

HSHS Organizational Chart

Hospital Sisters Health System  
(HSHS)

Kiara, Inc.  
(For Profit)

Hospital Sisters Services, Inc.  
(HSSI)

Hospital Sisters of  
St. Francis  
Foundation, Inc.

Select Subsidiaries:

LaSante  
Wisconsin, Inc.  
  
LaSante, Inc.

St. Elizabeth's  
O'Fallon, IL

St. Joseph's  
Chippewa Falls, WI

St. Joseph's  
Breese, IL

Sacred Heart  
Eau Claire, WI

St. Mary's  
Decatur, IL

St. Mary's  
Green Bay, WI

St. Anthony's  
Effingham, IL

St. Vincent  
Green Bay, WI

St. Joseph's  
Highland, IL

St. Nicholas  
Sheboygan, WI

St. Francis  
Litchfield, IL

St. Clare Memorial  
Oconto Falls, WI

St. John's  
Springfield, IL

HSHS  
Medical Group, Inc.

HSHS Holy Family  
Greenville, IL

HSHS  
Medical Group, Inc.  
Wisconsin

HSHS Good Shepherd  
Shelbyville, IL

Prairie Cardiovascular  
Consultants

Renaissance  
Quality  
Insurance Limited

Select Subsidiaries:

Hospital Sisters Healthcare – West, Inc.  
Physician Clinical Integration Network (PCIN)  
Kiara Clinical Integration Network (KCIN)  
Prairie Education & Research Cooperative (PERC)  
Accountable Care Organization (ACO)

Obligated Group  
Members

## The Hospital Affiliates

The following is a list of the Hospital Affiliates and the location of the primary facilities separated by Division.

<i>Illinois Division</i>	<b>Description of Facility</b>	<b>Number of Licensed Beds</b>	<b>Number of Staffed Beds</b>	<b>Location</b>
St. Mary's Hospital, Decatur, of the Hospital Sisters of the Third Order of St. Francis (referred to as "St. Mary's-Decatur")	Acute	230	218	Decatur
St. Francis Hospital of the Hospital Sisters of the Third Order of St. Francis (referred to as "St. Francis")	Acute, Critical Access Hospital	25	25	Litchfield
St. John's Hospital of the Hospital Sisters of the Third Order of St. Francis (referred to as "St. John's")	Acute, Heart Institute, and Women's and Children's Hospital	442	388	Springfield
HSHS Good Shepherd Shelbyville, Inc. (referred to as "Good Shepherd")	Acute	30	30	Shelbyville
St. Elizabeth's Hospital of the Hospital Sisters of the Third Order of St. Francis (referred to as "St. Elizabeth's")	Acute	144	144	O'Fallon
St. Joseph's Hospital, Breese, of the Hospital Sisters of the Third Order of St. Francis (referred to as "St. Joseph's-Breese")	Acute	69	44	Breese
St. Anthony's Memorial Hospital of the Hospital Sisters of the Third Order of St. Francis (referred to as "St. Anthony's Memorial")	Acute	133	133	Effingham
HSHS Holy Family Hospital, Inc. (referred to as "Holy Family")	Acute	42	28	Greenville
St. Joseph's Hospital of the Hospital Sisters of the Third Order of St. Francis (referred to as "St. Joseph's-Highland")	Acute, Critical Access Hospital	25	25	Highland
Total Illinois		1,140	1,035	

<b>Wisconsin Division</b>	<b>Description of Facility</b>	<b>Number of Approved Beds</b>	<b>Number of Staffed Beds</b>	<b>Location</b>
St. Joseph's Hospital of the Hospital Sisters of the Third Order of St. Francis (referred to as "St. Joseph's-Chippewa Falls")	Acute	193	57	Chippewa Falls
Sacred Heart Hospital of the Hospital Sisters of the Third Order of St. Francis (referred to as "Sacred Heart")	Acute	344	167	Eau Claire
St. Mary's Hospital Medical Center of Green Bay, Inc. (referred to as "St. Mary's-Green Bay")	Acute	158	64	Green Bay
St. Vincent Hospital of the Hospital Sisters of the Third Order of St. Francis (referred to as "St. Vincent")	Acute	517	207	Green Bay
St. Clare Memorial Hospital, Inc. (referred to as "St. Clare Memorial")	Acute, Critical Access Hospital	25	20	Oconto Falls
St. Nicholas Hospital of the Hospital Sisters of the Third Order of St. Francis (referred to as "St. Nicholas")	Acute	185	49	Sheboygan
Total Wisconsin		1,422	564	

The Corporation and each of the Hospital Affiliates are exempt from federal income taxation under Section 501(a) of the Code, as organizations described in Section 501(c)(3) of the Code and are not "private foundations" within the meaning of Section 509(a) of the Code.

## **THE HOSPITAL FACILITIES**

### **Bed Complement**

The Hospital Facilities located in Illinois had an aggregate of 1,140 licensed beds and 1,035 staffed beds as of June 30, 2022. The Hospital Facilities located in Wisconsin had an aggregate of 1,422 approved beds and 564 staffed beds as of June 30, 2022.

### **Summary of Certain Operating Statistics of the Obligated Group and Financial Data of HSHS**

The following tables set forth certain operating statistics for the Obligated Group and financial information for HSHS for the fiscal years ended June 30, 2022, 2021, and 2020. The financial data was derived from the audited consolidated financial statements of HSHS for the fiscal years ended June 30, 2022, 2021 and 2020. For more detailed information regarding the financial results of HSHS, see the information under the caption "Condensed Consolidated Summary Statements of Operations of HSHS" herein and the audited consolidated statements of operations of HSHS for the fiscal years ended June 30, 2022 and 2021 attached as Exhibit A.

