

**RIVERSIDE HEALTH SYSTEM  
and OBLIGATED AFFILIATES**

**Kankakee, Illinois**



**Combined Financial Statements and  
Supplementary Information**

**June 30, 2017**

## FINANCIAL STATEMENT CERTIFICATION

The accompanying balance sheet (combining and combined) of Riverside Health System as of June 30, 2017 and the related Statement of Income (combining and combined) and changes in in General Fund Balance and Statement of Cash Flows for the period then ended on a calendar basis, have been prepared by management, which is responsible for their integrity and objectivity. These statements have not been compiled, reviewed or audited by outside accountants.

Riverside Health System maintains a system of internal accounting control designed to provide reasonable assurance that assets are safeguarded and that transactions are properly executed, recorded and summarized to produce reliable records and reports.

To the best of managements knowledge and belief, the statements and related information were prepared in conformity with generally accepted accounting principles and are based on recorded transactions and managements best estimates and judgment.

The statements contained within pertain to the following issues from the Illinois Finance Authority:

Illinois Finance Authority, Revenue Bonds, Series 2016

CUSIP: 45204EKP2, 45204EKQ0, 45204EKR8, 45204EKS6, 45204EKT4, 45204EKU1  
45204EKV9, 45204EKW7, 45204EKX5, 45204EKY3, 45204EKZ0, 45204ELA4, 45204ELB2  
45204ELC0, 45204ELD8, 45204ELE6, 45204ELF3, 45204ELG1, 45204ELH9, 45204ELJ9

Illinois Finance Authority, Revenue Bonds, Series 2013

CUSIP: 45203HRJ3, 45203HRK0, 45203HRL8, 45203HRM6, 45203HRN4, 45203HRP9  
45203HRQ7, 45203HRR5, 45203HRS3, 45203HRT1

Illinois Finance Authority, Revenue Bonds, Series 2009

CUSIP: 45200FZM4, 45200FZL6, 45200FZN2

Illinois Health Facility Authority, Variable Rate Demand Revenue Bonds, Series 2002B

CUSIP: 45200PUS4

A handwritten signature in black ink, appearing to read 'Bill Douglas', is written over a horizontal line.

Bill Douglas, CPA  
Treasurer/Chief Financial Officer  
Riverside Health System

**RIVERSIDE HEALTH SYSTEM  
AND OBLIGATED AFFILIATES**

Combined Balance Sheets

June 30, 2017

Assets	6/30/2017	Change Since 12/31/2016
Current assets:		
Cash and cash equivalents	\$ 46,601,967	5,071,279
Short-term investments	45,728,709	2,458,415
Receivables:		
Patient and resident accounts, less allowance for doubtful accounts of approximately \$19,900,000 in 2017	44,695,151	(1,263,886)
Other	2,504,696	(1,348,230)
	47,199,847	(2,612,116)
Inventory of supplies, at lower of cost (first-in, first-out) or market value	8,061,730	6,187
Prepaid expenses	6,236,543	2,354,304
Current portion of estimated insurance recoveries	894,612	—
Total current assets	154,723,408	7,278,069
Assets whose use is limited or restricted:		
By board of directors for capital improvements and other	249,989,512	13,444,272
Under bond indenture agreements held by trustee	16,827,286	(3,028,360)
Deposits under residency agreements	6,428,000	(71,000)
Donor-restricted investments	2,757,332	10
	276,002,130	10,344,922
Land, buildings, and equipment, net of accumulated depreciation	266,967,806	(1,891,042)
Other assets:		
Due from Riverside HealthCare Foundation, Inc.	6,300,469	(61,427)
Estimated insurance recoveries	3,130,573	—
Other assets	1,300,923	(9,565)
	10,731,965	(70,992)
Total assets	\$ 708,425,309	15,660,957

