



Facility Name & ID Number Lexington of Lake Zurich

# 0039768 Report Period Beginning: 01/01/2007 Ending: 12/31/2007

III. STATISTICAL DATA

A. Licensure/certification level(s) of care; enter number of beds/bed days, (must agree with license). Date of change in licensed beds 1/12/07 & 12/27/07

	1	2	3	4	
	Beds at Beginning of Report Period	Licensure Level of Care	Beds at End of Report Period	Licensed Bed Days During Report Period	
1	213	Skilled (SNF)	209	78,074	1
2		Skilled Pediatric (SNF/PED)			2
3		Intermediate (ICF)			3
4		Intermediate/DD			4
5		Sheltered Care (SC)			5
6		ICF/DD 16 or Less			6
7	213	TOTALS	209	78,074	7

B. Census-For the entire report period.

	1 Level of Care	2 Patient Days by Level of Care and Primary Source of Payment				5 Total	
		3 Medicaid Recipient	3 Private Pay	4 Other	4 Total		
8	SNF	2,596	965	10,955	14,516	8	
9	SNF/PED					9	
10	ICF	43,722	7,167	1,933	52,822	10	
11	ICF/DD					11	
12	SC					12	
13	DD 16 OR LESS					13	
14	TOTALS	46,318	8,132	12,888	67,338	14	

C. Percent Occupancy. (Column 5, line 14 divided by total licensed bed days on line 7, column 4.) 86.25%

D. How many bed-hold days during this year were paid by the Department?

None (Do not include bed-hold days in Section B.)

E. List all services provided by your facility for non-patients.

(E.g., day care, "meals on wheels", outpatient therapy)

None

F. Does the facility maintain a daily midnight census?

Yes

G. Do pages 3 & 4 include expenses for services or investments not directly related to patient care?

YES  NO

Note: Non-allowable costs have been eliminated in Schedule V, Column 7.

H. Does the BALANCE SHEET (page 17) reflect any non-care assets?

YES  NO

I. On what date did you start providing long term care at this location?

Date started 08/20/94

J. Was the facility purchased or leased after January 1, 1978?

YES  Date \_\_\_\_\_ NO

K. Was the facility certified for Medicare during the reporting year?

YES  NO  If YES, enter number of beds certified 209 and days of care provided 10,521

Medicare Intermediary National Government Services

IV. ACCOUNTING BASIS

ACCRAUAL  MODIFIED CASH\*  CASH\*

Is your fiscal year identical to your tax year? YES  NO

Tax Year: 12/31/07 Fiscal Year: 12/31/07

\* All facilities other than governmental must report on the accrual basis.

SEE ACCOUNTANTS' COMPILATION REPORT

Facility Name & ID Number Lexington of Lake Zurich # 0039768 Report Period Beginning: 01/01/2007 Ending: 12/31/2007

**V. COST CENTER EXPENSES (throughout the report, please round to the nearest dollar)**

	Operating Expenses	Costs Per General Ledger				Reclass-ification 5	Reclassified Total 6	Adjust-ments 7**	Adjusted Total 8	FOR BHF USE ONLY	
		Salary/Wage 1	Supplies 2	Other 3	Total 4					9	10
	<b>A. General Services</b>										
1	Dietary	348,688	30,789	10,934	390,411		390,411		390,411		1
2	Food Purchase		340,655		340,655		340,655	(15,308)	325,347		2
3	Housekeeping	336,268	33,030		369,298		369,298	310	369,608		3
4	Laundry	64,803	18,324		83,127		83,127		83,127		4
5	Heat and Other Utilities			252,965	252,965		252,965	5,704	258,669		5
6	Maintenance	36,689		145,955	182,644		182,644	44,412	227,056		6
7	Other (specify):* <b>Allocated Benefits</b>							5,557	5,557		7
8	<b>TOTAL General Services</b>	786,448	422,798	409,854	1,619,100		1,619,100	40,675	1,659,775		8
	<b>B. Health Care and Programs</b>										
9	Medical Director			51,789	51,789		51,789		51,789		9
10	Nursing and Medical Records	3,647,355	206,885	464,721	4,318,961		4,318,961	11,807	4,330,768		10
10a	Therapy			856,593	856,593		856,593		856,593		10a
11	Activities	258,240	30,319	4,612	293,171		293,171		293,171		11
12	Social Services	125,482		7,756	133,238		133,238		133,238		12
13	CNA Training										13
14	Program Transportation										14
15	Other (specify):* <b>Allocated Benefits</b>							1,055	1,055		15
16	<b>TOTAL Health Care and Programs</b>	4,031,077	237,204	1,385,471	5,653,752		5,653,752	12,862	5,666,614		16
	<b>C. General Administration</b>										
17	Administrative	108,044		1,059,871	1,167,915		1,167,915	(962,038)	205,877		17
18	Directors Fees										18
19	Professional Services			81,104	81,104		81,104	6,479	87,583		19
20	Dues, Fees, Subscriptions & Promotions			23,904	23,904		23,904	1,260	25,164		20
21	Clerical & General Office Expenses	261,781	31,978	21,113	314,872		314,872	354,948	669,820		21
22	Employee Benefits & Payroll Taxes			803,454	803,454		803,454	15,308	818,762		22
23	Inservice Training & Education			295	295		295		295		23
24	Travel and Seminar			8,182	8,182		8,182	490	8,672		24
25	Other Admin. Staff Transportation			3,931	3,931		3,931	16,741	20,672		25
26	Insurance-Prop.Liab.Malpractice			276,434	276,434		276,434	3,656	280,090		26
27	Other (specify):* <b>Allocated Benefits</b>							65,978	65,978		27
28	<b>TOTAL General Administration</b>	369,825	31,978	2,278,288	2,680,091		2,680,091	(497,178)	2,182,913		28
29	<b>TOTAL Operating Expense (sum of lines 8, 16 &amp; 28)</b>	5,187,350	691,980	4,073,613	9,952,943		9,952,943	(443,641)	9,509,302		29

\*Attach a schedule if more than one type of cost is included on this line, or if the total exceeds \$1000.

SEE ACCOUNTANTS' COMPILATION REPORT

NOTE: Include a separate schedule detailing the reclassifications made in column 5. Be sure to include a detailed explanation of each reclassification.

Facility Name & ID Number Lexington of Lake Zurich

#0039768

Report Period Beginning:

01/01/2007

Ending:

12/31/2007

## V. COST CENTER EXPENSES (continued)

	Capital Expense	Cost Per General Ledger				Reclass-ification 5	Reclassified Total 6	Adjust-ments 7**	Adjusted Total 8	FOR BHF USE ONLY		
		Salary/Wage 1	Supplies 2	Other 3	Total 4					9	10	
	<b>D. Ownership</b>											
30	Depreciation			132,537	132,537		132,537	211,785	344,322			30
31	Amortization of Pre-Op. & Org.											31
32	Interest			222,661	222,661		222,661	164,786	387,447			32
33	Real Estate Taxes							141,088	141,088			33
34	Rent-Facility & Grounds			1,449,486	1,449,486		1,449,486	(1,445,678)	3,808			34
35	Rent-Equipment & Vehicles			61,303	61,303		61,303	4,371	65,674			35
36	Other (specify):*											36
37	<b>TOTAL Ownership</b>			1,865,987	1,865,987		1,865,987	(923,648)	942,339			37
	<b>Ancillary Expense</b>											
	<b>E. Special Cost Centers</b>											
38	Medically Necessary Transportation											38
39	Ancillary Service Centers		443,760	9,742	453,502		453,502		453,502			39
40	Barber and Beauty Shops			28,800	28,800		28,800		28,800			40
41	Coffee and Gift Shops			15,264	15,264		15,264		15,264			41
42	Provider Participation Fee			117,149	117,149		117,149		117,149			42
43	Other (specify):* <b>Non-allowable Cos</b>			86,757	86,757		86,757	(86,757)				43
44	<b>TOTAL Special Cost Centers</b>		443,760	257,712	701,472		701,472	(86,757)	614,715			44
45	<b>GRAND TOTAL COST</b> (sum of lines 29, 37 & 44)	5,187,350	1,135,740	6,197,312	12,520,402		12,520,402	(1,454,046)	11,066,356			45

\*Attach a schedule if more than one type of cost is included on this line, or if the total exceeds \$1000.

\*\*See schedule of adjustments attached at end of cost report.

SEE ACCOUNTANTS' COMPILATION REPORT

**VI. ADJUSTMENT DETAIL**

**A. The expenses indicated below are non-allowable and should be adjusted out of Schedule V, pages 3 or 4 via column 7. In column 2 below, reference the line on which the particular cost was included. (See instructions.)**

		1	2	3	
	<b>NON-ALLOWABLE EXPENSES</b>	<b>Amount</b>	<b>Refer- ence</b>	<b>BHF USE ONLY</b>	
1	Day Care	\$		\$	1
2	Other Care for Outpatients				2
3	Governmental Sponsored Special Programs				3
4	Non-Patient Meals				4
5	Telephone, TV & Radio in Resident Rooms	(5,263)	43		5
6	Rented Facility Space				6
7	Sale of Supplies to Non-Patients				7
8	Laundry for Non-Patients				8
9	Non-Straightline Depreciation				9
10	Interest and Other Investment Income	(206,232)	32		10
11	Discounts, Allowances, Rebates & Refunds				11
12	Non-Working Officer's or Owner's Salary				12
13	Sales Tax	(1,083)	43		13
14	Non-Care Related Interest				14
15	Non-Care Related Owner's Transactions				15
16	Personal Expenses (Including Transportation)				16
17	Non-Care Related Fees				17
18	Fines and Penalties				18
19	Entertainment				19
20	Contributions	(2,000)	43		20
21	Owner or Key-Man Insurance				21
22	Special Legal Fees & Legal Retainers				22
23	Malpractice Insurance for Individuals				23
24	Bad Debt	(20,978)	43		24
25	Fund Raising, Advertising and Promotional	(19,664)	43		25
26	Income Taxes and Illinois Personal Property Replacement Tax	(469)	43		26
27	CNA Training for Non-Employees				27
28	Yellow Page Advertising				28
29	Other-Attach Schedule See Pg. 5A	(284,368)			29
30	<b>SUBTOTAL (A): (Sum of lines 1-29)</b>	\$ (540,057)		\$	30

**B. If there are expenses experienced by the facility which do not appear in the general ledger, they should be entered below.(See instructions.)**

		1	2	
		<b>Amount</b>	<b>Reference</b>	
31	Non-Paid Workers-Attach Schedule*	\$		31
32	Donated Goods-Attach Schedule*			32
33	Amortization of Organization & Pre-Operating Expense			33
34	Adjustments for Related Organization Costs (Schedule VII)	(913,989)		34
35	Other- Attach Schedule			35
36	<b>SUBTOTAL (B): (sum of lines 31-35)</b>	\$ (913,989)		36
	(sum of SUBTOTALS			
37	<b>TOTAL ADJUSTMENTS (A) and (B) )</b>	\$ (1,454,046)		37

\*These costs are only allowable if they are necessary to meet minimum licensing standards. Attach a schedule detailing the items included on these lines.