## Summary of Certain Operating Statistics of the Obligated Group

	Fiscal Year Ended June 30		
	2022	2021	2020
Number of Licensed/Approved Beds	2,562	2,542	2,542
Number of Staffed Beds	1,599	1,740	1,726
Admissions	65,103	64,448	69,652
Average Length of Stay	5.36	5.18	4.63
Average Daily Census	955.52	914.53	881.52
Patient Days	348,763	333,805	322,638
Outpatient Registrations	1,516,752	1,386,653	1,311,153
Total Patients	1,865,515	1,720,458	1,633,791
Inpatient Surgical Cases	11,720	12,348	14,292
Outpatient Surgical Cases	42,626	40,531	40,420
Total Surgeries	54,346	52,879	54,712
Emergency Room Visits	280,212	251,606	276,421

## Summary of Certain Consolidated Financial Data of HSHS

	Fiscal Year Ended June 30 (dollars in thousands)		
	2022	2021	2020
Net Patient Service Revenues	\$2,719,320	\$2,571,809	\$2,335,617
Income (Loss) from Operations <sup>(1)</sup>	\$(67,162)	\$119,101	\$(177,545)
Revenues and Gains in Excess (Deficient) of Expenses and Losses	\$(134,137)	\$760,715	\$(261,161)

## Utilization Statistics

The following tables provide selected utilization statistics for the System Divisions. Medicare Case mix refers to the acuity of patients treated by a hospital using the Medicare inpatient classification system that uses Diagnostic Related Groups (DRG's) to determine payment. Higher acuity is reflected by increased DRG weighting and payment under the DRG payment model.

### Illinois Hospitals

	Fiscal Year Ended June 30		
	2022	2021	2020
Admissions	41,821	40,975	43,284
Average Length of Stay:			
St. John's Springfield	5.91	6.00	5.44
St. Francis Litchfield	3.39	3.64	3.06
St. Mary's Decatur	6.17	5.38	5.06
Good Shepherd Shelbyville	5.45	4.42	3.07
St. Elizabeth's O'Fallon	4.52	4.47	4.13

St. Joseph's Breese	3.25	3.80	2.84
St. Anthony's Effingham	3.74	3.44	3.33
Holy Family Greenville	5.12	5.72	5.97
St. Joseph's Highland	5.30	5.89	4.99
Average Daily Census	605.57	586.88	561.19
Patient Days	221,032	214,210	205,396
Outpatient Registrations	974,466	889,575	869,597
Total Patients	1,195,498	1,113,785	1,074,993
Inpatient Surgical Cases	7,224	7,729	8,484
Outpatient Surgical Cases	24,852	22,855	24,068
Total Surgical Cases	32,076	30,590	32,552
Emergency Room Visits	178,686	164,361	178,874
Medicare Case Mix:			
St. John's Springfield	2.04	2.10	1.69
St. Francis Litchfield	1.29	1.29	1.21
St. Mary's Decatur	1.64	1.68	1.60
Good Shepherd Shelbyville	1.21	1.07	1.15
St. Elizabeth's O'Fallon	1.93	1.95	1.86
St. Joseph's Breese	1.36	1.35	1.30
St. Anthony's Effingham	1.50	1.46	1.42
Holy Family Greenville	1.36	1.21	1.21
St. Joseph's Highland	1.32	1.32	1.23

#### Wisconsin Hospitals

	Fiscal Year Ended June 30		
	2022	2021	2020
Admissions	23,282	23,473	26,368
Average Length of Stay:			
St. Clare Oconto Falls	10.40	7.62	5.07
St. Mary's Green Bay	4.84	5.11	3.46
St. Vincent Green Bay	5.68	5.19	4.83
St. Nicholas Sheboygan	3.95	3.26	2.95
St. Joseph's Chippewa Falls	5.31	5.01	4.70
Sacred Heart Eau Claire	5.74	5.30	4.70
Average Daily Census	349.95	327.66	320.33
Patient Days	127,731	119,595	117,242
Outpatient Registrations	542,286	487,078	441,556
Total Patients	670,017	606,673	558,798
Inpatient Surgical Cases	4,496	4,619	5,808
Outpatient Surgical Cases	17,774	17,676	16,352
Total Surgical Cases	22,270	22,295	22,160
Emergency Room Visits	101,526	87,245	97,547
Medicare Case Mix:			
St. Clare Oconto Falls	1.30	1.25	1.24
St. Mary's Green Bay	1.62	1.80	1.57
St. Vincent Green Bay	2.22	2.18	2.10
St. Nicholas Sheboygan	1.52	1.55	1.51
St. Joseph's Chippewa Falls	1.39	1.18	1.31

Sacred Heart Eau Claire	1.89	1.92	1.85
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### Inpatient Market Share

The tables below reflect the total inpatient market share by discharge for the three largest Obligated Group Member's markets and those of the entities that are its main competitors in each respective market. HSHS updated the service area approach in 2021 to more accurately depict the origin of the people and communities we serve. The market share for 2022, represents the first six months of HSHS' fiscal year.

#### **Sacred Heart – Eau Claire (PSA/SSA)**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<hr/>	<hr/>	<hr/>
Sacred Heart-Eau Claire/St. Joseph's-Chippewa Falls	25.8%	26.4%	28.5%
Mayo Clinic-Eau Claire	35.1%	35.9%	35.3%
Marshfield – Eau Claire	10.0%	9.8%	10.4%
Other	29.1%	27.9%	25.8%

#### **St. John's Hospital- Springfield (PSA/SSA)**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<hr/>	<hr/>	<hr/>
St. John's-Springfield/ St. Mary's-Decatur/ St. Francis-Litchfield HSHS Good Shepherd-Shelbyville	31.1%	32.6%	37.8%
Memorial Springfield	27.2 %	29.8%	33.5%
Others	41.7%	37.6%	28.7%

#### **St. Vincent Hospital- Green Bay (PSA/SSA)**

#### **St. Mary's Hospital- Green Bay (PSA/SSA)**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<hr/>	<hr/>	<hr/>
St. Vincent-Green Bay/ St Mary's-Green Bay/ St. Clare-Oconto Falls	25.0%	24.8%	25.4%
Bellin Hospital	16.3 %	15.5%	15.7%
Aurora Health	15.8%	16.5%	17.3%
Others	42.9%	43.2%	41.6% %

