June 30, 2015 and 2014, respectively, and security agreement.

At June 30, 2012, the Obligated Group had variable rate revenue bonds that had a put option available to the creditor. If the bonds were not remarketed and the put option was exercised, the bonds would be presented to the bank for purchase and become bank bonds. The Health System advance refunded these bonds in November 2012.

At June 30, 2015, scheduled principal repayments on the long-term debt based on the scheduled redemptions according to the Master Trust Indenture were as follows:

	<u>Amount</u>
Year:	
2016	\$ 788
2017	805
2018	835
2019	7,374
2020	7,751
Thereafter	<u>312,789</u>
	<u>\$ 330,342</u>

(10) Retirement Plans

The Health System sponsors a Savings and Retirement Plan (the Plan), which covers substantially all employees. The Plan is a defined-contribution plan. The Health System, NIMC, MMC, CPC, and CMS provide discretionary contributions of up to 6%, and CPC contributes up to 8%, of eligible pay for employees who have completed one year of service (with a minimum of 1,000 hours each year) and reached age 21. Discretionary contributions are funded on an annual basis. Discretionary contributions to the Plan were \$1,996 and \$2,082 in 2015 and 2014, respectively, and are included within employee benefits expense. The Plan also includes a 401(k) feature, which the Health System, NIMC, MMC, CCL, and CMS match employee contributions equal to 50% of each dollar the participant contributes to the plan up to 3% of the employee salary, as defined in the plan document. Matching contributions for 2015 and 2014 approximated \$1,286 and

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(Dollar amounts in thousands)

\$1,042, respectively, and are included in employee benefits expense. Matching contributions are funded on a current basis.

The Health System also sponsors a supplemental retirement plan. Eligibility for this plan is limited to specified employees. The supplemental plan is a defined-benefit plan and is not a qualified plan under Section 401 of the Code. The Health System has recognized employee benefits expense under the terms of this supplemental retirement plan in the amount of \$794 and \$683 for 2015 and 2014, respectively. Amounts owed to specified employees under the supplemental retirement plan are included with accrued expenses.

(11) Self-Insured Risks

(a) *Professional and General Liability*

The Health System maintains a self-insurance program for professional and general liability coverage. The self-insurance program includes varying levels of self-insured retention and excess malpractice insurance coverage purchased from commercial insurance carriers. In connection with the self-insurance program, the Health System has engaged the services of a professional actuarial consultant to assist in the estimation of self-insurance provisions and claim liability reserves.

Provisions for estimated self-insured professional and general liability claims include estimates of the ultimate cost of both reported losses and losses incurred but not reported. The Health System has also designated attorneys to handle legal matters relating to malpractice and general liability claims. The Health System has recorded gross reserves of \$17,051 and \$19,371 for professional and general liability claims at June 30, 2015 and 2014, respectively, which are reported as estimated self-insured professional and general liability claims in the accompanying consolidated statements of financial position. The liability for estimated self-insured professional and general liability claims is undiscounted as of June 30, 2015 and 2014. The portion of the accrual for estimated self-insured professional and general liability claims expected to be paid within one year of the consolidated statements of financial position is not readily determinable, and therefore, the entire accrual is classified as a noncurrent liability. Provisions for self-insured professional and general liability claims for the years ended June 30, 2015 and 2014 amounted to \$3,266 and \$2,331, respectively, and are included with insurance expense in the accompanying consolidated statements of operations.

The estimated insurance recoveries and related insurance liability gross up for the years ended June 30, 2015 and 2014 were \$4,825 and \$7,137, respectively, and are included within estimated insurance recoveries and estimated self-insured professional and general liability claims.

(b) *Workers' Compensation*

The Health System maintains a self-insurance program for workers' compensation coverage. This program limits the self-insured retention to \$450 per claim. Coverage from commercial insurance carriers is maintained for claims in excess of the self-insured retention. Gross reserves for workers' compensation claims amounted to \$6,795 and \$6,616 at June 30, 2015 and 2014, respectively, and are included with accrued expenses in the accompanying consolidated statements of financial position. The liability for estimated self-insured workers' compensation claims is undiscounted as of June 30, 2015 and 2014. Provisions for self-insured workers' compensation for the years ended June 30, 2015

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(Dollar amounts in thousands)

and 2014 amounted to \$2,193 and \$1,311, respectively, and are included with insurance expense in the accompanying consolidated statements of operations.

The estimated workers' compensation insurance recoveries and related insurance liability gross up for years ended June 30, 2015 and 2014 were \$1,117 and \$1,505, respectively, and are included as a component of other receivables and accrued expenses.

(c) Healthcare

The Health System also has a program of self-insurance for employee healthcare coverage. Stop-loss reinsurance coverage is maintained for claims in excess of stop-loss limits. Undiscounted reserves for self-insured employee healthcare claims amounted to \$1,602 and \$1,426 for 2015 and 2014, respectively, and are included with accrued expenses in the accompanying consolidated statements of financial position. Provisions for self-insured employee healthcare claims amounted to \$33,123 and \$31,320 for the years ended June 30, 2015 and 2014, respectively, and are included with employee benefits expense in the accompanying consolidated statements of operations.

(12) Investment in Joint Ventures

NIMC and MMC each hold joint venture investments in ARSC Real Estate Holding, L.L.C. and Algonquin Road Surgery Center, L.L.C. These investments are accounted for using the equity method. The following is a summary of financial information as of and for the year ended June 30, 2015 relating to the joint ventures:

	Total for joint venture				Recognized by Health System		
	Assets	Equity	Revenue	Income	Ownership percentage	Carrying value	Income
ARSC Real Estate Holding, L.L.C.	\$ 4,514	2,223	354	142	50.0%	\$ 1,111	71
Algonquin Rd Surgery Center, L.L.C.	5,187	2,495	7,474	2,695	25.5%	581	687
	<u>\$ 9,701</u>	<u>4,718</u>	<u>7,828</u>	<u>2,837</u>		<u>\$ 1,692</u>	<u>758</u>

The Health System has recorded its proportional share of joint venture income of \$758 and \$604 for the years ended June 30, 2015 and 2014, respectively, as nonoperating gains – investment income and other net. The Health System provided no capital contributions during 2015 and 2014 and received capital distributions from joint ventures of \$555 and \$376 for the years ended June 30, 2015 and 2014, respectively.

(13) Commitments and Contingencies

(a) Revolving Credit Agreement

The Health System has a \$15,000 revolving credit agreement with a financial institution, which expires on January 30, 2017. This agreement provides for variable interest based on LIBOR. The line of credit had no draws or repayments in 2015 or 2014.