**C. Are the following expenses included in Sections A to D of pages 3 and 4? If so, they should be reclassified into Section E. Please reference the line on which they appear before reclassification. (See instructions.)**

		1	2	3	4	
		<b>Yes</b>	<b>No</b>	<b>Amount</b>	<b>Reference</b>	
38	Medically Necessary Transport.		x	\$		38
39						39
40	Gift and Coffee Shops		x			40
41	Barber and Beauty Shops		x			41
42	Laboratory and Radiology		x			42
43	Prescription Drugs		x			43
44	Exceptional Care Program		x			44
45	Other-Attach Schedule		x			45
46	Other-Attach Schedule		x			46
47	<b>TOTAL (C): (sum of lines 38-46)</b>			\$		47

<b>BHF USE ONLY</b>							
48		49		50		51	52

SEE ACCOUNTANTS' COMPILATION REPORT

Lexington of Lake Zurich

ID# 0039768

Report Period Beginning: 01/01/2007

Ending: 12/31/2007

NON-ALLOWABLE EXPENSES		Amount	Reference	Sch. V Line
1	X-Rays-Part A	\$ (14,423)	43	1
2	Labs-Part A	(22,878)	43	2
3	Misc. Income	(1,026)	21	3
4	Collections	(9,195)	19	4
5	Trust Fees	(205)	43	5
6	Loss from extinguishment of debt	(187,919)	43	6
7	Marketing Salaries	(48,722)	21	7
8				8
9				9
10				10
11				11
12				12
13				13
14				14
15				15
16				16
17				17
18				18
19				19
20				20
21				21
22				22
23				23
24				24
25				25
26				26
27				27
28				28
29				29
30				30
31				31
32				32
33				33
34				34
35				35
36				36
37				37
38				38
39				39
40				40
41				41
42				42
43				43
44				44
45				45
46				46
47				47
48				48
49	<b>Total</b>	(284,368)		49

SEE ACCOUNTANTS' COMPILATION REPORT

## STATE OF ILLINOIS

Summary A

Facility Name & ID Number Lexington of Lake Zurich# 0039768

Report Period Beginning:

01/01/2007

Ending:

12/31/2007

## SUMMARY OF PAGES 5, 5A, 6, 6A, 6B, 6C, 6D, 6E, 6F, 6G, 6H AND 6I

	Operating Expenses	PAGES	PAGE	PAGE	PAGE	PAGE	PAGE	PAGE	PAGE	PAGE	PAGE	PAGE	SUMMARY	
	A. General Services	5 & 5A	6	6A	6B	6C	6D	6E	6F	6G	6H	6I	TOTALS	
													(to Sch V, col.7)	
1	Dietary	0	0	0	0	0	0	0	0	0	0	0	0	1
2	Food Purchase	0	0	0	0	0	0	0	0	0	0	0	0	2
3	Housekeeping	0	0	310	0	0	0	0	0	0	0	0	310	3
4	Laundry	0	0	0	0	0	0	0	0	0	0	0	0	4
5	Heat and Other Utilities	0	0	5,704	0	0	0	0	0	0	0	0	5,704	5
6	Maintenance	0	0	44,412	0	0	0	0	0	0	0	0	44,412	6
7	Other (specify):*	0	0	5,557	0	0	0	0	0	0	0	0	5,557	7
8	<b>TOTAL General Services</b>	<b>0</b>	<b>0</b>	<b>55,983</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>55,983</b>	<b>8</b>
	<b>B. Health Care and Programs</b>													
9	Medical Director	0	0	0	0	0	0	0	0	0	0	0	0	9
10	Nursing and Medical Records	0	0	11,807	0	0	0	0	0	0	0	0	11,807	10
10a	Therapy	0	0	0	0	0	0	0	0	0	0	0	0	10a
11	Activities	0	0	0	0	0	0	0	0	0	0	0	0	11
12	Social Services	0	0	0	0	0	0	0	0	0	0	0	0	12
13	CNA Training	0	0	0	0	0	0	0	0	0	0	0	0	13
14	Program Transportation	0	0	0	0	0	0	0	0	0	0	0	0	14
15	Other (specify):*	0	0	1,055	0	0	0	0	0	0	0	0	1,055	15
16	<b>TOTAL Health Care and Programs</b>	<b>0</b>	<b>0</b>	<b>12,862</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12,862</b>	<b>16</b>
	<b>C. General Administration</b>													
17	Administrative	0	0	97,833	(1,059,871)	0	0	0	0	0	0	0	(962,038)	17
18	Directors Fees	0	0	0	0	0	0	0	0	0	0	0	0	18
19	Professional Services	(9,195)	0	15,674	0	0	0	0	0	0	0	0	6,479	19
20	Fees, Subscriptions & Promotions	0	0	1,260	0	0	0	0	0	0	0	0	1,260	20
21	Clerical & General Office Expenses	(49,748)	0	398,580	6,117	0	0	0	0	0	0	0	354,949	21
22	Employee Benefits & Payroll Taxes	0	0	0	0	0	0	0	0	0	0	0	0	22
23	Inservice Training & Education	0	0	0	0	0	0	0	0	0	0	0	0	23
24	Travel and Seminar	0	0	0	490	0	0	0	0	0	0	0	490	24
25	Other Admin. Staff Transportation	0	0	0	16,741	0	0	0	0	0	0	0	16,741	25
26	Insurance-Prop.Liab.Malpractice	0	0	0	3,656	0	0	0	0	0	0	0	3,656	26
27	Other (specify):*	0	0	0	65,978	0	0	0	0	0	0	0	65,978	27
28	<b>TOTAL General Administration</b>	<b>(58,943)</b>	<b>0</b>	<b>513,347</b>	<b>(966,889)</b>	<b>0</b>	<b>(512,485)</b>	<b>28</b>						
29	<b>TOTAL Operating Expense</b> (sum of lines 8,16 & 28)	<b>(58,943)</b>	<b>0</b>	<b>582,192</b>	<b>(966,889)</b>	<b>0</b>	<b>(443,640)</b>	<b>29</b>						

STATE OF ILLINOIS

Summary B

Facility Name & ID Number Lexington of Lake Zurich

# 0039768

Report Period Beginning:

01/01/2007

Ending:

12/31/2007

SUMMARY OF PAGES 5, 5A, 6, 6A, 6B, 6C, 6D, 6E, 6F, 6G, 6H AND 6I

	Capital Expense	PAGES	PAGE	PAGE	PAGE	PAGE	PAGE	PAGE	PAGE	PAGE	PAGE	PAGE	SUMMARY TOTALS	
	D. Ownership	5 & 5A	6	6A	6B	6C	6D	6E	6F	6G	6H	6I	(to Sch V, col.7)	
30	Depreciation	0	162,196	0	49,589	0	0	0	0	0	0	0	211,785	30
31	Amortization of Pre-Op. & Org.	0	0	0	0	0	0	0	0	0	0	0	0	31
32	Interest	(206,232)	357,392	0	13,626	0	0	0	0	0	0	0	164,786	32
33	Real Estate Taxes	0	137,486	0	3,602	0	0	0	0	0	0	0	141,088	33
34	Rent-Facility & Grounds	0	(1,449,486)	0	3,808	0	0	0	0	0	0	0	(1,445,678)	34
35	Rent-Equipment & Vehicles	0	0	0	4,371	0	0	0	0	0	0	0	4,371	35
36	Other (specify):*	0	0	0	0	0	0	0	0	0	0	0	0	36
37	<b>TOTAL Ownership</b>	<b>(206,232)</b>	<b>(792,412)</b>	<b>0</b>	<b>74,996</b>	<b>0</b>	<b>(923,648)</b>	<b>37</b>						
	<b>Ancillary Expense</b>													
	<b>E. Special Cost Centers</b>													
38	Medically Necessary Transportation	0	0	0	0	0	0	0	0	0	0	0	0	38
39	Ancillary Service Centers	0	0	0	0	0	0	0	0	0	0	0	0	39
40	Barber and Beauty Shops	0	0	0	0	0	0	0	0	0	0	0	0	40
41	Coffee and Gift Shops	0	0	0	0	0	0	0	0	0	0	0	0	41
42	Provider Participation Fee	0	0	0	0	0	0	0	0	0	0	0	0	42
43	Other (specify):*	(274,882)	188,124	0	0	0	0	0	0	0	0	0	(86,758)	43
44	<b>TOTAL Special Cost Centers</b>	<b>(274,882)</b>	<b>188,124</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(86,758)</b>	<b>44</b>
45	<b>GRAND TOTAL COST</b> (sum of lines 29, 37 & 44)	<b>(540,057)</b>	<b>(604,288)</b>	<b>582,192</b>	<b>(891,893)</b>	<b>0</b>	<b>(1,454,046)</b>	<b>45</b>						

VII. RELATED PARTIES

A. Enter below the names of ALL owners and related organizations (parties) as defined in the instructions. Attach an additional schedule if necessary.

1 OWNERS		2 RELATED NURSING HOMES		3 OTHER RELATED BUSINESS ENTITIES		
Name	Ownership %	Name	City	Name	City	Type of Business
James Samatas Discretionary Trust	33.33			Lexington Health Care Systems of		
John Samatas Discretionary Trust	33.33	See Attached Schedule B		Lake Zurich Ltd Ptsp	Lake Zurich	Real Estate Ptsp.
Cynthia Thiem Discretionary Trust	33.34			Royal Mgmt. Corp.	Lombard	Mgmt. Co.
				Lexington Financial		
				Services II,L.L.C.	Lombard	Finance Co.

B. Are any costs included in this report which are a result of transactions with related organizations? This includes rent, management fees, purchase of supplies, and so forth.  YES  NO

If yes, costs incurred as a result of transactions with related organizations must be fully itemized in accordance with the instructions for determining costs as specified for this form.

1	2	3 Cost Per General Ledger	4	5 Cost to Related Organization	6	7	8 Difference:		
Schedule V	Line	Item	Amount	Name of Related Organization	Percent of Ownership	Operating Cost of Related Organization	Adjustments for Related Organization Costs (7 minus 4)		
1	V	30 Depreciation	\$	Lexington Helath Care Systems of Lake Zurich Ltd Ptsp	**	\$ 162,196	\$ 162,196	1	
2	V	32 Interest Expense		Lexington Helath Care Systems of Lake Zurich Ltd Ptsp	**	356,655	356,655	2	
3	V	32 Amortization of Mortgage Costs		Lexington Helath Care Systems of Lake Zurich Ltd Ptsp	**	737	737	3	
4	V	33 Property Taxes		Lexington Helath Care Systems of Lake Zurich Ltd Ptsp	**	137,486	137,486	4	
5	V	34 Rental Expense	1,449,486	Lexington Helath Care Systems of Lake Zurich Ltd Ptsp	**		(1,449,486)	5	
6	V	43 Trust Fees		Lexington Helath Care Systems of Lake Zurich Ltd Ptsp	**	205	205	6	
7	V	43 Loss from extinguishment of debt		Lexington Helath Care Systems of Lake Zurich Ltd Ptsp	**	187,919	187,919	7	
8	V							8	
9	V							9	
10	V							10	
11	V	** The owners of Lexington Health Care Center of Lake Zurich, Inc. own 100% of Lexington Health Care Systems of Lake Zurich Limited Partnership.							11
12	V							12	
13	V							13	
14	Total		\$ 1,449,486			\$ 845,198	\$ * (604,288)	14	

\* Total must agree with the amount recorded on line 34 of Schedule VI.