<sup>(1)</sup> Source: Illinois Hospitals – IHA Compdata, Wisconsin Hospitals- WHA, Kaavio 2022

## SELECTED OPERATIONAL, STATISTICAL AND FINANCIAL INFORMATION

The selected consolidated summary financial information of HSHS as of June 30, 2022, 2021 and 2020 are presented below under the sub-captions “Condensed Consolidated Balance Sheet of Hospital Sisters Health System” and “Condensed Consolidated Summary Statements of Operations of the Hospital Sisters Health System” was derived from, and should be read in conjunction with, the audited consolidated financial statements of HSHS as of and for the fiscal years then ended. The audited consolidated financial statements of Hospital Sisters Health System as of and for the fiscal years ended June 30, 2022, and 2021 are attached as Exhibit A. See footnote (2) to such audited consolidated financial statements for a summary of HSHS’ significant accounting policies. The selected summary financial information of HSHS for the fiscal year ended June 30, 2022, which is presented below under the sub-captions “Summary of Certain Operating and Financial Data” and “Condensed Consolidated Summary Statements of Operations of Hospital Sisters Health System” was derived from the consolidated financial statements of HSHS as of June 30, 2022.

**Unless otherwise noted herein, financial information as and for fiscal years 2022, 2021, and 2020 refers to the consolidated financial statements of HSHS, of which the Obligated Group is a part. As noted here, HSHS is not a Member of the Obligated Group. Unless otherwise noted herein, operational information is limited to the operations of the Obligated Group.**

### Condensed Consolidated Balance Sheet of Hospital Sisters Health System

The following table presents the condensed consolidated summary balance sheet of HSHS as of June 30, 2022, 2021 and 2020. This table should be read in conjunction with the audited consolidated financial statements of Hospital Sisters Health System for the fiscal years ended June 30, 2022 and 2021 attached as Exhibit A.

	As of June 30, (Dollars in thousands)		
	2022	2021	2020
Current assets:			
Cash and cash equivalents	\$91,035	\$100,879	\$244,099
Patient receivables and other, net	388,130	400,460	360,701
Current portion of assets whose use is limited or restricted	132,798	205,084	360,292
Other current assets	100,647	93,709	92,664
Total current assets	712,610	800,132	1,057,756
Assets whose use is limited or restricted, net of current portion	1,673,615	2,020,139	1,343,226
Property, plant, and equipment, net	1,596,523	1,610,574	1,631,742
Right of use assets – operating leases, net <sup>(1)</sup>	148,459	166,369	181,021
Accrued pension benefit asset	48,347	-	-
Other assets	89,627	90,137	81,190
Total assets	\$4,269,181	\$4,687,351	\$4,294,935
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Current installments of long-term debt	\$100,376	\$100,012	\$254,041
Current portion of operating lease liabilities <sup>(1)</sup>	22,328	23,135	24,057
Accounts payable/accrued liabilities	589,028	674,256	719,413
Total current liabilities	711,732	797,403	997,511
Long-term debt, excluding current installments	544,239	578,430	463,048
Operating lease liabilities, net of current portion <sup>(1)</sup>	129,266	145,493	158,143
Accrued benefit liability	-	1,256	384,859

	As of June 30, (Dollars in thousands)		
	2022	2021	2020
Other noncurrent liabilities	161,368	308,893	202,066
Total liabilities	1,546,605	1,831,475	2,205,627
Net assets:			
Net assets without donor restrictions	2,649,047	2,781,383	2,016,316
Net assets with donor restrictions	73,529	74,493	72,992
Total net assets	2,722,576	2,855,876	2,089,308
	4,269,181	4,687,351	4,294,935

<sup>(1)</sup> Refer to Exhibit A, change in lease accounting

### Condensed Consolidated Summary Statements of Operations of Hospital Sisters Health System

The following table presents condensed consolidated summary statements of operations of HSHS for the fiscal years ended June 30, 2022, 2021 and 2020 derived from the audited consolidated financial statements of HSHS or such fiscal years. This table should be read in conjunction with the audited consolidated financial statements of Hospital Sisters Health System for the fiscal years ended June 30, 2022, and 2021 appearing in EXHIBIT A.

	Fiscal Year Ended June 30, (Dollars in thousands)		
	2022	2021	2020
<b>REVENUES</b>			
Net patient service revenues	\$2,719,320	\$2,571,809	\$2,335,617
Other revenues	144,415	226,578	191,238
Total revenues	2,863,735	2,798,387	2,526,855
<b>EXPENSES</b>			
Salaries, wages, and benefits	1,191,404	1,085,469	1,167,124
Pension expense- service cost	50,472	59,065	54,591
Restructuring and impairment	-	-	61,331
Supplies, professional fees and other	1,529,448	1,378,609	1,259,301
Depreciation and amortization	147,214	144,912	147,251
Interest	12,359	11,231	14,802
Total expenses	2,930,897	2,679,286	2,704,400
Income (loss)from operations	(67,162)	119,101	(177,545)
Nonoperating gains (losses), net	(66,975)	641,614	(83,616)
Revenues and gains in excess (deficient) of expenses and losses	(134,137)	760,715	\$(261,161)

<sup>(1)</sup> HSHS adopted ASU No. 2017-07 *Compensation – Retirement Benefits (ASC 715) Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* in 2020.



## Obligated Group Relative to HSHS

The consolidated financial information of HSHS includes the accounts and activities of the Obligated Group. Shown in the table below is the Obligated Group's portion relative to HSHS of various balance sheet and revenue indicators as of and for the fiscal years ended June 30, 2022, 2021 and 2020, as derived from the audited consolidated financial statements of HSHS for such fiscal years. This table should be read in conjunction with the audited consolidated financial statements of Hospital Sisters Health System as of and for fiscal years June 30, 2022 and 2021 attached as Exhibit A.