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(Dollar amounts in thousands)

(b) Operating Leases

The Health System maintains operating lease agreements for certain office facilities and equipment. Rental expense recognized under these and other operating leases was \$6,990 and \$6,356 in 2015 and 2014, respectively, and is included with purchased services and other in the accompanying consolidated statements of operations. Future minimum rental payments over the remainder of operating lease terms are as follows:

	<u>Amount</u>
Year ending June 30:	
2016	\$ 3,192
2017	2,622
2018	2,259
2019	1,795
2020	<u>1,505</u>
Total future minimum lease payments	<u>\$ 11,373</u>

(c) Litigation

The Health System is involved in litigation arising in the normal course of business. In consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Health System's financial position or results of operations.

(d) Regulatory Investigations

The laws and regulations governing the Medicare, Medicaid, and other government healthcare programs are extremely complex and subject to interpretation, making compliance an ongoing challenge for the Health System and other healthcare organizations. Recently the federal government has increased its enforcement activity, including audits and investigations related to billing practices, clinical documentation, and related matters. The Health System maintains a compliance program designed to educate employees and to detect and correct possible violations.

(e) The Patient Protection and Affordable Care Act

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (often referred to, collectively, as the Affordable Care Act of the healthcare reform law), was signed into law on March 23, 2010. The statute will change how healthcare services are delivered and reimbursed through a variety of mechanisms. The law contains stronger antifraud enforcement provisions and provides additional funding for enforcement activity.

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(Dollar amounts in thousands)

On May 6, 2011, CMS issued a final rule establishing a value-based purchasing program for acute care hospitals paid under the Medicare Inpatient Prospective Payment System. Beginning in federal fiscal year 2014, incentive payments are made based on achievement of or improvement in a set of clinical and quality measures designed to foster improved clinical outcomes. There has been no significant impact as a result of this regulation.

The Budget Control Act of 2011 (BCA) mandated significant reductions and spending caps on the federal budget for fiscal year 2012 through 2021. The BCA also created a joint select committee on deficit reduction (the Super Committee) to develop a plan to further reduce the federal deficit. Since the Super Committee failed to act before the mandatory deadline, a 2% reduction in Medicare spending, among other reductions, was to take effect January 1, 2013 in a process known as Sequestration. The BCA also required a 26.5% reduction in the sustainable growth rate formula regarding physician reimbursement under Medicare effective January 1, 2013.

On January 2, 2013, the President signed into law the American Taxpayers Relief Act (ATRA), which delayed Sequestration until March 1, 2013 and is now in effect as of March 1, 2013 and will continue until Congress takes further action. The ATRA delays the reduction in physician reimbursement until the end of 2014. As such, only the 2% reduction for nonphysician payments was effective April 1, 2013.

(f) Insurance Coverage

The Health System is commercially insured for excess professional and general liability, workers' compensation coverage, and employee health reinsurance coverage. There are no assurances that the Health System will be able to renew existing policies or procure coverage on similar terms in the future.

(g) Medicare Reimbursement

For the years ended June 30, 2015 and 2014, the Health System recognized approximately 29% and 26%, respectively, of net patient service revenue from services provided to Medicare beneficiaries. Federal legislation has included provisions to modify Medicare payment systems to healthcare providers as well as phase out cost-based reimbursement mechanisms to prospective payment methodologies. Changes in Medicare reimbursement as a result of CMS' implementation of the provisions of Medicare legislation may have an adverse effect on the Health System's net patient service revenue.

The Health System has received and expects to receive future notices from the Medicare program requiring that they provide Medicare with documentation for claims to carry out the Recovery Audit Contract (RAC) program. The Health System is responding to these requests. Review of claims through the RAC program may result in a liability to the Medicare program and could have an adverse impact on the Health System's net patient service revenue.

CENTEGRA HEALTH SYSTEM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(Dollar amounts in thousands)

(h) *Charity Care Legislation*

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

(i) *Investment Risk and Uncertainties*

The Health System invests in various investment securities. Investment securities are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities and current market conditions, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the accompanying consolidated statements of financial position.

(j) *Information Technology Outsourcing Agreement*

Effective August 15, 2008, the Health System entered into a master services agreement with Dell, Inc. to provide comprehensive information technology services. The agreement is effective for an initial 10-year period. On May 3, 2012, an amendment was made to add a four-year extension to the agreement. Expense recognized in 2015 and 2014 under the terms of this agreement amounted to \$10,280 and \$9,694, respectively, and is included with purchased services and other expense. The total estimated costs remaining over the remaining term of the contract at June 30, 2015 are approximately \$70,434.

CENTEGRA HEALTH SYSTEM AND AFFILIATES
Consolidating Schedule - Financial Position Information

June 30, 2015
(In thousands)