SEE ACCOUNTANTS' COMPILATION REPORT

Facility Name & ID Number Lexington of Lake Zurich# 0039768Report Period Beginning: 01/01/2007 Ending: 12/31/2007

## VII. RELATED PARTIES (continued)

B. Are any costs included in this report which are a result of transactions with related organizations? This includes rent, management fees, purchase of supplies, and so forth.  YES  NO

If yes, costs incurred as a result of transactions with related organizations must be fully itemized in accordance with the instructions for determining costs as specified for this form.

1	2	3 Cost Per General Ledger	4	5 Cost to Related Organization	6	7	8 Difference:			
Schedule V	Line	Item	Amount	Name of Related Organization	Percent of Ownership	Operating Cost of Related Organization	Adjustments for Related Organization Costs (7 minus 4)			
15	V	3 Housekeeping supplies	\$	Royal Management Corp.	**	\$ 310	\$	310	15	
16	V	5 Utilities - gas & electric		Royal Management Corp.	**	4,737		4,737	16	
17	V	5 Utilities - water & sewer		Royal Management Corp.	**	118		118	17	
18	V	5 Utilities - maintenance office		Royal Management Corp.	**	849		849	18	
19	V	6 Management allocation - salaries		Royal Management Corp.	**	40,599		40,599	19	
20	V	6 Repairs & maintenance		Royal Management Corp.	**	3,627		3,627	20	
21	V	6 Scavenger & exterminating		Royal Management Corp.	**	178		178	21	
22	V	6 Security service		Royal Management Corp.	**	8		8	22	
23	V	7 Management allocation - employee benefits		Royal Management Corp.	**	5,557		5,557	23	
24	V	10 Medical consultant		Royal Management Corp.	**	4,099		4,099	24	
25	V	10 Management allocation - salaries		Royal Management Corp.	**	7,708		7,708	25	
26	V	15 Management allocation - employee benefits		Royal Management Corp.	**	1,055		1,055	26	
27	V	17 Management allocation - salaries		Royal Management Corp.	**	97,833		97,833	27	
28	V	19 Computer consultant & supplies		Royal Management Corp.	**	12,116		12,116	28	
29	V	19 Professional fees		Royal Management Corp.	**	3,558		3,558	29	
30	V	20 Dues & subscriptions		Royal Management Corp.	**	511		511	30	
31	V	21 Communications		Royal Management Corp.	**	121		121	31	
32	V	20 Advertising - help wanted		Royal Management Corp.	**	749		749	32	
33	V	21 Management allocation - salaries		Royal Management Corp.	**	384,160		384,160	33	
34	V	21 Bank charges		Royal Management Corp.	**	1,088		1,088	34	
35	V	21 Office supplies & printing		Royal Management Corp.	**	9,674		9,674	35	
36	V	21 Postage		Royal Management Corp.	**	3,537		3,537	36	
37	V								37	
38	V	**Certain owners of Lexington Health Care Center of Lake Zurich, Inc. own 100% of Royal Management Corp								38
39	Total		\$			\$ 582,192	\$ *	582,192	39	

\* Total must agree with the amount recorded on line 34 of Schedule VI.

SEE ACCOUNTANTS' COMPILATION REPORT

VII. RELATED PARTIES (continued)

B. Are any costs included in this report which are a result of transactions with related organizations? This includes rent, management fees, purchase of supplies, and so forth.  YES  NO

If yes, costs incurred as a result of transactions with related organizations must be fully itemized in accordance with the instructions for determining costs as specified for this form.

1	2	3 Cost Per General Ledger	4	5 Cost to Related Organization	6	7	8 Difference:	
Schedule V	Line	Item	Amount	Name of Related Organization	Percent of Ownership	Operating Cost of Related Organization	Adjustments for Related Organization Costs (7 minus 4)	
15	V	21 Telephone	\$	Royal Management Corp.	**	\$ 6,117	\$ 6,117	
16	V	24 Travel & seminar		Royal Management Corp.	**	490	490	
17	V	25 Auto expense		Royal Management Corp.	**	16,741	16,741	
18	V	26 Insurance general		Royal Management Corp.	**	3,656	3,656	
19	V	27 Management allocation - employee benefits		Royal Management Corp.	**	65,978	65,978	
20	V	30 Depreciation		Royal Management Corp.	**	49,589	49,589	
21	V	32 Interest		Royal Management Corp.	**	13,601	13,601	
22	V	32 Amortization of mortgage costs		Royal Management Corp.	**	25	25	
23	V	33 Property taxes		Royal Management Corp.	**	3,602	3,602	
24	V	34 Rent expense		Royal Management Corp.	**	3,808	3,808	
25	V	35 Equipment rental		Royal Management Corp.	**	1,102	1,102	
26	V	17 Management fees	1,059,871	Royal Management Corp.	**		(1,059,871)	
27	V	35 Auto Lease		Royal Management Corp.	**	3,269	3,269	
28	V							
29	V							
30	V							
31	V							
32	V							
33	V							
34	V							
35	V							
36	V							
37	V	**Certain owners of Lexington Health Care Center of Lake Zurich, Inc. own 100% of Royal Management Corp						
38	V							
39	Total		\$ 1,059,871			\$ 167,978	\$ * (891,893)	

\* Total must agree with the amount recorded on line 34 of Schedule VI.

SEE ACCOUNTANTS' COMPILATION REPORT

**Lexington Health Care Center of Lake Zurich, Inc.**  
**Provider # 0039768**  
**1/1/07-12/31/07**

**Schedule 6B**

VII. Related Parties  
Related Nursing Homes

Name of facility

City

Lexington Health Care Center of Lombard, Inc.	Lombard
Lexington Health Care Center of Bloomingdale, Inc.	Bloomingdale
Lexington Health Care Center of Elmhurst, Inc.	Elmhurst
Lexington Health Care Center of LaGrange, Inc.	LaGrange
Lexington Health Care Center of Wheeling, Inc.	Wheeling
Lexington Health Care Center of Schaumburg, Inc.	Schaumburg
Lexington Health Care Center of Chicago Ridge, Inc.	Chicago Ridge
Lexington Health Care Center of Streamwood, Inc.	Streamwood
Lexington Health Care Center of Orland Park, Inc.	Orland Park

**See Accountants' Compilation Report**

Facility Name &amp; ID Number

Lexington of Lake Zurich

# 0039768

Report Period Beginning:

01/01/2007

Ending:

12/31/2007

## VII. RELATED PARTIES (continued)

## C. Statement of Compensation and Other Payments to Owners, Relatives and Members of Board of Directors.

**NOTE: ALL owners ( even those with less than 5% ownership) and their relatives who receive any type of compensation from this home must be listed on this schedule.**

	1 Name	2 Title	3 Function	4 Ownership Interest	5 Compensation Received From Other Nursing Homes*	6 Average Hours Per Work Week Devoted to this Facility and % of Total Work Week		7 Compensation Included in Costs for this Reporting Period**		8 Schedule V. Line & Column Reference	
						Hours	Percent	Description	Amount		
1	James Samatas	Owner/Officer	Administrative	33.33	See Schedule 7A	4	8.00	Salary	\$ 32,983	L17, C7	1
2	John Samatas	Owner/Officer	Admin/Plant Ops	33.33	See Schedule 7A	3	6.00	Salary	23,560	L17, C7	2
3	Cynthia Thiem	Owner/Officer	Administrative	33.34	See Schedule 7A	3	6.00	Salary	23,560	L17, C7	3
4	Jason Samatas	VP of Operations	Administrative	0.00	See Schedule 7A	5	10.00	Salary	17,730	L17, C7	4
5	Daniel Thiem	Staff Accountant	Accounting	0.00	See Schedule 7A	3	6.00	Salary	3,777	L21, C7	5
6											6
7											7
8						All individuals work in excess of 40 hours per week.					8
9											9
10											10
11											11
12											12
13								TOTAL	\$ 101,610		13

\* If the owner(s) of this facility or any other related parties listed above have received compensation from other nursing homes, attach a schedule detailing the name(s) of the home(s) as well as the amount paid. THIS AMOUNT MUST AGREE TO THE AMOUNTS CLAIMED ON THE THE OTHER NURSING HOMES' COST REPORTS.

\*\* This must include all forms of compensation paid by related entities and allocated to Schedule V of this report (i.e., management fees). FAILURE TO PROPERLY COMPLETE THIS SCHEDULE INDICATING ALL FORMS OF COMPENSATION RECEIVED FROM THIS HOME, ALL OTHER NURSING HOMES AND MANAGEMENT COMPANIES MAY RESULT IN THE DISALLOWANCE OF SUCH COMPENSATION

SEE ACCOUNTANTS' COMPILATION REPORT

Facility Name & ID Number Lexington of Lake Zurich

# 0039768

Report Period Beginning:

01/01/2007

Ending: 2/31/2007

VIII. ALLOCATION OF INDIRECT COSTS

A. Are there any costs included in this report which were derived from allocations of central office or parent organization costs? (See instructions.) YES  NO

Name of Related Organization Royal Management Corp.  
 Street Address 665 W. North Avenue, Suite 500  
 City / State / Zip Code Lombard, IL 60148  
 Phone Number ( 630) 458-4700  
 Fax Number ( 630) 458-4796

B. Show the allocation of costs below. If necessary, please attach worksheets.

1	2	3	4	5	6	7	8	9	
Schedule V Line Reference	Item	Unit of Allocation (i.e.,Days, Direct Cost, Square Feet)	Total Units	Number of Subunits Being Allocated Among	Total Indirect Cost Being Allocated	Amount of Salary Cost Contained in Column 6	Facility Units	Allocation (col.8/col.4)x col.6	
1	3	Housekeeping supplies	Bed Days	748,545	10	\$ 2,970	\$ 78,074	\$ 310	1
2	5	Utilities - gas & electric	Bed Days	748,545	10	45,421	78,074	4,737	2
3	5	Utilities - water & sewer	Bed Days	748,545	10	1,129	78,074	118	3
4	5	Utilities - maintenance office	Bed Days	748,545	10	8,141	78,074	849	4
5	6	Management allocation - salaries	Bed Days	748,545	10	389,246	389,246	40,599	5
6	6	Repairs & maintenance	Bed Days	748,545	10	34,773	78,074	3,627	6
7	6	Scavenger & exterminating	Bed Days	748,545	10	1,705	78,074	178	7
8	6	Security service	Bed Days	748,545	10	78	78,074	8	8
9	7	Management allocation - employee	Bed Days	748,545	10	53,283	78,074	5,557	9
10	10	Medical consultant	Bed Days	748,545	10	39,304	78,074	4,099	10
11	10	Management allocation - salaries	Bed Days	748,545	10	73,905	73,905	7,708	11
12	15	Management allocation - employee	Bed Days	748,545	10	10,117	78,074	1,055	12
13	17	Management allocation - salaries	Bed Days	748,545	10	937,986	937,986	97,833	13
14	19	Computer consultant & supplies	Bed Days	748,545	10	116,160	78,074	12,116	14
15	19	Professional fees	Bed Days	748,545	10	34,111	78,074	3,558	15
16	20	Dues & subscriptions	Bed Days	748,545	10	4,903	78,074	511	16
17	21	Communications	Bed Days	748,545	10	1,161	78,074	121	17
18	20	Advertising - help wanted	Bed Days	748,545	10	7,177	78,074	749	18
19	21	Management allocation - salaries	Bed Days	748,545	10	3,683,186	3,683,186	384,160	19
20	21	Bank charges	Bed Days	748,545	10	10,433	78,074	1,088	20
21	21	Office supplies & printing	Bed Days	748,545	10	92,754	78,074	9,674	21
22	21	Postage	Bed Days	748,545	10	33,908	78,074	3,537	22
23	21	Telephone	Bed Days	748,545	10	58,647	78,074	6,117	23
24	24	Travel and Seminar	Bed Days	748,545	10	4,702	78,074	490	24
25	TOTALS					\$ 5,645,200	\$ 5,084,323	\$ 588,799	25