Obligated Group as a Percentage of HSHS	Fiscal Year Ended June 30,		
	2022	2021	2020
Total Revenue	92.0%	92.4%	92.4%
Revenues and Gains in Excess (Deficit) of Expenses and losses	56.7%	94.4%	81.1%
Unrestricted Cash and Investments	108.5%	102.8%	109.2%
Total Assets	95.7%	94.0%	97.5%

## Significant Third-Party Reimbursement Programs

The Obligated Group derives a substantial portion of its operating revenues from federal and state programs and insurance plans (e.g., Blue Cross) that pay for all or a portion of the health care services provided to a patient. Consequently, the operating revenues of the Obligated Group depend to a great extent upon the availability and level of reimbursement or payment under such programs and plans. The following table sets forth the percentages of gross patient revenues for the Obligated Group applicable to each of the different programs and plans as of and for the fiscal years ended June 30, 2022, 2021 and 2020.

	Fiscal Year Ended June 30,		
	2022	2021	2020
Medicare	52.3%	49.0%	50.0%
Medicaid	15.8%	16.0%	17.0%
Blue Cross/Managed Care <sup>(1)</sup>	29.3%	31.0%	27.0%
Commercial/Other	2.6%	4.0%	6.0%
Total	100.0%	100.0%	100.0%

(1) Includes health maintenance organizations and preferred provider organizations.

## Coverage of Historical Maximum Annual Debt Service Requirements

The table below sets forth the coverage by HSSI of the Historical Maximum Annual Debt Service Requirements on indebtedness for fiscal years 2022, 2021 and 2020.

	As of and for the Fiscal Year Ended June 30, (Dollars in thousands)		
	2022	2021	2020
Revenues and gains in excess (deficit) of expenses and losses	\$(76,018)	\$718,195	\$(211,842)
Change in unrealized gains and losses included in investment returns	226,376	(215,489)	37,840
Change in fair value of interest rate swaps	(20,193)	(21,249)	22,348
Plus: Depreciation and amortization <sup>(3)</sup>	110,637	106,623	113,822
Plus: Interest Expense	11,791	10,437	14,222
Plus: Mark to Market Pension Adjustment	<u>(1,853)</u>	<u>(186,891)</u>	<u>139,086</u>
Income Available for Debt Service	270,933	411,626	115,476
Historical Maximum Annual Debt Service Requirement <sup>(1)(2)</sup>	46,990	46,200	47,181
Historical Maximum Annual Debt Service Coverage Ratio	5.8	8.9	2.5

<sup>(1)</sup> The assumptions used in calculating the debt service requirement are different than the assumptions which will be made by the Obligated Group in making certain calculations pursuant to the Master Indenture.

<sup>(2)</sup> Excludes capitalized lease payments, and indebtedness that is not secured by an Obligation.

<sup>(3)</sup> For FY 2020 this includes accelerated depreciation and amortization of impaired assets, which is reported in the restructuring costs in condensed Consolidated Summary Statements of Operations.

## Outstanding Indebtedness of the Obligated Group

As of June 30, 2022, Obligations in the aggregate principal amount of \$580.9 million were outstanding under the Master Indenture.

The Obligated Group also issued an Obligation to secure the obligations of the Corporation under the Limited Guaranty Agreement dated as of November 26, 2012 delivered by the Corporation to US Bank National Association, related to the sums owed by Prevea Clinic pursuant to the Prevea Clinic notes and Prevea Clinic Bank Agreement (as such terms are defined in the Second Supplemental Master Trust Indenture dated as of November 1, 2012, among the Obligated Group and the Master Trustee). No amounts have been paid or accrued for the guarantee as of June 30, 2022. See Note 16 appearing in Exhibit A.

The Obligated Group has issued an Obligation to secure the obligation of the Corporation under the Guaranty Agreement dated June 26, 2014 delivered by the Corporation to JPMorgan Chase Bank, N.A., related to the sums owed by Touchette Regional Hospital, Inc. in the amount of \$10.0 million. Touchette paid off the loan in full at the end of July 2022. See Note 16 appearing in Exhibit A.

In addition, the Obligated Group has long-term debt of \$1.5 million, operating leases of \$91.6 million and finance leases of \$45.9 million not secured by Obligations outstanding as of June 30, 2022.

## Historical Capitalization

The table below sets forth the Historical Capitalization of HSHS on indebtedness as of and for fiscal years 2022, 2021 and 2020.

	For Fiscal Year Ended June 30,		
	2022	2021	2020
Current and Long-Term Debt	\$644,615	\$678,442	\$717,089
Unrestricted Net Assets	<u>\$2,649,047</u>	<u>\$2,781,383</u>	<u>\$2,016,316</u>

Total Capitalization	\$3,293,662	\$3,459,825	\$2,733,405
Percent of Current and Long-Term Debt to Capitalization	19.6%	19.6%	26.2%

## Liquidity and Investments

*Current Self-Liquidity Obligations.* \$64.9 million, in aggregate principal amount of revenue bonds are subject to optional or mandatory tender or not otherwise secured by a dedicated liquidity facility. The obligations of HSSI to pay debt service, including purchase price, on these revenue bonds are secured by Obligations issued under the Master Indenture. Pursuant to the Obligations issued to secure these revenue bonds, HSSI is also obligated to provide funds for the purchase of these revenue bonds that are tendered for purchase and not remarketed.

The sources of liquidity for such debt service and purchase obligations are described below. Presently, HSSI has no external liquidity facilities or commercial paper programs available designated to such debt service and purchase price. HSSI does not have any specific groups or pools of assets set aside or otherwise dedicated to such payments.

*Sources of Self-Liquidity.* Policy and procedures have been established by HSSI to provide self-liquidity for a portion of outstanding variable rate bonds totaling \$64.9 million. HSSI has identified and documented available sources of same-day and next-day liquidity, contact information for HSSI officials responsible for activating procedures to provide sufficient cash, and enumerated specific procedures (and the timing for such) to be followed in the event of a failed remarketing.