Assets	Obligated Group				Affiliates										Consolidated																																																																																																																																																																																																																																																																																																																																																																																																																											
	Northern Illinois Medical Center	Memorial Medical Center	Centegra Hospital (Unity)	Centegra Health System	NIMED Corporation	Total	Centegra Health System Foundation	Health Bridge Corporation	Health Bridge Fitness Center	Centegra Clinical Laboratories	Centegra Management Services, Inc.	Health and Wellness Network	Health and Wellness Network (LCO)	Centegra Primary Care		Centegra Insurance Services	Eliminations																																																																																																																																																																																																																																																																																																																																																																																																																									
Current assets:																		Cash and cash equivalents	(915)	(479)	—	29,230	—	27,836	5	27	23	32	4	243	1	(49)	1,663	—	Short-term investments	12,914	76	—	—	—	12,990	72	—	—	—	—	—	—	—	—	—	Prepaid insurance	60,334	16,957	—	—	—	77,291	—	—	—	1,403	—	—	—	9,382	—	—	Accounts receivable, net of allowance for uncollectible	63,377	40,110	—	—	—	103,487	—	469	419	—	(49)	1,121	—	368	—	—	Due from affiliates	2,150	2,150	—	(42,743)	4,780	4,437	1,921	16,192	16	623	2,807	16	—	163	—	(62,173)	Prepaid expenses	2,071	833	—	2,435	15	5,353	2	24	28	72	153	11	—	12	6	—	Total current assets	124,979	61,266	(23,273)	(10,934)	4,817	154,855	2,000	16,711	530	2,136	2,914	1,375	1	9,876	1,669	(62,173)	Assets (including investments):	2,784	2,780	41,833	—	—	47,397	2,259	—	—	—	—	—	—	—	—	—	Interest in investments of charitable remainder trusts	30,104	12,677	—	—	—	42,781	3,367	—	—	—	—	—	—	—	—	—	Prepaid receivable	33,888	15,407	41,833	—	—	91,128	5,626	—	—	—	—	—	—	—	—	—	Land, buildings, and equipment, net	66,431	17,191	108,398	1,477	87,657	261,154	4,483	9,219	92	—	3,960	302	—	—	15,091	—	Deferred finance charges, net	846	846	—	2,243	—	4,935	—	64	—	—	—	—	—	—	—	—	Investment in joint ventures and other	—	—	—	130	—	1,812	29	—	—	—	—	—	—	8,192	—	(120)	Intangible assets, net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Estimated insurance recoveries	1,613	761	—	—	—	2,374	—	—	—	—	—	—	—	3,006	—	—	Beneficial interest in Foundation	7,105	4,253	—	—	—	11,358	—	—	—	—	—	—	—	—	2,449	—	Total assets	297,537	139,276	123,138	10,133	92,966	665,079	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)	Liabilities:																		Accounts payable	11,400	11,400	—	—	—	22,800	—	—	—	—	—	—	—	—	—	—	Accrued expenses	1,000	1,000	—	—	—	2,000	—	—	—	—	—	—	—	—	—	—	Deferred financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Total liabilities	12,400	12,400	—	—	—	24,800	—	—	—	—	—	—	—	—	—	—	Total equity	285,137	126,876	123,138	10,133	92,966	640,279	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)
Cash and cash equivalents	(915)	(479)	—	29,230	—	27,836	5	27	23	32	4	243	1	(49)	1,663	—	Short-term investments	12,914	76	—	—	—	12,990	72	—	—	—	—	—	—	—	—	—	Prepaid insurance	60,334	16,957	—	—	—	77,291	—	—	—	1,403	—	—	—	9,382	—	—	Accounts receivable, net of allowance for uncollectible	63,377	40,110	—	—	—	103,487	—	469	419	—	(49)	1,121	—	368	—	—	Due from affiliates	2,150	2,150	—	(42,743)	4,780	4,437	1,921	16,192	16	623	2,807	16	—	163	—	(62,173)	Prepaid expenses	2,071	833	—	2,435	15	5,353	2	24	28	72	153	11	—	12	6	—	Total current assets	124,979	61,266	(23,273)	(10,934)	4,817	154,855	2,000	16,711	530	2,136	2,914	1,375	1	9,876	1,669	(62,173)	Assets (including investments):	2,784	2,780	41,833	—	—	47,397	2,259	—	—	—	—	—	—	—	—	—	Interest in investments of charitable remainder trusts	30,104	12,677	—	—	—	42,781	3,367	—	—	—	—	—	—	—	—	—	Prepaid receivable	33,888	15,407	41,833	—	—	91,128	5,626	—	—	—	—	—	—	—	—	—	Land, buildings, and equipment, net	66,431	17,191	108,398	1,477	87,657	261,154	4,483	9,219	92	—	3,960	302	—	—	15,091	—	Deferred finance charges, net	846	846	—	2,243	—	4,935	—	64	—	—	—	—	—	—	—	—	Investment in joint ventures and other	—	—	—	130	—	1,812	29	—	—	—	—	—	—	8,192	—	(120)	Intangible assets, net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Estimated insurance recoveries	1,613	761	—	—	—	2,374	—	—	—	—	—	—	—	3,006	—	—	Beneficial interest in Foundation	7,105	4,253	—	—	—	11,358	—	—	—	—	—	—	—	—	2,449	—	Total assets	297,537	139,276	123,138	10,133	92,966	665,079	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)	Liabilities:																		Accounts payable	11,400	11,400	—	—	—	22,800	—	—	—	—	—	—	—	—	—	—	Accrued expenses	1,000	1,000	—	—	—	2,000	—	—	—	—	—	—	—	—	—	—	Deferred financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Total liabilities	12,400	12,400	—	—	—	24,800	—	—	—	—	—	—	—	—	—	—	Total equity	285,137	126,876	123,138	10,133	92,966	640,279	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)																		
Short-term investments	12,914	76	—	—	—	12,990	72	—	—	—	—	—	—	—	—	—	Prepaid insurance	60,334	16,957	—	—	—	77,291	—	—	—	1,403	—	—	—	9,382	—	—	Accounts receivable, net of allowance for uncollectible	63,377	40,110	—	—	—	103,487	—	469	419	—	(49)	1,121	—	368	—	—	Due from affiliates	2,150	2,150	—	(42,743)	4,780	4,437	1,921	16,192	16	623	2,807	16	—	163	—	(62,173)	Prepaid expenses	2,071	833	—	2,435	15	5,353	2	24	28	72	153	11	—	12	6	—	Total current assets	124,979	61,266	(23,273)	(10,934)	4,817	154,855	2,000	16,711	530	2,136	2,914	1,375	1	9,876	1,669	(62,173)	Assets (including investments):	2,784	2,780	41,833	—	—	47,397	2,259	—	—	—	—	—	—	—	—	—	Interest in investments of charitable remainder trusts	30,104	12,677	—	—	—	42,781	3,367	—	—	—	—	—	—	—	—	—	Prepaid receivable	33,888	15,407	41,833	—	—	91,128	5,626	—	—	—	—	—	—	—	—	—	Land, buildings, and equipment, net	66,431	17,191	108,398	1,477	87,657	261,154	4,483	9,219	92	—	3,960	302	—	—	15,091	—	Deferred finance charges, net	846	846	—	2,243	—	4,935	—	64	—	—	—	—	—	—	—	—	Investment in joint ventures and other	—	—	—	130	—	1,812	29	—	—	—	—	—	—	8,192	—	(120)	Intangible assets, net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Estimated insurance recoveries	1,613	761	—	—	—	2,374	—	—	—	—	—	—	—	3,006	—	—	Beneficial interest in Foundation	7,105	4,253	—	—	—	11,358	—	—	—	—	—	—	—	—	2,449	—	Total assets	297,537	139,276	123,138	10,133	92,966	665,079	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)	Liabilities:																		Accounts payable	11,400	11,400	—	—	—	22,800	—	—	—	—	—	—	—	—	—	—	Accrued expenses	1,000	1,000	—	—	—	2,000	—	—	—	—	—	—	—	—	—	—	Deferred financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Total liabilities	12,400	12,400	—	—	—	24,800	—	—	—	—	—	—	—	—	—	—	Total equity	285,137	126,876	123,138	10,133	92,966	640,279	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)																																			