SEE ACCOUNTANTS' COMPILATION REPORT

Facility Name & ID Number Lexington of Lake Zurich

# 0039768

Report Period Beginning:

01/01/2007

Ending: 2/31/2007

VIII. ALLOCATION OF INDIRECT COSTS

A. Are there any costs included in this report which were derived from allocations of central office or parent organization costs? (See instructions.) YES  NO

Name of Related Organization Royal Management Corp.  
 Street Address 665 W. North Avenue, Suite 500  
 City / State / Zip Code Lombard, IL 60148  
 Phone Number ( 630) 458-4700  
 Fax Number ( 630) 458-4796

B. Show the allocation of costs below. If necessary, please attach worksheets.

1	2	3	4	5	6	7	8	9	
Schedule V Line Reference	Item	Unit of Allocation (i.e., Days, Direct Cost, Square Feet)	Total Units	Number of Subunits Being Allocated Among	Total Indirect Cost Being Allocated	Amount of Salary Cost Contained in Column 6	Facility Units	Allocation (col.8/col.4)x col.6	
1	25	Auto expense	Bed Days	748,545	10	\$ 160,505	\$ 78,074	\$ 16,741	1
2	26	Insurance general	Bed Days	748,545	10	35,055	78,074	3,656	2
3	27	Management allocation - employee	Bed Days	748,545	10	632,578	78,074	65,979	3
4	30	Depreciation	Bed Days	748,545	10	475,433	78,074	49,588	4
5	32	Interest	Bed Days	748,545	10	130,405	78,074	13,601	5
6	32	Amortization of mortgage costs	Bed Days	748,545	10	242	78,074	25	6
7	33	Property taxes	Bed Days	748,545	10	34,533	78,074	3,602	7
8	34	Rent expense	Bed Days	748,545	10	36,507	78,074	3,808	8
9	35	Equipment rental	Bed Days	748,545	10	10,570	78,074	1,102	9
10	35	Auto Lease	Bed Days	748,545	10	31,346	78,074	3,269	10
11									11
12									12
13									13
14									14
15									15
16									16
17									17
18									18
19									19
20									20
21									21
22									22
23									23
24									24
25	TOTALS					\$ 1,547,174	\$	\$ 161,371	25

SEE ACCOUNTANTS' COMPILATION REPORT

Facility Name & ID Number

Lexington of Lake Zurich

# 0039768

Report Period Beginning:

01/01/2007

Ending:

12/31/2007

**IX. INTEREST EXPENSE AND REAL ESTATE TAX EXPENSE**

**A. Interest: (Complete details must be provided for each loan - attach a separate schedule if necessary.)**

1	2	3	4	5	6	7	8	9	10											
										Name of Lender	Related**		Purpose of Loan	Monthly Payment Required	Date of Note	Amount of Note		Maturity Date	Interest Rate (4 Digits)	Reporting Period Interest Expense
											YES	NO				Original	Balance			
<b>A. Directly Facility Related</b>																				
<b>Long-Term</b>																				
1	Lexington Financial	X		Mortgage	\$49,256.00	12/29/98	\$ 6,478,000	\$	12/29/08	0.0675	\$ 109,330	1								
2	Services II, LLC	X		Mortgage	Varies	4/30/07	6,790,000	6,728,890	5/1/2017	0.0625	292,182	2								
3												3								
4												4								
5												5								
<b>Working Capital</b>																				
6	Shareholders	X		Working Capital	None	Varies	270,033	2,385,890	Demand	Prime +1	160,966	6								
7	JP Morgan Chase N.A.		X	Line of Credit	Varies	4/30/07	1,100,000	300,000	5/1/2010	Libor	9,106	7								
8	LaSalle Bank, NA		X	Line of Credit	Varies	12/1/02	750,000		5/31/07	Prime/libor	7,732	8								
9	<b>TOTAL Facility Related</b>				\$49,256.00		\$ 15,388,033	\$ 9,414,780			\$ 579,316	9								
<b>B. Non-Facility Related*</b>																				
10										Amortization of loan cost	762	10								
11										Interest Income offset	(45,266)	11								
12										Allocated from Management Co.	13,601	12								
13										Nonallowable shareholder interest	(160,966)	13								
14	<b>TOTAL Non-Facility Related</b>						\$	\$			\$ (191,869)	14								
15	<b>TOTALS (line 9+line14)</b>						\$ 15,388,033	\$ 9,414,780			\$ 387,447	15								

16) Please indicate the total amount of mortgage insurance expense and the location of this expense on Sch. V.      \$ None                      Line # N/A

\* Any interest expense reported in this section should be adjusted out on page 5, line 14 and, consequently, page 4, col. 7.

(See instructions.)

SEE ACCOUNTANTS' COMPILATION REPORT

\*\* If there is ANY overlap in ownership between the facility and the lender, this must be indicated in column 2.

(See instructions.)

**IX. INTEREST EXPENSE AND REAL ESTATE TAX EXPENSE (continued)**

**B. Real Estate Taxes**

**Important**, please see the next worksheet, "RE\_Tax". The real estate tax statement and bill must accompany the cost report.

1. Real Estate Tax accrual used on 2006 report.		\$	<b>114,000</b>	1
2. Real Estate Taxes paid during the year: (Indicate the tax year to which this payment applies. If payment covers more than one year, detail below.)	2006	\$	<b>116,252</b>	2
3. Under or (over) accrual (line 2 minus line 1).		\$	<b>2,252</b>	3
4. Real Estate Tax accrual used for 2007 report. (Detail and explain your calculation of this accrual on the lines below.)		\$	<b>135,600</b>	4
5. Direct costs of an appeal of tax assessments which has NOT been included in professional fees or other general operating costs on Schedule V, sections A, B or C. <b>(Describe appeal cost below. Attach copies of invoices to support the cost and a copy of the appeal filed with the county.)</b>		\$		5
			<b>3,602</b>	
6. Subtract a refund of real estate taxes. You must offset the full amount of any direct appeal costs classified as a real estate tax cost plus one-half of any remaining refund. <b>TOTAL REFUND \$ For Tax Year. (Attach a copy of the real estate tax appeal board's decision.)</b>		\$	<b>(366)</b>	6
7. Real Estate Tax expense reported on Schedule V, line 33. This should be a combination of lines 3 thru 6.		\$	<b>141,088</b>	7

Allocated from Mgmt. Co.

Real Estate Tax History:

Real Estate Tax Bill for Calendar Year:	2002	<b>136,724</b>	8
	2003	<b>132,805</b>	9
	2004	<b>113,096</b>	10
	2005	<b>111,054</b>	11
	2006	<b>116,252</b>	12

Est. 07 taxes payable 08 **\$113,096**

Add (Per Helter) **\$24,000**

Use: **\$135,600**

<b>FOR BHF USE ONLY</b>			
13	FROM R. E. TAX STATEMENT FOR 2006	\$	13
14	PLUS APPEAL COST FROM LINE 5	\$	14
15	LESS REFUND FROM LINE 6	\$	15
16	AMOUNT TO USE FOR RATE CALCULATION	\$	16

**NOTES:**

1. Please indicate a negative number by use of brackets( ). Deduct any overaccrual of taxes from prior year.
2. If facility is a non-profit which pays real estate taxes, you must attach a denial of an application for real estate tax exemption unless the building is rented from a for-profit entity.  
**This denial must be no more than four years old at the time the cost report is filed.**

SEE ACCOUNTANTS' COMPILATION REPORT

**IMPORTANT NOTICE**

**TO:** Long Term Care Facilities with Real Estate Tax Rates **RE:** 2006 REAL ESTATE TAX COST DOCUMENTATION

In order to set the real estate tax portion of the capital rate, it is necessary that we obtain additional information regarding your calendar 2006 real estate tax costs, as well as copies of your original real estate tax bills for calendar 2006.

Please complete the Real Estate Tax Statement below and forward with a copy of your 2006 real estate tax bill to Healthcare and Family Services, Bureau of Health Finance, 201 South Grand Avenue East, Springfield, Illinois 62763.

**Please send these items in with your completed 2007 cost report. The cost report will not be considered complete and timely filed until this statement and the corresponding real estate tax bills are filed.** If you have any questions, please call the Bureau of Health Finance at (217) 782-1630.

**2006 LONG TERM CARE REAL ESTATE TAX STATEMENT**

FACILITY NAME Lexington of Lake Zurich COUNTY Lake

FACILITY IDPH LICENSE NUMBER 0039768

CONTACT PERSON REGARDING THIS REPORT Susan Rojek

TELEPHONE (630) 458-4700 FAX #: (630) 458-4795

**A. Summary of Real Estate Tax Cost**

Enter the tax index number and real estate tax assessed for 2006 on the lines provided below. Enter only the portion of the cost that applies to the operation of the nursing home in Column D. Real estate tax applicable to any portion of the nursing home property which is vacant, rented to other organizations, or used for purposes other than long term care must not be entered in Column D. Do not include cost for any period other than calendar year 2006.

(A)	(B)	(C)	(D)
<u>Tax Index Number</u>	<u>Property Description</u>	<u>Total Tax</u>	<u>Tax Applicable to Nursing Home</u>
1. <u>14-28-100-020</u>	<u>Nursing Facility</u>	\$ <u>116,252.13</u>	\$ <u>116,252.13</u>
2. <u>14-29-200-033</u>	<u>Nursing Facility</u>	\$ <u>132,281.84</u>	\$ <u>3,602.00</u>
3. <u>Royal Management Corp. (Samvest of Lombard II)</u>		\$ _____	\$ _____
4. <u>05-01-202-019</u>		\$ _____	\$ _____
5. _____		\$ _____	\$ _____
6. _____		\$ _____	\$ _____
7. _____		\$ _____	\$ _____
8. _____		\$ _____	\$ _____
9. _____		\$ _____	\$ _____
10. _____		\$ _____	\$ _____
<b>TOTALS</b>		\$ <u>248,533.97</u>	\$ <u>119,854.13</u>

**B. Real Estate Tax Cost Allocations**

Does any portion of the tax bill apply to more than one nursing home, vacant property, or property which is not directly used for nursing home services?        YES   X   NO

If YES, attach an explanation & a schedule which shows the calculation of the cost allocated to the nursing home. (Generally the real estate tax cost must be allocated to the nursing home based upon sq. ft. of space used.)