The following table represents the internal funding sources available for same day, next day and up to three-day liquidity as of June 30, 2022.

	<b>As of June 30, 2022 (Dollars in thousands)<sup>(1)</sup></b>
Same Day Settlement	\$160,015
Next Day Settlement	378,779
Line of Credit	50,000
Three Day Settlement	682,365
Total Available for Internal Funding	<u>\$1,271,159</u>

<sup>(1)</sup> Includes mutual funds, cash and cash equivalents, and debt securities.

## Investment Policy

HSHS has an Investment Subcommittee comprised of individuals experienced in investments and individuals who serve on the HSHS Board of Directors. The Subcommittee, management, and the investment consultant develop investment policies, recommends asset allocation and investment manager changes, monitors, and reviews investment performance, risk, and adherence to investment guidelines. The Board of Directors approves the investment policy statement. The current asset allocation for investments is summarized in the table below:

		<b>(Dollars in thousands)</b>
Cash	9.0%	\$160,015
All Cap Equity	4.5%	80,991
Large Cap Equity	8.2%	146,729

Small/Mid Cap Equity	3.2%	56,570
Foreign Equity	15.1%	269,012
Emerging Market Equity	2.7%	48,931
Fixed Income	23.3%	415,925
Hedge Funds	16.4%	293,337
Real Estate	8.0%	143,558
Private Equity	6.8%	120,871
Private Credit	2.8%	50,377
Total	100.0%	\$1,786,316

To achieve the objectives of the investment policy, HSHS seeks to engage the best investment managers for the respective sub-class. HSHS currently engages 11 domestic equity managers, 6 international equity managers, 5 fixed income managers, 1 custom hedge fund of fund managers, 3 real estate managers, 2 private credit managers and 1 private equity manager.

### Cash and Board Designated Funds

The following table presents the operating cash, board designated funds for capital improvements (funded depreciation) and other board-designated funds (referred to as liquid funds) of HSHS as of and for June 30, 2022, 2021 and 2020. Excluded from HSHS' liquid funds for this purpose are temporarily or permanently restricted assets and trustee-held bond funds. The table also presents HSHS' days cash on hand ratio as of and for the fiscal years ended June 30, 2022, 2021 and 2020. The days cash on hand ratio for each such period is calculated by dividing such liquid funds, as shown on the audited consolidated financial statements of HSHS for such period, by the amount determined by dividing (i) the expenses of HSHS (excluding depreciation and amortization), as shown on such audited consolidated financial statements for such fiscal year, by (ii) 365/366.

	Fiscal Year Ended June 30, (Dollars in thousands)		
	2022	2021	2020
Cash and cash equivalents	\$91,035	\$100,879	\$244,099
Board-designated funds for capital improvements	1,453,829	1,841,414	1,349,290
Other unrestricted funds	<u>279,055</u>	<u>309,316</u>	<u>281,115</u>
Total	\$1,823,919	\$2,251,609	\$1,874,504
Cash Expenses per day <sup>(1)</sup>	\$7,627	\$6,943	\$6,987
Days cash on hand ratio	239	324	268

<sup>(1)</sup> Total expenses less amortization and depreciation divided by 365/366.

### Sources of Investment Income

Investment income is a significant source of additional revenue for the Obligated Group and is included in both operating revenue a portion of which is included in other (non-operating) income. Investment return for HSHS for the fiscal years ended 2022, 2021 and 2020 is summarized in the table below.

The System's ability to generate investment income and realized gains on investments is dependent in large measure on market conditions. The market value of HSHS' centralized investment portfolio, as well as the HSHS' investment income, has fluctuated significantly in the past and may continue to fluctuate in the future. Investments are recorded at market value, with changes in market value recorded as investment income (losses) and included, together with realized investment income (losses), in revenues and gains in excess (deficient) of expenses. Given the size of its centralized investment program, the Obligated Group anticipates that changes in levels of realized and unrealized returns on its investment portfolio are likely to continue to have a significant impact on the Obligated Group's revenues and gains in excess (deficit) of expenses.

	<b>Fiscal Year Ended June 30,</b> <b>(Dollars in thousands)</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Investment return:			
Interest and dividend income	\$15,630	\$20,449	\$14,940
Net realized gains (losses) on sale of investments	97,964	67,615	57,785
Change in net unrealized gains and losses	(257,654)	243,812	(43,346)
Total investment return	<u>\$(144,060)</u>	<u>\$331,876</u>	<u>\$29,379</u>

#### **Interest Rate Payment Exchange Transactions ("swaps")**

The Corporation periodically utilizes various financial instruments (e.g., options, caps, and swaps) to hedge interest rate and other exposures in its investment portfolios. As of June 30, 2022, the Corporation is involved in four swaps with Bank of America, N.A., as counterparty (the "Counterparty"), and a Total Return Swap (TRS) with JPMorgan Chase Bank, N.A. The Corporation records its swaps at fair market value on its consolidated balance sheet and records the changes in fair market value for the swaps in the changes in non-operating gains-investment income in the consolidated statement of operations and changes in net assets. The total notional amount of swaps outstanding at June 30, 2022 is \$443.5 million, and the transactions have a negative fair market value of \$30.3 million.

There were no collateral postings by either party as of June 30, 2022. If the Counterparty or the Corporation terminates the existing swaps when such swaps have a negative valuation, the Corporation may be required to make a termination payment to the Counterparty, which termination payment may be on a parity with all other payment obligations required by the Obligated Group under the Master Indenture, and such payment could be material.

#### **Sources of Non-Operating Income (Losses)**

Investment income is a significant source of additional revenue for the Obligated Group, a portion of which is included in operating revenue and a portion of which is included in other (non-operating) income. Investment return and the change in fair value interest swaps for HSHS for the fiscal years ended June 30, 2022, 2021, and 2020 is summarized in the table below. See "BONDHOLDERS' RISKS – Impact of Investment Performance".