Prepaid insurance	60,334	16,957	—	—	—	77,291	—	—	—	1,403	—	—	—	9,382	—	—	Accounts receivable, net of allowance for uncollectible	63,377	40,110	—	—	—	103,487	—	469	419	—	(49)	1,121	—	368	—	—	Due from affiliates	2,150	2,150	—	(42,743)	4,780	4,437	1,921	16,192	16	623	2,807	16	—	163	—	(62,173)	Prepaid expenses	2,071	833	—	2,435	15	5,353	2	24	28	72	153	11	—	12	6	—	Total current assets	124,979	61,266	(23,273)	(10,934)	4,817	154,855	2,000	16,711	530	2,136	2,914	1,375	1	9,876	1,669	(62,173)	Assets (including investments):	2,784	2,780	41,833	—	—	47,397	2,259	—	—	—	—	—	—	—	—	—	Interest in investments of charitable remainder trusts	30,104	12,677	—	—	—	42,781	3,367	—	—	—	—	—	—	—	—	—	Prepaid receivable	33,888	15,407	41,833	—	—	91,128	5,626	—	—	—	—	—	—	—	—	—	Land, buildings, and equipment, net	66,431	17,191	108,398	1,477	87,657	261,154	4,483	9,219	92	—	3,960	302	—	—	15,091	—	Deferred finance charges, net	846	846	—	2,243	—	4,935	—	64	—	—	—	—	—	—	—	—	Investment in joint ventures and other	—	—	—	130	—	1,812	29	—	—	—	—	—	—	8,192	—	(120)	Intangible assets, net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Estimated insurance recoveries	1,613	761	—	—	—	2,374	—	—	—	—	—	—	—	3,006	—	—	Beneficial interest in Foundation	7,105	4,253	—	—	—	11,358	—	—	—	—	—	—	—	—	2,449	—	Total assets	297,537	139,276	123,138	10,133	92,966	665,079	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)	Liabilities:																		Accounts payable	11,400	11,400	—	—	—	22,800	—	—	—	—	—	—	—	—	—	—	Accrued expenses	1,000	1,000	—	—	—	2,000	—	—	—	—	—	—	—	—	—	—	Deferred financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Total liabilities	12,400	12,400	—	—	—	24,800	—	—	—	—	—	—	—	—	—	—	Total equity	285,137	126,876	123,138	10,133	92,966	640,279	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)																																																				
Accounts receivable, net of allowance for uncollectible	63,377	40,110	—	—	—	103,487	—	469	419	—	(49)	1,121	—	368	—	—	Due from affiliates	2,150	2,150	—	(42,743)	4,780	4,437	1,921	16,192	16	623	2,807	16	—	163	—	(62,173)	Prepaid expenses	2,071	833	—	2,435	15	5,353	2	24	28	72	153	11	—	12	6	—	Total current assets	124,979	61,266	(23,273)	(10,934)	4,817	154,855	2,000	16,711	530	2,136	2,914	1,375	1	9,876	1,669	(62,173)	Assets (including investments):	2,784	2,780	41,833	—	—	47,397	2,259	—	—	—	—	—	—	—	—	—	Interest in investments of charitable remainder trusts	30,104	12,677	—	—	—	42,781	3,367	—	—	—	—	—	—	—	—	—	Prepaid receivable	33,888	15,407	41,833	—	—	91,128	5,626	—	—	—	—	—	—	—	—	—	Land, buildings, and equipment, net	66,431	17,191	108,398	1,477	87,657	261,154	4,483	9,219	92	—	3,960	302	—	—	15,091	—	Deferred finance charges, net	846	846	—	2,243	—	4,935	—	64	—	—	—	—	—	—	—	—	Investment in joint ventures and other	—	—	—	130	—	1,812	29	—	—	—	—	—	—	8,192	—	(120)	Intangible assets, net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Estimated insurance recoveries	1,613	761	—	—	—	2,374	—	—	—	—	—	—	—	3,006	—	—	Beneficial interest in Foundation	7,105	4,253	—	—	—	11,358	—	—	—	—	—	—	—	—	2,449	—	Total assets	297,537	139,276	123,138	10,133	92,966	665,079	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)	Liabilities:																		Accounts payable	11,400	11,400	—	—	—	22,800	—	—	—	—	—	—	—	—	—	—	Accrued expenses	1,000	1,000	—	—	—	2,000	—	—	—	—	—	—	—	—	—	—	Deferred financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Total liabilities	12,400	12,400	—	—	—	24,800	—	—	—	—	—	—	—	—	—	—	Total equity	285,137	126,876	123,138	10,133	92,966	640,279	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)																																																																					
Due from affiliates	2,150	2,150	—	(42,743)	4,780	4,437	1,921	16,192	16	623	2,807	16	—	163	—	(62,173)	Prepaid expenses	2,071	833	—	2,435	15	5,353	2	24	28	72	153	11	—	12	6	—	Total current assets	124,979	61,266	(23,273)	(10,934)	4,817	154,855	2,000	16,711	530	2,136	2,914	1,375	1	9,876	1,669	(62,173)	Assets (including investments):	2,784	2,780	41,833	—	—	47,397	2,259	—	—	—	—	—	—	—	—	—	Interest in investments of charitable remainder trusts	30,104	12,677	—	—	—	42,781	3,367	—	—	—	—	—	—	—	—	—	Prepaid receivable	33,888	15,407	41,833	—	—	91,128	5,626	—	—	—	—	—	—	—	—	—	Land, buildings, and equipment, net	66,431	17,191	108,398	1,477	87,657	261,154	4,483	9,219	92	—	3,960	302	—	—	15,091	—	Deferred finance charges, net	846	846	—	2,243	—	4,935	—	64	—	—	—	—	—	—	—	—	Investment in joint ventures and other	—	—	—	130	—	1,812	29	—	—	—	—	—	—	8,192	—	(120)	Intangible assets, net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Estimated insurance recoveries	1,613	761	—	—	—	2,374	—	—	—	—	—	—	—	3,006	—	—	Beneficial interest in Foundation	7,105	4,253	—	—	—	11,358	—	—	—	—	—	—	—	—	2,449	—	Total assets	297,537	139,276	123,138	10,133	92,966	665,079	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)	Liabilities:																		Accounts payable	11,400	11,400	—	—	—	22,800	—	—	—	—	—	—	—	—	—	—	Accrued expenses	1,000	1,000	—	—	—	2,000	—	—	—	—	—	—	—	—	—	—	Deferred financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Total liabilities	12,400	12,400	—	—	—	24,800	—	—	—	—	—	—	—	—	—	—	Total equity	285,137	126,876	123,138	10,133	92,966	640,279	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)																																																																																						
Prepaid expenses	2,071	833	—	2,435	15	5,353	2	24	28	72	153	11	—	12	6	—	Total current assets	124,979	61,266	(23,273)	(10,934)	4,817	154,855	2,000	16,711	530	2,136	2,914	1,375	1	9,876	1,669	(62,173)	Assets (including investments):	2,784	2,780	41,833	—	—	47,397	2,259	—	—	—	—	—	—	—	—	—	Interest in investments of charitable remainder trusts	30,104	12,677	—	—	—	42,781	3,367	—	—	—	—	—	—	—	—	—	Prepaid receivable	33,888	15,407	41,833	—	—	91,128	5,626	—	—	—	—	—	—	—	—	—	Land, buildings, and equipment, net	66,431	17,191	108,398	1,477	87,657	261,154	4,483	9,219	92	—	3,960	302	—	—	15,091	—	Deferred finance charges, net	846	846	—	2,243	—	4,935	—	64	—	—	—	—	—	—	—	—	Investment in joint ventures and other	—	—	—	130	—	1,812	29	—	—	—	—	—	—	8,192	—	(120)	Intangible assets, net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Estimated insurance recoveries	1,613	761	—	—	—	2,374	—	—	—	—	—	—	—	3,006	—	—	Beneficial interest in Foundation	7,105	4,253	—	—	—	11,358	—	—	—	—	—	—	—	—	2,449	—	Total assets	297,537	139,276	123,138	10,133	92,966	665,079	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)	Liabilities:																		Accounts payable	11,400	11,400	—	—	—	22,800	—	—	—	—	—	—	—	—	—	—	Accrued expenses	1,000	1,000	—	—	—	2,000	—	—	—	—	—	—	—	—	—	—	Deferred financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Total liabilities	12,400	12,400	—	—	—	24,800	—	—	—	—	—	—	—	—	—	—	Total equity	285,137	126,876	123,138	10,133	92,966	640,279	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)																																																																																																							
Total current assets	124,979	61,266	(23,273)	(10,934)	4,817	154,855	2,000	16,711	530	2,136	2,914	1,375	1	9,876	1,669	(62,173)	Assets (including investments):	2,784	2,780	41,833	—	—	47,397	2,259	—	—	—	—	—	—	—	—	—	Interest in investments of charitable remainder trusts	30,104	12,677	—	—	—	42,781	3,367	—	—	—	—	—	—	—	—	—	Prepaid receivable	33,888	15,407	41,833	—	—	91,128	5,626	—	—	—	—	—	—	—	—	—	Land, buildings, and equipment, net	66,431	17,191	108,398	1,477	87,657	261,154	4,483	9,219	92	—	3,960	302	—	—	15,091	—	Deferred finance charges, net	846	846	—	2,243	—	4,935	—	64	—	—	—	—	—	—	—	—	Investment in joint ventures and other	—	—	—	130	—	1,812	29	—	—	—	—	—	—	8,192	—	(120)	Intangible assets, net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Estimated insurance recoveries	1,613	761	—	—	—	2,374	—	—	—	—	—	—	—	3,006	—	—	Beneficial interest in Foundation	7,105	4,253	—	—	—	11,358	—	—	—	—	—	—	—	—	2,449	—	Total assets	297,537	139,276	123,138	10,133	92,966	665,079	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)	Liabilities:																		Accounts payable	11,400	11,400	—	—	—	22,800	—	—	—	—	—	—	—	—	—	—	Accrued expenses	1,000	1,000	—	—	—	2,000	—	—	—	—	—	—	—	—	—	—	Deferred financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Total liabilities	12,400	12,400	—	—	—	24,800	—	—	—	—	—	—	—	—	—	—	Total equity	285,137	126,876	123,138	10,133	92,966	640,279	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)																																																																																																																								