**C. Tax Bills**

Attach a copy of the original 2006 tax bills which were listed in Section A to this statement. Be sure to use the 2006 tax bill which is normally paid during 2007.

**PLEASE NOTE:** Payment information from the Internet or otherwise is not considered acceptable tax bill documentation. Facilities located in Cook County are required to provide copies of their original **second installment** tax bill.

Facility Name & ID Number Lexington of Lake Zurich

# 0039768

Report Period Beginning:

01/01/2007 Ending:

12/31/2007

**X. BUILDING AND GENERAL INFORMATION:**

A. Square Feet: 78,901 B. General Construction Type: Exterior Brick Frame Steel Number of Stories 3

C. Does the Operating Entity?  (a) Own the Facility  (b) Rent from a Related Organization.  (c) Rent from Completely Unrelated Organization.

(Facilities checking (a) or (b) must complete Schedule XI. Those checking (c) may complete Schedule XI or Schedule XII-A. See instructions.)

D. Does the Operating Entity?  (a) Own the Equipment  (b) Rent equipment from a Related Organization.  (c) Rent equipment from Completely Unrelated Organization.

(Facilities checking (a) or (b) must complete Schedule XI-C. Those checking (c) may complete Schedule XI-C or Schedule XII-B. See instructions.)

E. List all other business entities owned by this operating entity or related to the operating entity that are located on or adjacent to this nursing home's grounds (such as, but not limited to, apartments, assisted living facilities, day training facilities, day care, independent living facilities, CNA training facilities, etc.) List entity name, type of business, square footage, and number of beds/units available (where applicable).

N/A

F. Does this cost report reflect any organization or pre-operating costs which are being amortized?  YES  NO  
If so, please complete the following:

1. Total Amount Incurred: \_\_\_\_\_ 2. Number of Years Over Which it is Being Amortized: \_\_\_\_\_

3. Current Period Amortization: \_\_\_\_\_ 4. Dates Incurred: \_\_\_\_\_

Nature of Costs:

(Attach a complete schedule detailing the total amount of organization and pre-operating costs.)

**XI. OWNERSHIP COSTS:**

A. Land.

	1 Use	2 Square Feet	3 Year Acquired	4 Cost	
1	<u>Resident Care</u>	<u>250,344</u>	<u>1990</u>	<u>\$ 495,000</u>	<u>1</u>
2	<u>Allocated from management company</u>			<u>16,025</u>	<u>2</u>
3	<b>TOTALS</b>	<b>250,344</b>		<b>\$ 511,025</b>	<b>3</b>

SEE ACCOUNTANTS' COMPILATION REPORT

Facility Name & ID Number Lexington of Lake Zurich# 0039768

Report Period Beginning:

01/01/2007 Ending: 12/31/2007

**XI. OWNERSHIP COSTS (continued)****B. Building Depreciation-Including Fixed Equipment. (See instructions.) Round all numbers to nearest dollar.**

	1	2	3	4	5	6	7	8	9		
	Beds*	FOR BHF USE ONLY	Year Acquired	Year Constructed	Cost	Current Book Depreciation	Life in Years	Straight Line Depreciation	Adjustments	Accumulated Depreciation	
4	203		1994	1994	\$ 6,418,908	\$	40	\$ 160,473	\$ 160,473	\$ 2,139,636	4
5	10		2003	2003							5
6											6
7											7
8											8
	<b>Improvement Type**</b>										
9	Land Improvements		1994	1994	10,701		10			10,701	9
10	Land Improvements		1994	1994	13,330		10			13,330	10
11	Leasehold Improvements		1994	1994	4,737	316	15	316		4,263	11
12	Leasehold Improvements		1995	1995	4,005	267	15	267		3,338	12
13	Land Improvements		1995	1995	3,221		10			3,221	13
14	Building Improvements		1995	1995	3,019		40	75	75	944	14
15	Building Improvements		1995	1995	64,500	1,654	39	1,654		21,019	15
16	Patio		1996	1996	1,168	78	15	78		896	16
17	Compressor		1996	1996	5,145		10			5,145	17
18	Road sidewalk		1997	1997	18,094		20	905	905	9,500	18
19	Foundation/Sprinkler		1997	1997	2,068	59	35	59		620	19
20	Flagpoles		1997	1997	1,573	105	15	105		1,101	20
21	Basement rehab		1998	1998	12,867	1,287	10	1,287		12,224	21
22	MDS Telnet wiring		1998	1998	3,365	337	10	337		3,197	22
23	Flag Pole		1998	1998	787	52	15	52		498	23
24	Resurface/restripe parking lot		1998	1998	4,977	498	10	498		4,728	24
25	Transfer 10 beds from shelter care		1998	1998	2,260	57	40	57		518	25
26	1st floor lobby tile		1999	1999	12,153	1,215	10	1,215		10,330	26
27	Parking lot repair		2000	2000	3,740	374	10	374		2,805	27
28	Roof repair		2000	2000	10,770	1,077	10	1,077		8,078	28
29	Automatic door		2000	2000	1,300	130	10	130		975	29
30	Kitchen rehab		2000	2000	16,886	1,689	10	1,689		12,665	30
31	Compressor		2001	2001	4,350	435	10	435		2,827	31
32	Boiler vent		2001	2001	3,228	323	10	323		2,099	32
33	Fire pump		2001	2001	1,766	177	10	177		1,148	33
34	Kitchen rehab		2001	2001	721	72	10	72		468	34
35	Elevator infrared curtains		2001	2001	4,500	450	10	450		2,925	35
36	Therapy room rehab - lower level		2004	2004	64,473	3,224	20	3,224		10,745	36

\*Total beds on this schedule must agree with page 2.

\*\*Improvement type must be detailed in order for the cost report to be considered complete.

See Page 12A, Line 70 for total

SEE ACCOUNTANTS' COMPILATION REPORT

Facility Name &amp; ID Number Lexington of Lake Zurich

# 0039768

Report Period Beginning:

01/01/2007 Ending: 12/31/2007

## XI. OWNERSHIP COSTS (continued)

## B. Building Depreciation-Including Fixed Equipment. (See instructions.) Round all numbers to nearest dollar.

1	2	3	4	5	6	7	8	9	
	Improvement Type**	Year Constructed	Cost	Current Book Depreciation	Life in Years	Straight Line Depreciation	Adjustments	Accumulated Depreciation	
37	Elevator Upgrade	2004	\$ 3,487	\$ 174	20	\$ 174	\$	\$ 538	37
38	HVAC Compressor	2004	11,845	592	20	592		1,925	38
39	Sidewalk, raise and support	2005	700	35	20	35		82	39
40	Pavement for parking lot	2005	6,650	333	20	333		859	40
41	Water softner	2005	2,635	132	20	132		384	41
42	Plumbing and sprinkler	2005	4,469	223	20	223		652	42
43	Lobby and lounge rehab	2005	44,560	2,228	20	2,228		6,498	43
44	Therapy room rehab	2005	1,721	86	20	86		194	44
45	First floor therapy room	2005	42,424	2,121	20	2,121		5,697	45
46	Transitional unit	2005	9,898	495	20	495		1,155	46
47	Countertop	2005	845	169	5	169		451	47
48	Wallcovering	2005	439	88	5	88		197	48
49	Panel Brick Replacement	2006	16,001	800	20	800		1,133	49
50	Landscaping Improvement	2006	4,640	928	5	928		1,392	50
51	HVAC	2006	3,999	400	10	400		433	51
52	Kitchen Rehab	2006	2,553	255	10	255		447	52
53	Wall Mounted Cabinets	2006	10,451	1,045	10	1,045		1,393	53
54	Therapy room rehab	2006	2,829	283	10	283		330	54
55	Solo step install	2006	3,689	369	10	369		430	55
56	Transitional unit	2006	31,685	1,584	20	1,584		1,716	56
57	Employee Lunchroom rehab	2006	1,766	177	10	177		235	57
58	Fine Dining	2006	22,517	1,126	20	1,126		1,501	58
59	Land Improvements	2006	5,374	358	15	358		448	59
60	Emergency AC	2006	7,564	756	10	756		756	60
61	Wood Flooring	2006	1,526	153	10	153		153	61
62	HVAC	2007	2,716	136	10	136		136	62
63	Emergency AC	2007	18,731	937	10	937		937	63
64	First floor remodel-carpentry, flooring, plumbing, painting, fixtures	2007	700,039	13,126	40	13,126		13,126	64
65									65
66									66
67									67
68									68
69									69
70	TOTAL (lines 4 thru 69)		\$ 7,664,364	\$ 42,985		\$ 204,437	\$ 161,452	\$ 2,333,142	70

SEE ACCOUNTANTS' COMPILATION REPORT

\*\*Improvement type must be detailed in order for the cost report to be considered complete.

XI. OWNERSHIP COSTS (continued)

B. Building Depreciation-Including Fixed Equipment. (See instructions.) Round all numbers to nearest dollar.

1	Improvement Type**	3 Year Constructed	4 Cost	5 Current Book Depreciation	6 Life in Years	7 Straight Line Depreciation	8 Adjustments	9 Accumulated Depreciation	
1	<b>Totals from Page 12A, Carried Forward</b>		\$ 7,664,364	\$ 42,985		\$ 204,437	\$ 161,452	\$ 2,333,142	1
2									2
3									3
4									4
5									5
6	Land improvements - management company	2002	25,257		15	380	380	9,963	6
7	Building - management company	2002	196,500		40	1,243	1,243	29,066	7
8	HVAC, electrical, security system - management company	2003	1,948		30	136	136	592	8
9	Key card system - management company	2004	306		20	15	15	52	9
10	VAV TX controls - management company	2005	93		20	5	5	13	10
11	Building improvements - management company	2006	68		20	1	1	5	11
12									12
13									13
14									14
15									15
16									16
17									17
18									18
19									19
20									20
21									21
22									22
23									23
24									24
25									25
26									26
27									27
28									28
29									29
30									30
31									31
32									32
33									33
34	<b>TOTAL (lines 1 thru 33)</b>		\$ 7,888,536	\$ 42,985		\$ 206,217	\$ 163,232	\$ 2,372,833	34

SEE ACCOUNTANTS' COMPILATION REPORT

\*\*Improvement type must be detailed in order for the cost report to be considered complete.