Fiscal Year Ended June 30, (Dollars in Thousands)			
	2022	2021	2020
<b>Investment Return</b>			
Change in fair value of interest Swaps	\$20,193	\$21,249	\$(22,348)
Interest and dividend income	15,630	20,449	14,940
Net realized gains (losses) on sale of investments	97,969	67,615	57,785
Change in net unrealized gains and losses	(257,654)	243,812	(43,346)
Total investment return	\$(123,862)	\$353,125	\$7,031

**CERTAIN INFORMATION REGARDING OUTSTANDING SWAPS**  
(Dollars in thousands)

Notional Amount	Maturity	HSHS Pays	HSHS Receives	Guarantor	Fair Market Value at June 30, 2022
\$150,000	3-May-33	SIFMA	67% of USD-ISDA Swap Rate +0.089%	Merrill Lynch Capital Services BANA Guarantee	(\$2,017)
\$41,300	17-Mar-36	3.4730	67% of one-month LIBOR	Merrill Lynch Capital Services BANA Guarantee	(\$5,386)
\$100,425	17-Mar-36	3.4730	67% of one-month LIBOR	Merrill Lynch Capital Services BANA Guarantee	(\$13,138)
\$76,750	17-Mar-36	4.0223	86% of three-month LIBOR	Merrill Lynch Capital Services BANA Guarantee	(\$10,252)
\$75,000	At any time after 23-Dec-17	5.375	SIFMA + spread	JPMorgan Chase Bank, N.A.	\$464

**Management's Discussion and Analysis of Financial Performance**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make assumptions, estimates, and judgments that affect the amounts reported in the financial statements. The System considers critical accounting policies to be those that require significant judgment and estimates in the preparation of its financial statements, including the following: recognition of net patient service revenue, reserve for losses and expenses related to health care professional and general liability risks, and risks and assumptions for measurement of pension liabilities. The System's management relies on historical experience and on other assumptions believed to be reasonable under the circumstances in making its judgment and estimates. Actual results could differ from those estimates.

## Patient Service Revenue

HSHS patient service revenue increased by \$147.5 million or 5.7% compared to the twelve months ended June 30, 2021. This change represents an increase in outpatient registrations of 9.4% and emergency room visits of 11.4% for the same period.

Outpatient revenue as a percent of total gross patient revenues rose to 61.7% for FY2022 compared to 59.0% for FY2021.

The following chart details the payor mix as a percent of net patient revenue. There was minimal change between payor categories during this fiscal year. Management believes the payor mix is stable.

Payor Mix	FY2022	FY2021
Medicare	35%	36%
Medicaid	13%	12%
Managed Care	45%	44%
Self-Pay	1%	2%
Other	6%	6%

## Expenses

Hospitals and affiliates are expected to flex both fixed and variable operating expenses to match expenses with changes in patient volume and revenue. HSHS commits significant resources providing department managers and System leadership with daily productivity reporting and external benchmarking tools that support the determination and monitoring of proper staffing levels.

### Salaries and benefits

As a percentage of total revenues, HSHS salaries and benefits are 41.6% for the year, compared to the fiscal year ending June 30, 2021 of 38.8%. Local System full time equivalent employees (FTE's) are 454 more than at June 30, 2021. Employee benefits expense increased by \$38 million or 18.7% compared to the prior year.

### Professional Fees

Professional fees are \$12.2 million higher than FY2021. This is related to the use of locums and contract labor in some markets heavily affected by COVID-19 patients and the impact on HSHS colleagues.

### Supplies

Supply expense remained steady at 17.3% of net patient revenue.

### Other Expenses

There are no material changes in other operating expense components.

### Non-operating gains/(losses)

Through June, HSHS reported a non-operating loss of \$118.6 million. Non-operating gains for the same period in fiscal year 2021 were \$345.3 million. There was an unrealized gain of \$20.2 million in the mark-to-market position on the interest rate swaps through this quarter compared with an unrealized gain in the same period last year of \$21.2 million. The chart below details the composition of nonoperating income through the third quarter of FY2022.

	FY2022	FY2021
Investment Income	\$(138,797)	\$324,027
Swap Mark to Market	\$20,193	\$21,249
Total Gain/(Loss)	\$(118,604)	\$345,276

## Consolidated Balance Sheets

### Cash

Day's cash on hand for HSSI, calculated per covenant, as of June 30, 2022, is 294 days. For June 2022, total operating cost per day for HSSI is approximately \$7.5 million.

Total HSSI cash and investments (including assets whose use is limited and restricted) are \$2.0 billion.

### Patient Accounts Receivables

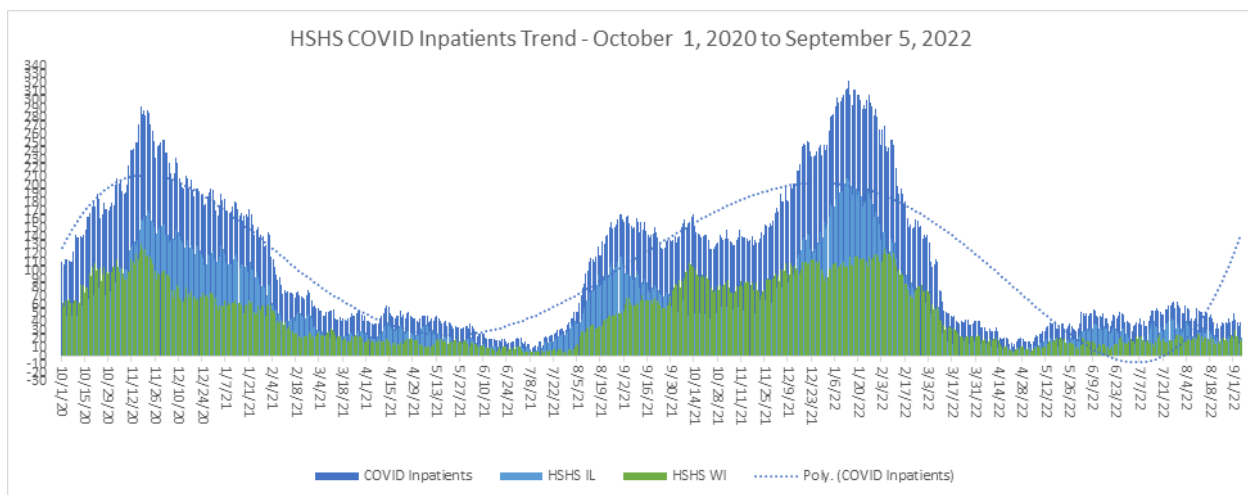
Consolidated days in accounts receivable are 32 days for the quarter ending June 30, 2022, consistent with the beginning of the fiscal year. Net patient accounts receivable of \$350.8 million has decreased \$12.6 million since last fiscal year.