**RIVERSIDE HEALTH SYSTEM  
AND OBLIGATED AFFILIATES**

Combined Balance Sheets

June 30, 2017

Liabilities and Net Assets	6/30/2017	Change Since 12/31/2016
Current liabilities:		
Current installments of long-term debt	\$ 3,810,000	(1,200,000)
Long-term debt subject to short-term remarketing arrangements	—	(2,500,000)
Accounts payable	3,772,880	(3,523,346)
Accrued expenses	21,871,204	(2,042,151)
Estimated payables under third-party reimbursement programs	27,614,038	1,165,477
Due to unconsolidated subsidiary	244,208	—
Total current liabilities	57,312,330	(8,100,020)
Refundable security deposits	161,362	(33,222)
Refundable advance residency fees	6,428,000	(71,000)
Long-term debt, excluding current installments and unamortized		
bond discount and premium	169,991,215	552,946
Construction payables	491,085	—
Estimated insurance liabilities	20,222,382	972,873
Other long-term liabilities	3,929,162	(397,376)
Total liabilities	258,535,536	(7,075,799)
Net assets:		
Unrestricted	447,055,389	22,730,797
Temporarily restricted	2,359,889	5,940
Permanently restricted	474,495	19
Total net assets	449,889,773	22,736,756
 Total liabilities and net assets	 \$ 708,425,309	 15,660,957

**RIVERSIDE HEALTH SYSTEM  
AND OBLIGATED AFFILIATES**

Combined Statements of Operations

For the Six Months ended June 30, 2017 and 2016

	<u>2016</u>	<u>2017</u>
Revenue:		
Net patient service revenue	\$ 162,643,768	168,778,202
Provision for uncollectible accounts	<u>(3,785,118)</u>	<u>(1,670,853)</u>
Net patient service revenue less provision for uncollectible accounts	158,858,650	167,107,349
Resident and health center services revenue	5,111,721	5,717,406
Other revenue	<u>2,841,054</u>	<u>3,213,046</u>
Total revenue and other support	<u>166,811,425</u>	<u>176,037,801</u>
Expenses:		
Salaries and employee benefits	84,579,248	90,274,935
Purchased services and supplies	50,616,522	55,401,756
Depreciation and amortization	12,535,287	13,637,026
Utilities	2,651,327	2,618,515
Professional fees	505,093	469,957
Insurance	3,767,003	3,875,634
Interest	<u>3,369,343</u>	<u>3,304,935</u>
Total expenses	<u>158,023,823</u>	<u>169,582,758</u>
Income from operations	<u>8,787,602</u>	<u>6,455,043</u>
Nonoperating (losses) gains:		
Investment (loss) income, net	9,031,800	15,815,639
Change in fair value of derivative instruments	(1,537,632)	178,577
Other, net	<u>231,882</u>	<u>281,538</u>
Total nonoperating (losses) gains, net	<u>7,726,050</u>	<u>16,275,754</u>
Revenue and gains (deficient) in excess of expenses and losses	16,513,652	22,730,797
Net assets released from restriction for purchases of land, buildings, and equipment	<u>—</u>	<u>—</u>
(Decrease) increase in unrestricted net assets	<u>\$ 16,513,652</u>	<u>22,730,797</u>

**RIVERSIDE HEALTH SYSTEM  
AND OBLIGATED AFFILIATES**

Combined Statements of Changes in Net Assets

For the Six Months ended June 30, 2017

	<u>2017</u>
Increase in unrestricted net assets	\$ 22,730,797
Temporarily restricted net assets:	
Contributions for specific purposes	5,940
Investment return earned on temporarily and permanently restricted investments	—
Net assets released from restriction for purchases of land, buildings, and equipment	—
Increase in temporarily restricted net assets	<u>5,940</u>
Change in permanently restricted net assets:	
Change in net unrealized gains and losses on permanently restricted investments	<u>19</u>
Change in net assets	22,736,756
Net assets at beginning of year	<u>427,153,017</u>
Net assets at June 30, 2017	<u><u>\$ 449,889,773</u></u>