Assets (including investments):	2,784	2,780	41,833	—	—	47,397	2,259	—	—	—	—	—	—	—	—	—	Interest in investments of charitable remainder trusts	30,104	12,677	—	—	—	42,781	3,367	—	—	—	—	—	—	—	—	—	Prepaid receivable	33,888	15,407	41,833	—	—	91,128	5,626	—	—	—	—	—	—	—	—	—	Land, buildings, and equipment, net	66,431	17,191	108,398	1,477	87,657	261,154	4,483	9,219	92	—	3,960	302	—	—	15,091	—	Deferred finance charges, net	846	846	—	2,243	—	4,935	—	64	—	—	—	—	—	—	—	—	Investment in joint ventures and other	—	—	—	130	—	1,812	29	—	—	—	—	—	—	8,192	—	(120)	Intangible assets, net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Estimated insurance recoveries	1,613	761	—	—	—	2,374	—	—	—	—	—	—	—	3,006	—	—	Beneficial interest in Foundation	7,105	4,253	—	—	—	11,358	—	—	—	—	—	—	—	—	2,449	—	Total assets	297,537	139,276	123,138	10,133	92,966	665,079	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)	Liabilities:																		Accounts payable	11,400	11,400	—	—	—	22,800	—	—	—	—	—	—	—	—	—	—	Accrued expenses	1,000	1,000	—	—	—	2,000	—	—	—	—	—	—	—	—	—	—	Deferred financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Total liabilities	12,400	12,400	—	—	—	24,800	—	—	—	—	—	—	—	—	—	—	Total equity	285,137	126,876	123,138	10,133	92,966	640,279	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)																																																																																																																																									
Interest in investments of charitable remainder trusts	30,104	12,677	—	—	—	42,781	3,367	—	—	—	—	—	—	—	—	—	Prepaid receivable	33,888	15,407	41,833	—	—	91,128	5,626	—	—	—	—	—	—	—	—	—	Land, buildings, and equipment, net	66,431	17,191	108,398	1,477	87,657	261,154	4,483	9,219	92	—	3,960	302	—	—	15,091	—	Deferred finance charges, net	846	846	—	2,243	—	4,935	—	64	—	—	—	—	—	—	—	—	Investment in joint ventures and other	—	—	—	130	—	1,812	29	—	—	—	—	—	—	8,192	—	(120)	Intangible assets, net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Estimated insurance recoveries	1,613	761	—	—	—	2,374	—	—	—	—	—	—	—	3,006	—	—	Beneficial interest in Foundation	7,105	4,253	—	—	—	11,358	—	—	—	—	—	—	—	—	2,449	—	Total assets	297,537	139,276	123,138	10,133	92,966	665,079	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)	Liabilities:																		Accounts payable	11,400	11,400	—	—	—	22,800	—	—	—	—	—	—	—	—	—	—	Accrued expenses	1,000	1,000	—	—	—	2,000	—	—	—	—	—	—	—	—	—	—	Deferred financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Total liabilities	12,400	12,400	—	—	—	24,800	—	—	—	—	—	—	—	—	—	—	Total equity	285,137	126,876	123,138	10,133	92,966	640,279	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)																																																																																																																																																										
Prepaid receivable	33,888	15,407	41,833	—	—	91,128	5,626	—	—	—	—	—	—	—	—	—	Land, buildings, and equipment, net	66,431	17,191	108,398	1,477	87,657	261,154	4,483	9,219	92	—	3,960	302	—	—	15,091	—	Deferred finance charges, net	846	846	—	2,243	—	4,935	—	64	—	—	—	—	—	—	—	—	Investment in joint ventures and other	—	—	—	130	—	1,812	29	—	—	—	—	—	—	8,192	—	(120)	Intangible assets, net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Estimated insurance recoveries	1,613	761	—	—	—	2,374	—	—	—	—	—	—	—	3,006	—	—	Beneficial interest in Foundation	7,105	4,253	—	—	—	11,358	—	—	—	—	—	—	—	—	2,449	—	Total assets	297,537	139,276	123,138	10,133	92,966	665,079	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)	Liabilities:																		Accounts payable	11,400	11,400	—	—	—	22,800	—	—	—	—	—	—	—	—	—	—	Accrued expenses	1,000	1,000	—	—	—	2,000	—	—	—	—	—	—	—	—	—	—	Deferred financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Total liabilities	12,400	12,400	—	—	—	24,800	—	—	—	—	—	—	—	—	—	—	Total equity	285,137	126,876	123,138	10,133	92,966	640,279	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)																																																																																																																																																																											
Land, buildings, and equipment, net	66,431	17,191	108,398	1,477	87,657	261,154	4,483	9,219	92	—	3,960	302	—	—	15,091	—	Deferred finance charges, net	846	846	—	2,243	—	4,935	—	64	—	—	—	—	—	—	—	—	Investment in joint ventures and other	—	—	—	130	—	1,812	29	—	—	—	—	—	—	8,192	—	(120)	Intangible assets, net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Estimated insurance recoveries	1,613	761	—	—	—	2,374	—	—	—	—	—	—	—	3,006	—	—	Beneficial interest in Foundation	7,105	4,253	—	—	—	11,358	—	—	—	—	—	—	—	—	2,449	—	Total assets	297,537	139,276	123,138	10,133	92,966	665,079	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)	Liabilities:																		Accounts payable	11,400	11,400	—	—	—	22,800	—	—	—	—	—	—	—	—	—	—	Accrued expenses	1,000	1,000	—	—	—	2,000	—	—	—	—	—	—	—	—	—	—	Deferred financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Total liabilities	12,400	12,400	—	—	—	24,800	—	—	—	—	—	—	—	—	—	—	Total equity	285,137	126,876	123,138	10,133	92,966	640,279	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)																																																																																																																																																																																												
Deferred finance charges, net	846	846	—	2,243	—	4,935	—	64	—	—	—	—	—	—	—	—	Investment in joint ventures and other	—	—	—	130	—	1,812	29	—	—	—	—	—	—	8,192	—	(120)	Intangible assets, net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Estimated insurance recoveries	1,613	761	—	—	—	2,374	—	—	—	—	—	—	—	3,006	—	—	Beneficial interest in Foundation	7,105	4,253	—	—	—	11,358	—	—	—	—	—	—	—	—	2,449	—	Total assets	297,537	139,276	123,138	10,133	92,966	665,079	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)	Liabilities:																		Accounts payable	11,400	11,400	—	—	—	22,800	—	—	—	—	—	—	—	—	—	—	Accrued expenses	1,000	1,000	—	—	—	2,000	—	—	—	—	—	—	—	—	—	—	Deferred financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Total liabilities	12,400	12,400	—	—	—	24,800	—	—	—	—	—	—	—	—	—	—	Total equity	285,137	126,876	123,138	10,133	92,966	640,279	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)																																																																																																																																																																																																													
Investment in joint ventures and other	—	—	—	130	—	1,812	29	—	—	—	—	—	—	8,192	—	(120)	Intangible assets, net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Estimated insurance recoveries	1,613	761	—	—	—	2,374	—	—	—	—	—	—	—	3,006	—	—	Beneficial interest in Foundation	7,105	4,253	—	—	—	11,358	—	—	—	—	—	—	—	—	2,449	—	Total assets	297,537	139,276	123,138	10,133	92,966	665,079	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)	Liabilities:																		Accounts payable	11,400	11,400	—	—	—	22,800	—	—	—	—	—	—	—	—	—	—	Accrued expenses	1,000	1,000	—	—	—	2,000	—	—	—	—	—	—	—	—	—	—	Deferred financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Total liabilities	12,400	12,400	—	—	—	24,800	—	—	—	—	—	—	—	—	—	—	Total equity	285,137	126,876	123,138	10,133	92,966	640,279	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)																																																																																																																																																																																																																														