### Operating Statistics

Admissions, outpatient registrations and emergency room volumes have increased through June 2022 compared to the prior year.

## COVID-19 Response

**General:** The System owns 15 hospitals geographically dispersed between Illinois and Wisconsin in non-urban locations. HSHS St. John's-Springfield, IL., HSHS St. Elizabeth's-O'Fallon, IL., HSHS St. Mary's-Green Bay, WI., and HSHS Sacred Heart-Eau Claire, WI., provided care to most COVID-19 patients throughout the System. HSHS was able to focus on the redistribution of clinicians, supplies, and other support to these four hospitals. Generally, HSHS' experience with numbers of COVID-19 patients was significantly less burdensome, but no less acute, compared to larger, urban cities. HSHS' first surge in COVID patients began in August 2020, COVID-19 patient volume increased across the designated COVID hospitals and to a lesser extent to the remaining 11 hospitals. After the widespread vaccine rollout at the beginning of 2021, COVID-19 patient volume decreased significantly across the system, but volume began climbing again amid the Delta and Omicron variant surge beginning in August 2021 and peaking in January 2022. During volume surges, elevated use of locum and contract labor was required to continue to serve the needs of patients. The following chart shows the progression of inpatient activity at all 15 hospitals from April 1, 2020 (first pandemic wave) through September 5, 2022.



With early adoption of up-to-date team-based ventilator protocols specifically aimed to help COVID-19 patients HSHS has seen a dramatic reduction in mortality rate. In addition, HSHS is actively participating in further drug trials such as the Barcona trial at HSHS St. John's Hospital-Springfield in hopes of a further reduction in mortality through



innovative add-on pharmaceutical use. HSHS pursued an aggressive early vaccination campaign both for our colleagues and our communities which resulted in a significant reduction in COVID-19 inpatient volumes prior to the Delta and Omicron waves. The following chart shows the current HSHS' COVID-19 inpatient population by ministry as of September 5, 2022. Lessons learned from the previous surges have helped us to not only serve a higher number of COVID-19 patients during the Omicron phase, but we have been able to do so without large numbers of cancellations for elective services needed for non-COVID-19 patients.

Ministry 09/05/2022	Number of COVID-19 Inpatients	Number in ICU beds	Number on Vent	Prior week trend of COVID-19 Patients	CDC Community Transmission Designation (9/01/22)
<b>HSHS</b>	<b>40</b>	<b>9</b>	<b>3</b>	<b>39 (+1)</b>	
<b>HSHS Illinois</b>	<b>22</b>	<b>6</b>	<b>1</b>	<b>22 (Unchanged)</b>	
<b>HSHS Wisconsin</b>	<b>18</b>	<b>3</b>	<b>2</b>	<b>17 (+1)</b>	
<b>Vaccinated *</b>	<b>16%</b>	<b>0%</b>	<b>0%</b>		
<b>Unvaccinated *</b>	<b>84%</b>	<b>100%</b>	<b>0%</b>		
St. John's Springfield	12	4	1	+1	High
St. Elizabeth's O'Fallon	3	0	0	0	High
St. Mary's Decatur	2	1	0	0	High
St. Anthony's Effingham	5	1	0	+4	High
St. Francis Litchfield	0	0	0	-3	High
St. Joseph's Highland	0	0	0	-1	High
St. Joseph's Breese	0	0	0	0	High
Holy Family Greenville	0	0	0	-1	High
Good Shepherd Shelbyville	0	0	0	0	High
St. Mary's Green Bay	1	0	0	-2	High
St. Vincent Green Bay	11	3	2	+4	High
St. Nicholas Sheboygan	2	0	0	-2	High
St. Clare Oconto Falls	1	0	0	+1	High
Sacred Heart Eau Claire	3	0	0	+1	High
St. Joseph's Chippewa Falls	0	0	0	-1	High

**Supply Chain:** HSHS continues to successfully manage its supply chain. HSHS has been obtaining necessary supplies and equipment to treat its patients and redistributing supplies within the System as necessary to respond to the COVID-19 patient resurgence and with high non-COVID-19 census and procedure volume. HSHS has leased additional warehouse space to store supplies for anticipated future need and is managing bi-monthly deliveries to all HSHS Hospitals through an internal logistics operation created in FY2020. Conservation and sanitization procedures to extend the life of masks, gowns and other supplies remain in place and the HSHS supply chain team continues to work on sourcing supplies from many traditional and non-traditional sources.

**Liquidity:** HSHS experienced market losses in its strategic fund during the initial stages of the pandemic. On May 8, 2020, HSHS entered two lines of credit, one each with BMO Harris and Commerce Bank totaling \$134 million. This source of funds will be used only as a backstop, if required, to fund operations and potential, though not expected, failed remarketing of self-liquidity bonds. There have been no draws on either line of credit as of June 30, 2022. The BMO line was renewed in May 2022 for \$50 million, the Commerce Bank line was not renewed. Please refer to HSHS' monthly self-liquidity reporting to EMMA in September 2022 for a detailed description of HSHS' liquid assets.