XI. OWNERSHIP COSTS (continued)

C. Equipment Depreciation-Excluding Transportation. (See instructions.)

	Category of Equipment	1 Cost	Current Book Depreciation 2	Straight Line Depreciation 3	4 Adjustments	Component Life 5	Accumulated Depreciation 6	
71	Purchased in Prior Years	\$ 394,052	\$ 60,272	\$ 61,017	\$ 745	5	\$ 185,883	71
72	Current Year Purchases	226,193	29,279	29,279		5	29,279	72
73	Fully Depreciated Assets	73,970				5	73,970	73
74	Allocated from management co.	242,721		43,021	43,021		123,315	74
75	TOTALS	\$ 936,935	\$ 89,551	\$ 133,317	\$ 43,766		\$ 412,447	75

D. Vehicle Depreciation (See instructions.)\*

	1 Use	Model, Make and Year 2	Year Acquired 3	4 Cost	Current Book Depreciation 5	Straight Line Depreciation 6	7 Adjustments	Life in Years 8	Accumulated Depreciation 9	
76				\$	\$	\$	\$		\$	76
77										77
78										78
79	Allocated from management co.			38,501		4,788	4,788		25,242	79
80	TOTALS			\$ 38,501	\$	\$ 4,788	\$ 4,788		\$ 25,242	80

E. Summary of Care-Related Assets

		1 Reference	2 Amount	
81	Total Historical Cost	(line 3, col.4 + line 70, col.4 + line 75, col.1 + line 80, col.4) + (Pages 12B thru 12I, if applicable)	\$ 9,374,998	81
82	Current Book Depreciation	(line 70, col.5 + line 75, col.2 + line 80, col.5) + (Pages 12B thru 12I, if applicable)	\$ 132,536	82
83	Straight Line Depreciation	(line 70, col.7 + line 75, col.3 + line 80, col.6) + (Pages 12B thru 12I, if applicable)	\$ 344,322	83**
84	Adjustments	(line 70, col.8 + line 75, col.4 + line 80, col.7) + (Pages 12B thru 12I, if applicable)	\$ 211,786	84
85	Accumulated Depreciation	(line 70, col.9 + line 75, col.6 + line 80, col.9) + (Pages 12B thru 12I, if applicable)	\$ 2,810,521	85

F. Depreciable Non-Care Assets Included in General Ledger. (See instructions.)

	1 Description & Year Acquired	2 Cost	Current Book Depreciation 3	Accumulated Depreciation 4	
86	N/A	\$	\$	\$	86
87					87
88					88
89					89
90					90
91	TOTALS	\$	\$	\$	91

G. Construction-in-Progress

	Description	Cost	
92	N/A	\$	92
93			93
94			94
95		\$	95

\* Vehicles used to transport residents to & from day training must be recorded in XI-F, not XI-D.

\*\* This must agree with Schedule V line 30, column 8.

SEE ACCOUNTANTS' COMPILATION REPORT

**XII. RENTAL COSTS**

**A. Building and Fixed Equipment (See instructions.)**

1. Name of Party Holding Lease: N/A

2. Does the facility also pay real estate taxes in addition to rental amount shown below on line 7, column 4? \_\_\_\_\_

If NO, see instructions.  YES  NO

		1 Year Constructed	2 Number of Beds	3 Original Lease Date	4 Rental Amount	5 Total Years of Lease	6 Total Years Renewal Option*	
3	Original Building:				\$ _____			3
4	Additions							4
5								5
6		Allocated from management company			3,808			6
7	TOTAL				\$ 3,808			7

8. List separately any amortization of lease expense included on page 4, line 34. \_\_\_\_\_

This amount was calculated by dividing the total amount to be amortized \_\_\_\_\_  
by the length of the lease \_\_\_\_\_.

9. Option to Buy:  YES  NO Terms: \_\_\_\_\_\*

**B. Equipment-Excluding Transportation and Fixed Equipment. (See instructions.)**

15. Is Movable equipment rental included in building rental?  YES  NO

16. Rental Amount for movable equipment: \$ 62,405 Description: Copier-\$8,775; Fax Machine-\$834; Medical Equip Rental-\$51,694; Mgmt. Co. \$1,102

(Attach a schedule detailing the breakdown of movable equipment)

**C. Vehicle Rental (See instructions.)**

	1 Use	2 Model Year and Make	3 Monthly Lease Payment	4 Rental Expense for this Period	
17			\$ _____	\$ _____	17
18					18
19					19
20	Allocated from mgmt. Co.			3,269	20
21	TOTAL		\$ _____	\$ 3,269	21

10. Effective dates of current rental agreement:

Beginning \_\_\_\_\_

Ending \_\_\_\_\_

11. Rent to be paid in future years under the current rental agreement:

Fiscal Year Ending Annual Rent

12. \_\_\_\_\_/2008 \$ \_\_\_\_\_

13. \_\_\_\_\_/2009 \$ \_\_\_\_\_

14. \_\_\_\_\_/2010 \$ \_\_\_\_\_

\* If there is an option to buy the building, please provide complete details on attached schedule.

\*\* This amount plus any amortization of lease expense must agree with page 4, line 34.

SEE ACCOUNTANTS' COMPILATION REPORT

**XIII. EXPENSES RELATING TO CERTIFIED NURSE AIDE (CNA) TRAINING PROGRAMS (See instructions.)**

**A. TYPE OF TRAINING PROGRAM (If CNAs are trained in another facility program, attach a schedule listing the facility name, address and cost per CNA trained in that facility.)**

<p><b>1. HAVE YOU TRAINED CNAs DURING THIS REPORT PERIOD?</b></p> <p><input type="checkbox"/> YES      <input checked="" type="checkbox"/> NO</p> <p>It is the policy of this facility to only hire certified nurses aides. If "yes", please complete the remainder of this schedule. If "no", provide an explanation as to why this training was not necessary.</p>	<p><b>2. CLASSROOM PORTION:</b></p> <p>IN-HOUSE PROGRAM <input type="checkbox"/></p> <p>IN OTHER FACILITY <input type="checkbox"/></p> <p>COMMUNITY COLLEGE <input type="checkbox"/></p> <p>HOURS PER CNA _____</p>	<p><b>3. CLINICAL PORTION:</b></p> <p>IN-HOUSE PROGRAM <input type="checkbox"/></p> <p>IN OTHER FACILITY <input type="checkbox"/></p> <p>HOURS PER CNA _____</p>
--	---	--

**B. EXPENSES**

**ALLOCATION OF COSTS (d)**

		Facility		3	4
		1	2		
		Drop-outs	Completed	Contract	Total
1	Community College Tuition	\$	\$	\$	\$
2	Books and Supplies				
3	Classroom Wages (a)				
4	Clinical Wages (b)				
5	In-House Trainer Wages (c)				
6	Transportation				
7	Contractual Payments				
8	CNA Competency Tests				
9	<b>TOTALS</b>	\$	\$	\$	\$
10	<b>SUM OF line 9, col. 1 and 2 (e)</b>	\$			

**C. CONTRACTUAL INCOME**

In the box below record the amount of income your facility received training CNAs from other facilities.

\$

**D. NUMBER OF CNAs TRAINED**

COMPLETED	
1. From this facility	
2. From other facilities (f)	
DROP-OUTS	
1. From this facility	
2. From other facilities (f)	
<b>TOTAL TRAINED</b>	

- (a) Include wages paid during the classroom portion of training. Do not include fringe benefits.
- (b) Include wages paid during the clinical portion of training. Do not include fringe benefits.
- (c) For in-house training programs only. Do not include fringe benefits.
- (d) Allocate based on if the CNA is from your facility or is being contracted to be trained in your facility. Drop-out costs can only be for costs incurred by your own CNAs.

- (e) The total amount of Drop-out and Completed Costs for your own CNAs must agree with Sch. V, line 13, col. 8.
  - (f) Attach a schedule of the facility names and addresses of those facilities for which you trained CNAs.
- SEE ACCOUNTANTS' COMPILATION REPORT**

XIV. SPECIAL SERVICES (Direct Cost) (See instructions.)

	Service	Schedule V Line & Column Reference	Staff		Outside Practitioner (other than consultant)		Supplies (Actual or Allocated)	Total Units (Column 2 + 4)	Total Cost (Col. 3 + 5 + 6)	
			Units of Service	Cost	Units	Cost				
1	Licensed Occupational Therapist	L10A, C3	hrs	\$	4,657	\$ 247,813	\$	4,657	\$ 247,813	1
2	Licensed Speech and Language Development Therapist	L10A, C3	hrs		1,621	91,819		1,621	91,819	2
3	Licensed Recreational Therapist		hrs							3
4	Licensed Physical Therapist	L10A, C3	hrs		8,307	516,961		8,307	516,961	4
5	Physician Care		visits							5
6	Dental Care		visits							6
7	Work Related Program		hrs							7
8	Habilitation		hrs							8
9	Pharmacy	L39, C2	# of prescrpts				443,760		443,760	9
10	Psychological Services (Evaluation and Diagnosis/ Behavior Modification)		hrs							10
11	Academic Education		hrs							11
12	Exceptional Care Program									12
13	Dentist Other (specify): <u>Wound Mgmt</u>	L39, C3 L39,C3				250 9,492			250 9,492	13
14	<b>TOTAL</b>			\$	14,585	\$ 866,335	\$ 443,760	14,585	\$ 1,310,095	14

NOTE: This schedule should include fees (other than consultant fees) paid to licensed practitioners. Consultant fees should be detailed on Schedule XVIII-B. Salaries of unlicensed practitioners, such as CNAs, who help with the above activities should not be listed on this schedule.

SEE ACCOUNTANTS' COMPILATION REPORT

Facility Name & ID Number Lexington of Lake Zurich  
 # 0039768  
 XV. BALANCE SHEET - Unrestricted Operating Fund.

As of 12/31/2007

Report Period Beginning: 01/01/2007  
 (last day of reporting year)

Ending: 12/31/2007

This report must be completed even if financial statements are attached.