**RIVERSIDE HEALTH SYSTEM  
AND OBLIGATED AFFILIATES**

Combined Statements of Cash Flows

For the Six Months ended June 30, 2017

	<u>2017</u>
Cash flows from operating activities:	
Revenue and gains deficient of expenses and losses	\$ 22,730,797
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	13,637,026
Provision for doubtful accounts	1,670,853
Amortization of bond discount, net	10,158
Restricted contributions and investment return	5,959
Loss on early extinguishment of debt	—
Changes in assets and liabilities:	
Patient and resident accounts receivable	(406,967)
Other receivables	1,348,230
Inventory of supplies, prepaid expenses, and other assets	(2,360,491)
Accounts payable and accrued expenses	(5,565,497)
Estimated payables under third-party reimbursement programs	1,165,477
Estimate insurance receivables and liabilities	972,873
Refundable security deposits, net	(33,222)
Other long-term liabilities	(478,534)
Net cash provided by operating activities	<u>32,696,662</u>
Cash flows from investing activities:	
Net change in short-term investments	(2,458,415)
Net change in assets whose use is limited or restricted	(10,344,922)
Net change in long-term investments	70,992
Acquisition of land, buildings, and equipment, net	(11,745,984)
Net cash provided by investing activities	<u>(24,478,329)</u>
Cash flows from financing activities:	
Proceeds (repayment) of long-term debt, net	(3,147,054)
Reductions in deferred financing costs	—
Net cash provided by financing activities	<u>(3,147,054)</u>
Net change in cash and cash equivalents	5,071,279
Cash and cash equivalents at beginning of year	<u>41,530,688</u>
Cash and cash equivalents at June 30, 2017	<u><u>\$ 46,601,967</u></u>

**RIVERSIDE HEALTH SYSTEM  
AND OBLIGATED AFFILIATES**

Combining Schedule – Balance Sheet Information

June 30, 2017

Assets	Riverside Medical Center	Oakside Corporation	Riverside Senior Living Center	Eliminations	Combined
Current assets:					
Cash and cash equivalents	\$ 32,542,565	4,583,342	9,476,060	—	46,601,967
Short-term investments	—	15,166,833	30,561,876	—	45,728,709
Receivables:					
Patient and resident accounts, less allowance for doubtful accounts of approximately \$19,900,000	41,823,474	773,226	2,098,451	—	44,695,151
Other	30,387,878	994,963	—	(28,878,145)	2,504,696
	72,211,352	1,768,189	2,098,451	(28,878,145)	47,199,847
Inventory of supplies	6,862,856	1,163,565	35,309	—	8,061,730
Prepaid expenses	6,111,638	47,928	76,977	—	6,236,543
Current portion of estimated insurance recoveries	894,612	—	—	—	894,612
Total current assets	118,623,023	22,729,857	42,248,673	(28,878,145)	154,723,408
Assets whose use is limited or restricted:					
By board of directors for capital improvements and other	249,989,512	—	—	—	249,989,512
Under bond indenture agreements held by trustee	15,132,950	204,658	1,489,678	—	16,827,286
Deposits under residency agreements	—	—	6,428,000	—	6,428,000
Donor-restricted investments	2,757,332	—	—	—	2,757,332
	267,879,794	204,658	7,917,678	—	276,002,130
Land, buildings, and equipment, net of accumulated depreciation	219,376,926	10,838,366	36,752,514	—	266,967,806
Other assets:					
Due from Riverside HealthCare Foundation, Inc.	5,833,450	—	467,019	—	6,300,469
Deferred financing costs	—	—	—	—	—
Long-term investments	—	—	—	—	—
Estimated insurance recoveries	3,130,573	—	—	—	3,130,573
Other assets	36,027	1,264,896	—	—	1,300,923
	9,000,050	1,264,896	467,019	—	10,731,965
Total assets	\$ 614,879,793	35,037,777	87,385,884	(28,878,145)	708,425,309