**CMS Advance:** HSHS received \$248.0 million representing six months of advanced funding of HSHS' expected Medicare reimbursements. As of September 30, 2022, HSHS estimates that \$186.4 million has been returned to CMS. HSHS anticipates that the remaining CMS advance funding will be returned in October 2022.

**CARES Act Grants:** HSHS received \$146.9 million for reported and documented health care related expenses, lost revenues due to COVID-19, and costs related to building or construction of temporary structures in FY2020. HSHS

received an additional \$21.5 million after the fiscal year end. HSHS does not expect to be required to repay these grant monies. On November 2, 2020, HHS posted revised Post-Payment Notice of Reporting Requirements that were referenced in the terms and conditions of the CARES Act. This document provides guidance on what constitutes direct costs as well as defines “lost revenue” as the negative change in year over year actual revenue to budgeted revenue from patient care related sources. HSHS received \$95.3 million in CARES Act grants after the end of the 2nd quarter of FY2021 and \$127.1 million was recognized in FY2021 and \$36.9 million was recognized in FY2022. HSHS also received \$5.7M in provider relief funds and \$2.8M from FEMA in FY2022.

**State & Federal Grants:** As of June 30, 2022, HSHS active awarded state and federal grants in Illinois and Wisconsin that total \$33.0 million which is an all-time high for HSHS. In addition, HSHS has more than \$36.3 million pending state and federal grant applications. Awarded grants make up a diverse portfolio of state and federal grants and include behavioral health, cancer research, and telehealth. HSHS has seen consistent growth in total amounts of new awards: FY22 (actual): \$18.5 million; FY21 (actual): \$5.4 million; FY20 (actual): \$5.8 million.

### **Caution Concerning Forward Looking Statements**

The above description of the impact of the pandemic and other portions of this disclosure for the twelve months ended June 30, 2022, contain forward-looking statements that involve risks and uncertainties. In some cases, forward-looking statements can be identified by terms such as “plan,” “expect,” “believe,” “estimate,” “budget,” or similar expressions intended to identify forward-looking statements. These statements reflect the current views of HSHS with respect to future events and are based on assumptions and subject to risks and uncertainties. All statements other than statements of historical fact are, or may be deemed to be, forward looking statements. The COVID-19 health situation and related available information, government programs and restrictions, the economy and related impacts are all continually changing. Investors and potential investors should not place undue reliance on forward looking statements. Each forward-looking statement speaks only as of the date of the statement. HSHS undertakes no obligation to publicly update or revise any forward-looking statement as a result of new information, future events, or other information. Considering these risks, results could differ materially from those stated, implied, or inferred from the forward-looking statements contained in this disclosure for the twelve months ended June 30, 2022.

## EXHIBIT C

### NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer **Southwestern Illinois Development Authority**

Obligated Person(s) Hospital Sisters Services, Inc. and the Members of the Obligated Group

Name of Bond Issue(s): Southwestern Illinois Development Authority  
Health Facility Revenue Bonds, Series 2016  
(Hospital Sisters Services, Inc. – Obligated Group)

Date of Bond Issue(s): December 1, 2016

Date of Official Statement: December 22, 2016

CUSIP Number: 84553AAJ1

#### **Southwestern Illinois Development Authority**

Hospital Sisters Services, Inc. and the Members of the Obligated Group

Southwestern Illinois Development Authority  
Health Facility Revenue Bonds, Series 2017A  
(Hospital Sisters Services, Inc. – Obligated Group)

Date of Issue: February 1, 2017

Date of Official Statement: January 18, 2017

CUSIP Number: Series 2017A Bonds  
84553AAK8  
84553AAL6  
84553AAM4  
84553AAN2

Date of Bond Issue: February 1, 2017

Date of Official Statement: January 26, 2017

CUSIP Number: Series 2017B Bonds  
84553AAP7

#### **Wisconsin Health and Educational Facilities Authority and Illinois Finance Authority**

Hospital Sister Services, Inc. and the Members of the Obligated Group

Wisconsin Health and Educational Facilities Authority  
Revenue Refunding Bonds, Series 2014A  
(Hospital Sister Services, Inc. – Obligated Group)

Date of Issue: November 1, 2014

Date of Official Statement: November 5, 2014

CUSIP Number: 97712DHC3 97712DHD1  
97712DHE9 97712DHF6  
97712DHG4 97712DHH2  
97712DHJ8 97712DHK5  
97712DHL3 97712DHM1  
97712DHN9

Wisconsin Health and Educational Authority  
Revenue Refunding Bonds, Series 2012B  
(Hospital Sisters Services, Inc. – Obligated Group)

Date of Bond Issue: October 1, 2012

Date of Official Statement: September 13, 2012

CUSIP Number: 97710B4K5  
97710B4L3  
97710B4L3

**Illinois Finance Authority**

Hospital Sisters Services, Inc. and the Members of the Obligated Group

Illinois Finance Authority  
Revenue Bonds, Series 2012A (Private Placement)  
(Hospital Sisters Services, Inc. – Obligated Group)

Date of Bond Issue: October 1, 2012

Date of Official Statement: N/A

CUSIP Number: N/A

**Illinois Finance Authority**  
Revenue Bonds, Series 2012C

Date of Bond Issue: October 1, 2012

Date of Official Statement: September 13, 2012

CUSIP Number: Series 2012C Bonds

45203HLQ3  
45203HLR1  
45203HLS9

Date of Bond Issue: October 1, 2012  
Date of Official Statement: September 21, 2012  
CUSIP Number: Series 2012G  
45203HMB5

Date of Bond Issue: October 1, 2012  
Date of Official Statement: September 12, 2012

CUSIP Number:	Series 2012H	Series 2012I
	<u>Bonds</u>	<u>Bonds</u>
	45203HLX8	45203HLY6

Date CUSIPS Inactivated:	10/9/2020	10/9/2020
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