		1 Operating	2 After Consolidation*	
<b>A. Current Assets</b>				
1	Cash on Hand and in Banks	\$ 164,763	\$ 214,436	1
2	Cash-Patient Deposits			2
3	Accounts & Short-Term Notes Receivable- Patients (less allowance 563,712 )	2,111,034	2,111,034	3
4	Supply Inventory (priced at )			4
5	Short-Term Investments			5
6	Prepaid Insurance	40,970	40,970	6
7	Other Prepaid Expenses			7
8	Accounts Receivable (owners or related parties)	(925,796)	960,257	8
9	Other(specify):			9
10	<b>TOTAL Current Assets</b> (sum of lines 1 thru 9)	\$ 1,390,971	\$ 3,326,697	10
<b>B. Long-Term Assets</b>				
11	Long-Term Notes Receivable			11
12	Long-Term Investments	7,389	7,389	12
13	Land		511,025	13
14	Buildings, at Historical Cost		6,418,908	14
15	Leasehold Improvements, at Historical Cost	1,210,420	1,469,628	15
16	Equipment, at Historical Cost	628,001	975,436	16
17	Accumulated Depreciation (book methods)	(388,520)	(2,810,521)	17
18	Deferred Charges			18
19	Organization & Pre-Operating Costs			19
20	Accumulated Amortization - Organization & Pre-Operating Costs			20
21	Restricted Funds			21
22	Other Long-Term Assets (specify):			22
23	Other(specify): <u>Mortgage cost</u>		34,640	23
24	<b>TOTAL Long-Term Assets</b> (sum of lines 11 thru 23)	\$ 1,457,290	\$ 6,606,505	24
25	<b>TOTAL ASSETS</b> (sum of lines 10 and 24)	\$ 2,848,261	\$ 9,933,202	25

		1 Operating	2 After Consolidation*	
<b>C. Current Liabilities</b>				
26	Accounts Payable	\$ 285,843	\$ 285,843	26
27	Officer's Accounts Payable			27
28	Accounts Payable-Patient Deposits			28
29	Short-Term Notes Payable	2,685,890	2,685,890	29
30	Accrued Salaries Payable	137,483	137,483	30
31	Accrued Taxes Payable (excluding real estate taxes)	124,078	124,078	31
32	Accrued Real Estate Taxes(Sch.IX-B)		135,600	32
33	Accrued Interest Payable		44,113	33
34	Deferred Compensation			34
35	Federal and State Income Taxes			35
<b>Other Current Liabilities(specify):</b>				
36	<u>See attached schedule 17A</u>	3,173,274	261,573	36
37				37
38	<b>TOTAL Current Liabilities</b> (sum of lines 26 thru 37)	\$ 6,406,568	\$ 3,674,580	38
<b>D. Long-Term Liabilities</b>				
39	Long-Term Notes Payable			39
40	Mortgage Payable		6,728,890	40
41	Bonds Payable			41
42	Deferred Compensation			42
<b>Other Long-Term Liabilities(specify):</b>				
43				43
44				44
45	<b>TOTAL Long-Term Liabilities</b> (sum of lines 39 thru 44)	\$	\$ 6,728,890	45
46	<b>TOTAL LIABILITIES</b> (sum of lines 38 and 45)	\$ 6,406,568	\$ 10,403,470	46
47	<b>TOTAL EQUITY</b> (page 18, line 24)	\$ (3,558,307)	\$ (470,268)	47
48	<b>TOTAL LIABILITIES AND EQUITY</b> (sum of lines 46 and 47)	\$ 2,848,261	\$ 9,933,202	48

SEE ACCOUNTANTS' COMPILATION REPORT

\*(See instructions.)

Lexington Health Care Center of Lake Zurich, Inc.  
Provider # 0039768  
1/1/07-12/31/07

Schedule 17A

XV. Balance Sheet

C. Current Liabilities

36. Other Current Liabilities

<u>Description</u>	<u>Operating</u>	<u>After Consolidation</u>
Due to/from-LHCC Schaumburg	(516)	(516)
Bond Withholding	1,409	1,409
401K Withholding	1,667	1,667
Accrued 401K	14,487	14,487
Due to-Republic Construction	8,532	8,532
Accrued expenses	236,798	236,798
Accrued Royal Genl Mgmt Fees	3,312	3,312
Accrued Rent	2,911,701	-
Accrued wage Assignments	(12)	(12)
Advance-Biweekly part a payments	3,053	3,053
Part A Coins-Pvts	(7,157)	(7,157)
	<u>3,173,274</u>	<u>261,573</u>

**XVI. STATEMENT OF CHANGES IN EQUITY**

		1 Total	
<b>1</b>	<b>Balance at Beginning of Year, as Previously Reported</b>	\$ (3,168,842)	<b>1</b>
<b>2</b>	Restatements (describe):		<b>2</b>
<b>3</b>	<b>Post closing entries</b>	(75,777)	<b>3</b>
<b>4</b>			<b>4</b>
<b>5</b>			<b>5</b>
<b>6</b>	<b>Balance at Beginning of Year, as Restated (sum of lines 1-5)</b>	\$ (3,244,619)	<b>6</b>
	<b>A. Additions (deductions):</b>		
<b>7</b>	NET Income (Loss) (from page 19, line 43)	(313,688)	<b>7</b>
<b>8</b>	Aquisitions of Pooled Companies		<b>8</b>
<b>9</b>	Proceeds from Sale of Stock		<b>9</b>
<b>10</b>	Stock Options Exercised		<b>10</b>
<b>11</b>	Contributions and Grants		<b>11</b>
<b>12</b>	Expenditures for Specific Purposes		<b>12</b>
<b>13</b>	Dividends Paid or Other Distributions to Owners	( )	<b>13</b>
<b>14</b>	Donated Property, Plant, and Equipment		<b>14</b>
<b>15</b>	Other (describe)		<b>15</b>
<b>16</b>	Other (describe)		<b>16</b>
<b>17</b>	<b>TOTAL Additions (deductions) (sum of lines 7-16)</b>	\$ (313,688)	<b>17</b>
	<b>B. Transfers (Itemize):</b>		
<b>18</b>			<b>18</b>
<b>19</b>			<b>19</b>
<b>20</b>			<b>20</b>
<b>21</b>			<b>21</b>
<b>22</b>			<b>22</b>
<b>23</b>	<b>TOTAL Transfers (sum of lines 18-22)</b>	\$	<b>23</b>
<b>24</b>	<b>BALANCE AT END OF YEAR (sum of lines 6 + 17 + 23)</b>	\$ (3,558,307)	<b>24</b> *

Operating Entity Only

\* This must agree with page 17, line 47.

SEE ACCOUNTANTS' COMPILATION REPORT

**VII. INCOME STATEMENT (attach any explanatory footnotes necessary to reconcile this schedule to Schedules V and VI.) All required classifications of revenue and expense must be provided on this form, even if financial statements are attached.  
Note: This schedule should show gross revenue and expenses. Do not net revenue against expense**

1

	Revenue	Amount	
	<b>A. Inpatient Care</b>		
1	Gross Revenue -- All Levels of Care	\$ 16,042,159	1
2	Discounts and Allowances for all Levels	(6,672,993)	2
3	<b>SUBTOTAL Inpatient Care (line 1 minus line 2)</b>	\$ 9,369,166	3
	<b>B. Ancillary Revenue</b>		
4	Day Care		4
5	Other Care for Outpatients		5
6	Therapy	1,873,269	6
7	Oxygen		7
8	<b>SUBTOTAL Ancillary Revenue (lines 4 thru 7)</b>	\$ 1,873,269	8
	<b>C. Other Operating Revenue</b>		
9	Payments for Education		9
10	Other Government Grants		10
11	CNA Training Reimbursements		11
12	Gift and Coffee Shop	16,931	12
13	Barber and Beauty Care	30,543	13
14	Non-Patient Meals		14
15	Telephone, Television and Radio		15
16	Rental of Facility Space		16
17	Sale of Drugs	741,364	17
18	Sale of Supplies to Non-Patients		18
19	Laboratory	34,393	19
20	Radiology and X-Ray	31,102	20
21	Other Medical Services	97,078	21
22	Laundry		22
23	<b>SUBTOTAL Other Operating Revenue (lines 9 thru 22)</b>	\$ 951,411	23
	<b>D. Non-Operating Revenue</b>		
24	Contributions		24
25	Interest and Other Investment Income***	11,648	25
26	<b>SUBTOTAL Non-Operating Revenue (lines 24 and 25)</b>	\$ 11,648	26
	<b>E. Other Revenue (specify):****</b>		
27	<b>Settlement Income (Insurance, Legal, Etc.)</b>		27
28	<u>Miscellaneous Income</u>	1,026	28
28a	<u>Investment Income</u>	194	28a
29	<b>SUBTOTAL Other Revenue (lines 27, 28 and 28a)</b>	\$ 1,220	29
30	<b>TOTAL REVENUE (sum of lines 3, 8, 23, 26 and 29)</b>	\$ 12,206,714	30

2

	Expenses	Amount	
	<b>A. Operating Expenses</b>		
31	General Services	1,619,100	31
32	Health Care	5,653,752	32
33	General Administration	2,680,091	33
	<b>B. Capital Expense</b>		
34	Ownership	1,865,987	34
	<b>C. Ancillary Expense</b>		
35	Special Cost Centers	584,323	35
36	Provider Participation Fee	117,149	36
	<b>D. Other Expenses (specify):</b>		
37			37
38			38
39			39
40	<b>TOTAL EXPENSES (sum of lines 31 thru 39)*</b>	\$ 12,520,402	40
41	<b>Income before Income Taxes (line 30 minus line 40)**</b>	(313,688)	41
42	<b>Income Taxes</b>		42
43	<b>NET INCOME OR LOSS FOR THE YEAR (line 41 minus line 42)</b>	\$ (313,688)	43

\* This must agree with page 4, line 45, column 4.

\*\* Does this agree with taxable income (loss) per Federal Income Tax Return? No If not, please attach a reconciliation.  
This entity is a cash basis taxpayer.

\*\*\* See the instructions. If this total amount has not been offset against interest expense on Schedule V, line 32, please include a detailed explanation. SEE ACCOUNTANTS' COMPILATION REPORT

\*\*\*\*Provide a detailed breakdown of "Other Revenue" on an attached sheet.

Facility Name & ID Number Lexington of Lake Zurich

# 0039768

Report Period Beginning: 01/01/2007

Ending: 12/31/2007

**XVIII. A. STAFFING AND SALARY COSTS (Please report each line separately.)**

(This schedule must cover the entire reporting period.)

	1	2**	3	4		
	# of Hrs. Actually Worked	# of Hrs. Paid and Accrued	Reporting Period Total Salaries, Wages	Average Hourly Wage		
1	Director of Nursing	1,890	2,041	\$ 107,813	\$ 52.82	1
2	Assistant Director of Nursing	5,744	6,172	218,241	35.36	2
3	Registered Nurses	33,122	36,901	1,237,413	33.53	3
4	Licensed Practical Nurses	15,709	17,869	468,627	26.23	4
5	CNAs & Orderlies	104,137	111,801	1,400,224	12.52	5
6	CNA Trainees					6
7	Licensed Therapist					7
8	Rehab/Therapy Aides	13,147	14,093	185,356	13.15	8
9	Activity Director	2,057	2,170	36,299	16.73	9
10	Activity Assistants	20,344	21,681	221,941	10.24	10
11	Social Service Workers	5,672	6,007	125,482	20.89	11
12	Dietician	2,000	2,064	33,997	16.47	12
13	Food Service Supervisor	1,667	1,751	28,454	16.25	13
14	Head Cook	2,000	2,249	30,281	13.46	14
15	Cook Helpers/Assistants	12,574	13,812	118,019	8.54	15
16	Dishwashers	17,354	18,526	137,937	7.45	16
17	Maintenance Workers	1,951	2,170	36,689	16.91	17
18	Housekeepers	40,102	42,879	336,268	7.84	18
19	Laundry	8,297	8,758	64,803	7.40	19
20	Administrator	1,904	2,054	108,044	52.60	20
21	Assistant Administrator					21
22	Other Administrative					22
23	Office Manager					23
24	Clerical	15,504	17,053	261,781	15.35	24
25	Vocational Instruction					25
26	Academic Instruction					26
27	Medical Director					27
28	Qualified MR Prof. (QMRP)					28
29	Resident Services Coordinator					29
30	Habilitation Aides (DD Homes)					30
31	Medical Records	1,946	2,091	29,681	14.19	31
32	Other Health Care(specify)					32
33	Other(specify)					33
34	TOTAL (lines 1 - 33)	307,121	332,142	\$ 5,187,350 *	\$ 15.62	34

\* This total must agree with page 4, column 1, line 45.