**RIVERSIDE HEALTH SYSTEM  
AND OBLIGATED AFFILIATES**

Combining Schedule – Balance Sheet Information

June 30, 2017

Liabilities and Net Assets	Riverside Medical Center	Oakside Corporation	Riverside Senior Living Center	Eliminations	Combined
Current liabilities:					
Current installments of long-term debt	\$ 3,053,093	379,715	377,193	—	3,810,000
Long-term debt subject to short-term remarketing arrangements	—	—	—	—	—
Accounts payable	2,813,255	3,421,847	24,512,633	(26,974,856)	3,772,880
Accrued expenses	20,632,429	531,777	2,610,287	(1,903,289)	21,871,204
Estimated payables under third-party reimbursement programs	27,614,038	—	—	—	27,614,038
Due to unconsolidated subsidiary	—	244,208	—	—	244,208
Total current liabilities	54,112,815	4,577,547	27,500,113	(28,878,145)	57,312,330
Refundable security deposits	—	—	161,362	—	161,362
Refundable advance residency fees	—	—	6,428,000	—	6,428,000
Long-term debt, excluding current installments and unamortized bond discount and premium	134,725,637	7,235,286	28,030,292	—	169,991,215
Construction payables	491,085	—	—	—	491,085
Estimated insurance liabilities	20,222,382	—	—	—	20,222,382
Other long-term liabilities	2,621,737	775,665	531,760	—	3,929,162
Total liabilities	212,173,656	12,588,498	62,651,527	(28,878,145)	258,535,536
Net assets:					
Unrestricted	399,942,856	22,449,279	24,663,254	—	447,055,389
Temporarily restricted	2,288,786	—	71,103	—	2,359,889
Permanently restricted	474,495	—	—	—	474,495
Total net assets	402,706,137	22,449,279	24,734,357	—	449,889,773
Total liabilities and net assets	\$ 614,879,793	35,037,777	87,385,884	(28,878,145)	708,425,309

**RIVERSIDE HEALTH SYSTEM  
AND OBLIGATED AFFILIATES**

Combining Schedule – Statement of Operations Information

For the Six Months ended June 30, 2017

	<u>Riverside Medical Center</u>	<u>Oakside Corporation</u>	<u>Riverside Senior Living Center</u>	<u>Eliminations</u>	<u>Combined</u>
Revenue:					
Net patient service revenue	\$ 157,981,524	2,950,349	7,846,329	—	168,778,202
Provision for uncollectible accounts	(1,512,413)	(158,440)	—	—	(1,670,853)
Net patient service revenue less provision for uncollectible accounts	156,469,111	2,791,909	7,846,329	—	167,107,349
Resident and health center services revenue	—	—	5,717,406	—	5,717,406
Other revenue	3,117,168	49,410	297,923	(251,455)	3,213,046
Total revenue	<u>159,586,279</u>	<u>2,841,319</u>	<u>13,861,658</u>	<u>(251,455)</u>	<u>176,037,801</u>
Expenses:					
Salaries and employee benefits	81,273,968	1,503,595	7,497,372	—	90,274,935
Purchased services and supplies	51,395,600	683,555	3,574,056	(251,455)	55,401,756
Depreciation and amortization	12,084,710	369,845	1,182,471	—	13,637,026
Utilities	2,118,339	89,502	410,674	—	2,618,515
Professional fees	405,137	58,101	6,719	—	469,957
Insurance	3,680,049	37,212	158,373	—	3,875,634
Interest	2,568,951	151,059	584,925	—	3,304,935
Total expenses	<u>153,526,754</u>	<u>2,892,869</u>	<u>13,414,590</u>	<u>(251,455)</u>	<u>169,582,758</u>
Income (loss) from operations	<u>6,059,525</u>	<u>(51,550)</u>	<u>447,068</u>	<u>—</u>	<u>6,455,043</u>
Nonoperating (losses) gains:					
Investment loss, net	13,792,516	825,491	1,197,632	—	15,815,639
Loss on early extinguishment of debt	—	—	—	—	—
Change in fair value of derivative instruments	184,274	(3,485)	(2,212)	—	178,577
Other, net	21,103	260,435	—	—	281,538
Net nonoperating losses	<u>13,997,893</u>	<u>1,082,441</u>	<u>1,195,420</u>	<u>—</u>	<u>16,275,754</u>
Revenue and gains in excess of expenses and losses	20,057,418	1,030,891	1,642,488	—	22,730,797
Other changes in unrestricted net assets:					
Net assets released from restriction for purchases of land, buildings, and equipment	—	—	—	—	—
(Decrease) increase in unrestricted net assets	<u>\$ 20,057,418</u>	<u>1,030,891</u>	<u>1,642,488</u>	<u>—</u>	<u>22,730,797</u>