Intangible assets, net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Estimated insurance recoveries	1,613	761	—	—	—	2,374	—	—	—	—	—	—	—	3,006	—	—	Beneficial interest in Foundation	7,105	4,253	—	—	—	11,358	—	—	—	—	—	—	—	—	2,449	—	Total assets	297,537	139,276	123,138	10,133	92,966	665,079	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)	Liabilities:																		Accounts payable	11,400	11,400	—	—	—	22,800	—	—	—	—	—	—	—	—	—	—	Accrued expenses	1,000	1,000	—	—	—	2,000	—	—	—	—	—	—	—	—	—	—	Deferred financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Total liabilities	12,400	12,400	—	—	—	24,800	—	—	—	—	—	—	—	—	—	—	Total equity	285,137	126,876	123,138	10,133	92,966	640,279	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)																																																																																																																																																																																																																																															
Estimated insurance recoveries	1,613	761	—	—	—	2,374	—	—	—	—	—	—	—	3,006	—	—	Beneficial interest in Foundation	7,105	4,253	—	—	—	11,358	—	—	—	—	—	—	—	—	2,449	—	Total assets	297,537	139,276	123,138	10,133	92,966	665,079	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)	Liabilities:																		Accounts payable	11,400	11,400	—	—	—	22,800	—	—	—	—	—	—	—	—	—	—	Accrued expenses	1,000	1,000	—	—	—	2,000	—	—	—	—	—	—	—	—	—	—	Deferred financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Total liabilities	12,400	12,400	—	—	—	24,800	—	—	—	—	—	—	—	—	—	—	Total equity	285,137	126,876	123,138	10,133	92,966	640,279	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)																																																																																																																																																																																																																																																																
Beneficial interest in Foundation	7,105	4,253	—	—	—	11,358	—	—	—	—	—	—	—	—	2,449	—	Total assets	297,537	139,276	123,138	10,133	92,966	665,079	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)	Liabilities:																		Accounts payable	11,400	11,400	—	—	—	22,800	—	—	—	—	—	—	—	—	—	—	Accrued expenses	1,000	1,000	—	—	—	2,000	—	—	—	—	—	—	—	—	—	—	Deferred financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Total liabilities	12,400	12,400	—	—	—	24,800	—	—	—	—	—	—	—	—	—	—	Total equity	285,137	126,876	123,138	10,133	92,966	640,279	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)																																																																																																																																																																																																																																																																																	
Total assets	297,537	139,276	123,138	10,133	92,966	665,079	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)	Liabilities:																		Accounts payable	11,400	11,400	—	—	—	22,800	—	—	—	—	—	—	—	—	—	—	Accrued expenses	1,000	1,000	—	—	—	2,000	—	—	—	—	—	—	—	—	—	—	Deferred financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Total liabilities	12,400	12,400	—	—	—	24,800	—	—	—	—	—	—	—	—	—	—	Total equity	285,137	126,876	123,138	10,133	92,966	640,279	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)																																																																																																																																																																																																																																																																																																		
Liabilities:																		Accounts payable	11,400	11,400	—	—	—	22,800	—	—	—	—	—	—	—	—	—	—	Accrued expenses	1,000	1,000	—	—	—	2,000	—	—	—	—	—	—	—	—	—	—	Deferred financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Total liabilities	12,400	12,400	—	—	—	24,800	—	—	—	—	—	—	—	—	—	—	Total equity	285,137	126,876	123,138	10,133	92,966	640,279	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)																																																																																																																																																																																																																																																																																																																			
Accounts payable	11,400	11,400	—	—	—	22,800	—	—	—	—	—	—	—	—	—	—	Accrued expenses	1,000	1,000	—	—	—	2,000	—	—	—	—	—	—	—	—	—	—	Deferred financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Total liabilities	12,400	12,400	—	—	—	24,800	—	—	—	—	—	—	—	—	—	—	Total equity	285,137	126,876	123,138	10,133	92,966	640,279	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)																																																																																																																																																																																																																																																																																																																																					
Accrued expenses	1,000	1,000	—	—	—	2,000	—	—	—	—	—	—	—	—	—	—	Deferred financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Total liabilities	12,400	12,400	—	—	—	24,800	—	—	—	—	—	—	—	—	—	—	Total equity	285,137	126,876	123,138	10,133	92,966	640,279	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)																																																																																																																																																																																																																																																																																																																																																						
Deferred financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Total liabilities	12,400	12,400	—	—	—	24,800	—	—	—	—	—	—	—	—	—	—	Total equity	285,137	126,876	123,138	10,133	92,966	640,279	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)																																																																																																																																																																																																																																																																																																																																																																							
Other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	Total liabilities	12,400	12,400	—	—	—	24,800	—	—	—	—	—	—	—	—	—	—	Total equity	285,137	126,876	123,138	10,133	92,966	640,279	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)																																																																																																																																																																																																																																																																																																																																																																																								
Total liabilities	12,400	12,400	—	—	—	24,800	—	—	—	—	—	—	—	—	—	—	Total equity	285,137	126,876	123,138	10,133	92,966	640,279	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)																																																																																																																																																																																																																																																																																																																																																																																																									
Total equity	285,137	126,876	123,138	10,133	92,966	640,279	12,138	25,996	612	2,136	6,897	1,637	1	21,074	19,209	(73,633)																																																																																																																																																																																																																																																																																																																																																																																																																										