\*\* See instructions.

**B. CONSULTANT SERVICES**

	1	2	3		
	Number of Hrs. Paid & Accrued	Total Consultant Cost for Reporting Period	Schedule V Line & Column Reference		
35	Dietary Consultant	225	\$ 10,934	L1, C3	35
36	Medical Director	Monthly	51,789	L9, C3	36
37	Medical Records Consultant	33	1,878	L10,C3	37
38	Nurse Consultant				38
39	Pharmacist Consultant	12	2,400	L10,C3	39
40	Physical Therapy Consultant				40
41	Occupational Therapy Consultant				41
42	Respiratory Therapy Consultant				42
43	Speech Therapy Consultant				43
44	Activity Consultant	96	4,512	L11,C3	44
45	Social Service Consultant	104	5,200	L12,C3	45
46	Other(specify) <u>Psychosocial</u>	51	2,556	L12,C3	46
47	<u>MDS</u>		460	L10,C3	47
48	<u>Medical Consultant</u>	Monthly	4,099	L10,C7	48
49	TOTAL (lines 35 - 48)	521	\$ 83,827		49

**C. CONTRACT NURSES**

	1	2	3		
	Number of Hrs. Paid & Accrued	Total Contract Wages	Schedule V Line & Column Reference		
50	Registered Nurses	5,784	\$ 306,531	L10,C3	50
51	Licensed Practical Nurses	3,153	141,266	L10,C3	51
52	Certified Nurse Assistants/Aides				52
53	TOTAL (lines 50 - 52)	8,937	\$ 447,797		53

SEE ACCOUNTANTS' COMPILATION REPORT

**XIX. SUPPORT SCHEDULES**

A. Administrative Salaries				D. Employee Benefits and Payroll Taxes			F. Dues, Fees, Subscriptions and Promotions		
Name	Function	Ownership %	Amount	Description	Amount	Description	Amount		
Gina McCarthy	Administrator	0	\$ 108,044	Workers' Compensation Insurance	\$ 80,499	IDPH License Fee	\$ 1,990		
				Unemployment Compensation Insurance	62,516	Advertising: Employee Recruitment	14,718		
				FICA Taxes	378,691	Health Care Worker Background Check			
				Employee Health Insurance	229,844	(Indicate # of checks performed 132 )	1,320		
				Employee Meals	15,308	Patient Background Checks	268		
				Illinois Municipal Retirement Fund (IMRF)*		Miscellaneous Licenses, Permits & Inspection	1,070		
				401K Contribution	14,487	Miscellaneous Dues & Subscriptions	2,126		
				Life Insurance	4,068				
				Other Employee Benefits	33,349				
TOTAL (agree to Schedule V, line 17, col. 1) (List each licensed administrator separately.)			\$ 108,044	TOTAL (agree to Schedule V, line 22, col.8)		\$ 818,762	TOTAL (agree to Sch. V, line 20, col. 8)		\$ 25,164
B. Administrative - Other				E. Schedule of Non-Cash Compensation Paid to Owners or Employees			G. Schedule of Travel and Seminar**		
Description			Amount	Description	Line #	Amount	Description	Amount	
Management Fees (eliminated in column 7)			\$ 1,059,871				Out-of-State Travel	\$	
							In-State Travel		
TOTAL (agree to Schedule V, line 17, col. 3) (Attach a copy of any management service agreement)			\$ 1,059,871	TOTAL		\$	Seminar Expense	8,182	
C. Professional Services							Allocated from mgmt. Co.	490	
Vendor/Payee	Type		Amount				Entertainment Expense	( )	
Cassiday Schade LLP	Legal		\$ 1,462				(agree to Sch. V, line 24, col. 8)		
Pension Administrators	Pension		456				TOTAL	\$ 8,672	
Freedman Anselmo Lindberg	Legal		64						
Grabowski Law Center, LLC	Collections		9,195						
James Samatas, Atty. At law	Legal		100						
McGladrey & Pullen	Accounting		18,083						
Personnel Planners	U/C Consulting		1,110						
RSM McGladrey	Accounting		5,950						
Serpico, Novelle, Petrosino	Legal		1,705						
Systematic Mgmt Systems	Billing Services		7,766						
See attached schedule 21C			35,213						
TOTAL (agree to Schedule V, line 19, column 3) (If total legal fees exceed \$5,000, attach copy of invoices.)			\$ 81,104						

\* Attach copy of IMRF notifications  
 SEE ACCOUNTANTS' COMPILATION REPORT

\*\*See instructions.

Lexington HealthCare Center of Lake Zurich, Inc.  
 Provider #0039768  
 1/1/07-12/31/07

XIX. Support Schedules  
 C. Professional Services

<u>Vendor/Payee</u>	<u>Type</u>	<u>Amount</u>
Reed Smith/Sachnoff & Weaver	Legal	8,849
National Data Care Corp	Computer Consulting	1,717
Information Controls	Computer Consulting	578
AAOD	Computer Consulting	512
Ehealth	Computer Consulting	2,400
Krakau	Computer Consulting	3,486
Action Computer Service	Computer Consulting	324
Microsoft	Computer Consulting	7,235
Visual Click	Computer Consulting	97
CDW	Computer Consulting	1,226
Lanac	Computer Consulting	3,945
Lintech	Computer Consulting	3,369
Alperian Technology	Computer Consulting	215
Infiniti Rehab	Computer Consulting	189
Advertising Internet	Computer Consulting	650
Andrew Campbell	Computer Consulting	421
		<u>35,213</u>

Total, Agrees to Schedule V, Line 19, Column 3 81,104

Allocated from Management co.

James Samatas	Legal-filing fees	8
Sachnoff & Weaver	Legal	157
McGladrey & Pullen LLP	Accounting	359
RSM McGladrey	Accounting	525
Aronberg, Goldgehn Davis	Accounting	297
Gilson Labus & Silverman	Accounting	482
ING Life & Annuity	Pension Consultation	5
Elizabeth Schwarz	Physician Credentialing Consultant	175
Pension Administrators, Inc.	401K Administration	489
Addison Search	Billing Consulting	48
Gene Whitehorn	Medicaid Reim. Specialist	877
Lintech	Computer Consulting	4,241
Lanac Technology	Computer Consulting	3,635
Lifecare Software, Inc.	Computer Consulting	2,423
CDW Direct	Computer Consulting	1,818
		<u>15,539</u>

Allocated from Samvest of Lombard II

Gilson, Labus & Silverman	Accounting	135
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Allocated from building partnership -

Nonallowable legal fees  
 Collections (9,195)

Total, Agrees to Schedule V, Line 19, Column 8 87,583

**XIX-H. SUPPORT SCHEDULE - DEFERRED MAINTENANCE COSTS (which have been included in Sch. V, line 6, col. 3).**  
 (See instructions.)

	1 Improvement Type	2 Month & Year Improvement Was Made	3 Total Cost	4 Useful Life	Amount of Expense Amortized Per Year								
					5	6	7	8	9	10	11	12	13
					FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
1			\$		\$	\$	\$	\$	\$	\$	\$	\$	\$
2													
3													
4													
5													
6													
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16													
17													
18													
19													
20	<b>TOTALS</b>		\$		\$	\$	\$	\$	\$	\$	\$	\$	\$

SEE ACCOUNTANTS' COMPILATION REPORT

Facility Name & ID Number Lexington of Lake Zurich# 0039768Report Period Beginning: 01/01/2007Ending: 12/31/2007**XX. GENERAL INFORMATION:**

- (1) Are nursing employees (RN,LPN,NA) represented by a union? No
- (2) Are there any dues to nursing home associations included on the cost report? No  
If YES, give association name and amount. N/A
- (3) Did the nursing home make political contributions or payments to a political action organization? No If YES, have these costs been properly adjusted out of the cost report? N/A
- (4) Does the bed capacity of the building differ from the number of beds licensed at the end of the fiscal year? No If YES, what is the capacity? N/A
- (5) Have you properly capitalized all major repairs and equipment purchases? Yes  
What was the average life used for new equipment added during this period? 5 Years
- (6) Indicate the total amount of both disposable and non-disposable diaper expense and the location of this expense on Sch. V. \$ 46,259 Line 10
- (7) Have all costs reported on this form been determined using accounting procedures consistent with prior reports? Yes If NO, attach a complete explanation.
- (8) Are you presently operating under a sale and leaseback arrangement? No  
If YES, give effective date of lease. N/A
- (9) Are you presently operating under a sublease agreement? YES X NO
- (10) Was this home previously operated by a related party (as is defined in the instructions for Schedule VII)? YES NO X If YES, please indicate name of the facility, IDPH license number of this related party and the date the present owners took over. N/A
- (11) Indicate the amount of the Provider Participation Fees paid and accrued to the Department during this cost report period. \$ 117,149  
This amount is to be recorded on line 42 of Schedule V.
- (12) Are there any salary costs which have been allocated to more than one line on Schedule V for an individual employee? No If YES, attach an explanation of the allocation.
- (13) Have costs for all supplies and services which are of the type that can be billed to the Department, in addition to the daily rate, been properly classified in the Ancillary Section of Schedule V? Yes
- (14) Is a portion of the building used for any function other than long term care services for the patient census listed on page 2, Section B? No For example, is a portion of the building used for rental, a pharmacy, day care, etc.) If YES, attach a schedule which explains how all related costs were allocated to these functions.
- (15) Indicate the cost of employee meals that has been reclassified to employee benefits on Schedule V. \$ 15,308 Has any meal income been offset against related costs? No Indicate the amount. \$ N/A
- (16) Travel and Transportation
- a. Are there costs included for out-of-state travel? No  
If YES, attach a complete explanation.
- b. Do you have a separate contract with the Department to provide medical transportation for residents? No If YES, please indicate the amount of income earned from such a program during this reporting period. \$ N/A
- c. What percent of all travel expense relates to transportation of nurses and patients? 0%
- d. Have vehicle usage logs been maintained? Adequate records have been maintained.
- e. Are all vehicles stored at the nursing home during the night and all other times when not in use? Yes
- f. Has the cost for commuting or other personal use of autos been adjusted out of the cost report? Yes
- g. Does the facility transport residents to and from day training? No**  
**Indicate the amount of income earned from providing such transportation during this reporting period. \$ N/A**
- (17) Has an audit been performed by an independent certified public accounting firm? No  
Firm Name: N/A The instructions for the cost report require that a copy of this audit be included with the cost report. Has this copy been attached? N/A If no, please explain. N/A
- (18) Have all costs which do not relate to the provision of long term care been adjusted out of Schedule V? Yes
- (19) If total legal fees are in excess of \$5,000, have legal invoices and a summary of services performed been attached to this cost report? Yes  
Attach invoices and a summary of services for all architect and appraisal fees

**SEE ACCOUNTANTS' COMPILATION REPORT**