**RIVERSIDE HEALTH SYSTEM  
AND OBLIGATED AFFILIATES**

Combining Schedule – Statement of Changes in Net Assets Information

For the Six Months ended June 30, 2017

	<u>Riverside Medical Center</u>	<u>Oakside Corporation</u>	<u>Riverside Senior Living Center</u>	<u>Eliminations</u>	<u>Combined</u>
Increase in unrestricted net assets	\$ 20,057,418	1,030,891	1,642,488	—	22,730,797
Temporarily restricted net assets:					
Contributions for specific purposes	5,940	—	—	—	5,940
Investment return earned on temporarily and permanently restricted investments	—	—	—	—	—
Net assets released from restriction for purchases of land, buildings, and equipment	—	—	—	—	—
Increase in temporarily restricted net assets	5,940	—	—	—	5,940
Change in permanently restricted net assets:					
Change in net unrealized gains and losses on permanently restricted investments	19	—	—	—	19
Change in net assets	20,063,377	1,030,891	1,642,488	—	22,736,756
Net assets at beginning of year	382,642,760	21,418,388	23,091,869	—	427,153,017
Net assets at end of year	\$ 402,706,137	22,449,279	24,734,357	—	449,889,773

**Sources of Inpatient Revenue by Payor Type (Percent)**

<u>Year</u>	<u>Medicare</u>	<u>Medicaid</u>	<u>Blue Cross</u>	<u>Commercial</u>	<u>Other*</u>
2014	59.3	15.2	12.2	9.2	4.1
2015	59.7	15.6	12.3	9.3	3.1
2016	60.0	16.2	11.8	8.5	3.5
2017	61.5	15.3	11.7	7.7	3.8

\* Other includes private pay.

**Note 1: Net Patient Service Revenue**

	<b>Six Months Ended June 30,</b>	
	<b><u>2016</u></b>	<b><u>2017</u></b>
Gross patient service revenue	\$ 516,141,707	\$ 588,272,108
Less provision for:		
Contractual adjustments under third-party reimbursement programs	245,843,911	291,533,382
Other	<u>107,654,028</u>	<u>127,960,524</u>
Net patient service revenue	<u><u>\$ 162,643,768</u></u>	<u><u>\$ 168,778,202</u></u>

## Hospital Utilization

The table below sets forth the Hospital's comparative information with respect to utilization for the years ended December 31, 2014 through December 31, 2016 and for the six months ended June 30, 2016 and 2017.

	<u>For the Year Ended December 31:</u>			<u>Six Months Ended June 30,</u>	
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2016</u>	<u>2017</u>
Admissions	9,945	10,199	11,220	5,548	5,542
Patient Days	50,073	52,616	57,243	28,859	28,533
Average Daily Census	137	144	156	159	158
Average Length of Stay (all services)	5.1	5.1	5.1	5.1	5.2
Outpatient Visits (non-emergency)	187,400	206,367	202,967	96,687	107,593
Emergency Care Visits	41,048	43,852	44,183	21,835	23,194
Outpatient Surgery	8,263	8,956	6,668	3,495	3,086
Inpatient Surgery	2,484	2,610	2,661	1,329	1,085

## Market Share

Presence St. Mary's Hospital is the only other hospital in the community, and in the primary service area. Presence St. Mary's Hospital is a 303 licensed bed facility located within one-half mile of the Hospital.

	<u>2014</u>		<u>2015</u>		<u>2016</u>		<u>March 31, 2017</u>	
	<u>Riverside</u>	<u>St. Mary's</u>	<u>Riverside</u>	<u>St. Mary's</u>	<u>Riverside</u>	<u>St. Mary's</u>	<u>Riverside</u>	<u>St. Mary's</u>
Admissions	65.9%	34.1%	66.8%	33.2%	67.7%	32.3%	67.1%	32.9%
Inpatient Surgery	71.7%	28.3%	72.3%	27.7%	72.9%	27.1%	70.3%	29.7%
Outpatient Surgery *	70.3%	29.7%	72.8%	27.2%	70.9%	29.1%	69.9%	30.1%
Emergency Room Visits	59.7%	40.3%	58.6%	41.4%	59.4%	40.6%	60.5%	39.5%
Deliveries	73.1%	26.9%	74.4%	25.6%	72.8%	27.2%	75.9%	24.1%

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Source: Illinois CompData