CENEGRA HEALTH SYSTEM AND AFFILIATES
Consolidating Schedule - Financial Position Information

June 30, 2015
(In thousands)

	Obligated Group										Affiliates							Consolidated
	Northern Illinois Medical Center	Memorial Medical Center	Cenegra Hospital Facility	Cenegra Health System	NIMED Companies	Total	Cenegra Health System Foundation	Health Bridge Companies	Health Bridge Fitness Center	Cenegra Clinical Laboratories	Cenegra Management Services, Inc.	Health and Wellness Network	Health and Wellness Network, LLC	Cenegra Primary Care	Cenegra Insurance Services	Eliminations		
Liabilities and Net Assets																		
Current liabilities:																		
Accounts payable	2,345	1,085	—	5,940	1,514	90	—	788	762	54	88	—	—	(25)	—	788		
Accrued expenses	1,671	3,875	2,007	13,889	59	10,884	153	619	426	1,074	2,529	1,172	—	3,723	—	12,535		
Due to affiliates	—	—	—	—	—	13,540	519	29	13,572	1,388	4,532	1,512	3	46,372	—	13,540		
Total current liabilities	25,927	14,868	2,007	17,829	1,622	62,254	798	1,924	14,760	2,516	7,149	2,684	3	44,072	241	74,221		
Long-term debt, excluding current maturities and unamortized bond discount	95,881	69,797	123,059	—	53,573	344,310	—	4,034	—	—	—	—	—	1,382	—	346,344		
Estimated self-insured professional and general liability claim	2,318	1,440	—	—	—	3,938	—	—	—	—	—	—	—	—	—	17,051		
Other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
Total liabilities	124,326	86,112	123,066	17,829	55,196	408,392	798	5,958	14,760	2,516	7,149	2,684	3	45,372	12,032	437,696		
Net assets (deficit):																		
Temporarily restricted	168,454	50,137	92	(7,677)	37,790	248,776	3,848	20,038	(14,148)	(380)	(352)	(1,077)	(3)	(24,283)	7,157	235,279		
Total net assets (deficit)	173,201	2,964	92	(7,677)	37,790	248,487	7,492	20,038	(14,148)	(380)	(352)	(1,077)	(2)	(24,283)	7,157	243,470		
Total liabilities and net assets	297,527	139,276	123,158	10,152	92,986	663,079	12,138	25,996	612	2,136	6,897	1,607	1	21,074	19,209	481,166		

See accompanying independent auditors' report.

CENEGRA HEALTH SYSTEM AND AFFILIATES
 Consolidating Schedule - Operations and Changes in Unrestricted Net Assets Information
 Year ended June 30, 2015
 (in thousands)

	Omnipoint Group										Affiliates					Eliminations	Consolidated
	Northern Illinois Health Center	Memorial Health Center	Cenega Health System	Cenega Health System	NAHSP Corporation	Eliminations	Total	Cenega Health Foundation	Health Corporation	Health Bridge Center	Cenega Laboratories	Cenega Management Services, Inc.	Health and Network	Health and Network ACO	Cenega Health Care		
Net patient service revenue before provision for uncollectible accounts receivable	255,005	127,937	4,790	---	---	---	384,842	---	---	---	14,457	---	---	---	53,979	---	446,414
Provision for uncollectible accounts receivable	8,594	4,790	---	---	---	---	13,384	---	---	---	73	---	---	---	9,261	---	22,638
Net patient service revenue	246,411	123,147	4,790	---	---	---	371,458	---	---	14,482	---	---	---	---	46,718	---	423,776
Other revenues:																	
Contributions	(287)	(155)	---	---	---	---	(442)	915	---	---	1	31,243	7,462	---	1,593	---	42
Other revenue	7,513	4,627	---	---	8,687	(3,862)	16,965	306	6,680	5,660	1	---	---	---	---	---	31,293
Net assets released from restrictions for operations	215,245	127,937	---	---	8,687	(3,862)	388,327	1,278	6,680	5,660	14,483	31,243	7,462	---	48,311	---	456,305
Total revenue	91,069	48,620	---	---	---	---	139,689	562	1,923	1,976	4,981	13,999	185	---	37,773	---	206,677
Expenses:																	
Employee benefits	21,816	12,235	---	---	---	---	34,051	140	325	320	1,401	4,207	39	---	4,579	---	41,182
Purchased services and other	46,968	23,380	---	---	---	---	68,108	2,471	1,002	3,972	2,899	9,687	8,128	---	28,229	206	(69,642)
Depreciation	1,821	1,371	---	---	---	---	3,192	6	316	387	458	1,183	2	---	103	---	7,444
Utilities	1,821	1,371	---	---	---	---	3,192	6	316	387	458	1,183	2	---	103	---	4,537
Professional fees	3,320	1,031	---	---	---	---	4,351	---	678	---	665	1,34	78	---	162	---	20,128
Information technology	3,684	2,632	---	---	---	---	6,316	---	88	---	---	---	---	---	---	---	8,590
Insurance	3,421	1,985	---	---	---	---	5,406	---	52	59	266	47	17	---	1,760	4,099	13,603
Legal and professional services	4,834	2,485	---	---	---	---	7,319	---	184	198	253	125	---	---	---	---	11,603
Repairs and maintenance	221,184	121,792	---	---	---	---	342,976	3,392	4,765	7,100	14,768	31,094	8,490	---	72,658	4,305	453,789
Total expenses	284,441	145,165	---	---	---	---	429,606	(2,314)	1,915	(1,440)	(283)	(231)	(1,028)	---	(1,777)	---	3,903
Income (loss) from operations	13,271	1,735	---	---	---	---	14,622	841	1,915	---	---	---	---	---	460	---	15,231
Nonoperating gains:																	
Investment income and other, net	32,712	7,900	---	---	---	---	40,612	(2,172)	1,915	(1,440)	(283)	(21)	(1,028)	---	(1,297)	291	3,803
Revenue and gains in excess (deficiency) of expense and losses	1,770	348	---	---	---	---	2,118	2,061	---	---	---	3,726	190	---	---	---	2,118
Other changes in unrestricted net assets:	(14,805)	(5,938)	---	---	---	---	(20,743)	(328)	---	---	---	---	---	---	---	---	---
Net buildings and equipment	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Net intangible assets	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Net other-than-trading securities	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Net other-than-trading receivables	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Net other-than-trading receivables	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Increase (decrease) in unrestricted net assets	(6,323)	(145)	---	---	---	---	(6,468)	(460)	1,915	(1,440)	1,715	3,485	(838)	---	(666)	---	(19,332)
Total net assets	208,441	123,147	---	---	---	---	331,588	1,278	6,680	5,660	14,483	31,243	7,462	---	48,311	---	456,305

See accompanying independent auditor's report.

ATTACHMENT 7

See the following pages in Attachment 7 for the Certifications and Affirmations required by the application.

ATTACHMENT 7

CERTIFICATIONS AND AFFIRMATIONS

The undersigned representative of Centegra Hospital – Huntley in connection with the change of ownership application relating to Centegra Hospital – Huntley, located at 10400 Haligus Road, Huntley, Illinois 60142, (the “Facility”) hereby states as follows:

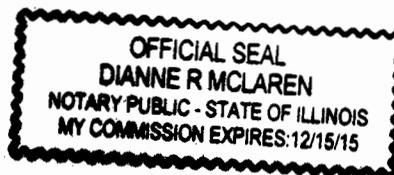
1. I affirm that the categories of service and number of beds as reflected in the Inventory of Health Care Facilities will not substantially change for at least 12 months following the project's completion date.
2. I affirm that no adverse action has been taken against the applicant by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois against any health care facility owned or operated by the applicant, directly or indirectly, within three years preceding the filing of the application;
3. I affirm that the applicant intends to maintain ownership and control of the facility for a minimum of two years.
4. I affirm that any projects for which permits have been issued have been completed or will be completed or altered in accordance with the provisions of Section 1130.520.
5. I affirm that the facility will not adopt a more restrictive charity care policy than the policy that was in effect one year prior to the transaction, and affirm that the compliant charity care policy will remain in effect for a two-year period, following the change of ownership transaction.
6. I affirm that failure to complete the project in accordance with the applicable provisions of Section 1130.500(d) 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 Section 1130.520 will invalidate the exemption.



Name: Jason Sciarro
Title: President, Chief Operating Officer,
Centegra Health System



Subscribed and sworn to
this 18th day of November, 2015



ATTACHMENT 7

CERTIFICATIONS AND AFFIRMATIONS

The undersigned representative of Centegra Health System in connection with the change of ownership application relating to Centegra Hospital – Huntley, located at 10400 Haligus Road, Huntley, Illinois 60142, (the "Facility") hereby states as follows:

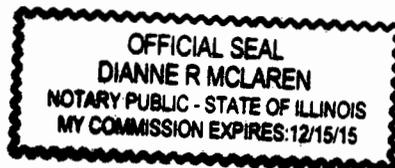
1. I affirm that the categories of service and number of beds as reflected in the Inventory of Health Care Facilities will not substantially change for at least 12 months following the project's completion date.
2. I affirm that no adverse action has been taken against the applicant by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois against any health care facility owned or operated by the applicant, directly or indirectly, within three years preceding the filing of the application;
3. I affirm that the applicant intends to maintain ownership and control of the facility for a minimum of two years.
4. I affirm that any projects for which permits have been issued have been completed or will be completed or altered in accordance with the provisions of Section 1130.520.
5. I affirm that the facility will not adopt a more restrictive charity care policy than the policy that was in effect one year prior to the transaction, and affirm that the compliant charity care policy will remain in effect for a two-year period, following the change of ownership transaction.
6. I affirm that failure to complete the project in accordance with the applicable provisions of Section 1130.500(d) 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 Section 1130.520 will invalidate the exemption.



Name: Jason Solarro
Title: President, Chief Operating Officer,
Centegra Health System



Subscribed and sworn to
this 18th day of November, 2015



ATTACHMENT 7

CERTIFICATIONS AND AFFIRMATIONS

The undersigned representative of Centegra Hospital - McHenry in connection with the change of ownership application relating to Centegra Hospital – Huntley, located at 10400 Haligus Road, Huntley, Illinois 60142, (the "Facility") hereby states as follows:

1. I affirm that 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.
2. I affirm that no adverse action has been taken against the applicant 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 the applicant, directly or indirectly, within three years preceding the filing of the application;
3. I affirm that the applicant intends to maintain ownership and control of the facility for a minimum of two years.
4. I affirm that any projects for which permits have been issued have been completed or will be completed or altered in accordance with the provisions of Section 1130.520.
5. I affirm that the facility will not adopt a more restrictive charity care policy than the policy that was in effect one year prior to the transaction, and affirm that the compliant charity care policy will remain in effect for a two-year period, following the change of ownership transaction.
6. I affirm that failure to complete the project in accordance with the applicable provisions of Section 1130.500(d) 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 Section 1130.520 will invalidate the exemption.



Name: Jason Sciarro
Title: President, Chief Operating Officer,
Centegra Health System



Subscribed and sworn to
this 18th day of November, 2015

