

		FOR BHF USE			

LL2

Supportive Living Facility
2008
STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE & FAMILY SERVICES
COST REPORT FOR
SUPPORTIVE LIVING FACILITIES
(FISCAL YEAR 2008)

IMPORTANT NOTICE
 THIS AGENCY IS REQUESTING DISCLOSURE OF INFORMATION THAT IS NECESSARY TO ACCOMPLISH THE STATUTORY PURPOSE AS OUTLINED IN SECTION 146.265 OF THE 89 IL ADMIN CODE. DISCLOSURE OF THIS INFORMATION IS MANDATORY. FAILURE TO PROVIDE ANY INFORMATION ON OR BEFORE THE DUE DATE WILL RESULT IN CESSATION OF PROGRAM PAYMENTS.

<p>I.</p> <p>Facility Name: <u>The Kensington</u></p> <p>Address: <u>311 East Simmons St</u> <u>Galesburg</u> <u>61401</u> Number City Zip Code</p> <p>County: <u>Knox</u></p> <p>Telephone Number: (<u>309</u>) <u>342-2577</u> Fax # (<u>309</u>) <u>342-6343</u></p> <p>Federal Employer ID Number: <u>37-1337014</u></p> <p>Date Current Owners were Certified: <u>04/14/06</u></p> <p>Type of Ownership:</p> <table border="0"> <tr> <td><input type="checkbox"/> VOLUNTARY, NON-PROFIT</td> <td><input type="checkbox"/> PROPRIETARY</td> <td><input type="checkbox"/> GOVERNMENTAL</td> </tr> <tr> <td><input type="checkbox"/> Charitable Corp.</td> <td><input type="checkbox"/> Individual</td> <td><input type="checkbox"/> State</td> </tr> <tr> <td><input type="checkbox"/> Trust</td> <td><input type="checkbox"/> Partnership</td> <td><input type="checkbox"/> County</td> </tr> <tr> <td>IRS Exemption Code _____</td> <td><input type="checkbox"/> Corporation</td> <td><input type="checkbox"/> Other _____</td> </tr> <tr> <td></td> <td><input checked="" type="checkbox"/> "Sub-S" Corp.</td> <td></td> </tr> <tr> <td></td> <td><input type="checkbox"/> Limited Liability Co.</td> <td></td> </tr> <tr> <td></td> <td><input type="checkbox"/> Trust</td> <td></td> </tr> <tr> <td></td> <td><input type="checkbox"/> Other _____</td> <td></td> </tr> </table> <p>In the event there are further questions about this report, please contact: Name: <u>Ron Wilson</u> Telephone Number: (<u>309</u>) <u>343-1550</u> Email Address: _____</p>	<input type="checkbox"/> VOLUNTARY, NON-PROFIT	<input type="checkbox"/> PROPRIETARY	<input type="checkbox"/> GOVERNMENTAL	<input type="checkbox"/> Charitable Corp.	<input type="checkbox"/> Individual	<input type="checkbox"/> State	<input type="checkbox"/> Trust	<input type="checkbox"/> Partnership	<input type="checkbox"/> County	IRS Exemption Code _____	<input type="checkbox"/> Corporation	<input type="checkbox"/> Other _____		<input checked="" type="checkbox"/> "Sub-S" Corp.			<input type="checkbox"/> Limited Liability Co.			<input type="checkbox"/> Trust			<input type="checkbox"/> Other _____		<p>II. CERTIFICATION BY AUTHORIZED FACILITY OFFICER</p> <p>I have examined the contents of the accompanying report to the State of Illinois, for the period from <u>01/01/2008</u> to <u>12/31/2008</u> and certify to the best of my knowledge and belief that the said contents are true, accurate and complete statements in accordance with applicable instructions. Declaration of preparer (other than provider) is based on all information of which preparer has any knowledge.</p> <p>Intentional misrepresentation or falsification of any information in this cost report may be punishable by fine and/or imprisonment.</p> <table border="1"> <tr> <td rowspan="2">Officer or Administrator of Provider</td> <td>(Signed) _____</td> <td>(Date) _____</td> </tr> <tr> <td>(Type or Print Name) <u>Ronald J. Wilson</u></td> <td></td> </tr> <tr> <td></td> <td>(Title) <u>Secretary</u></td> <td></td> </tr> <tr> <td rowspan="4">Paid Preparer</td> <td>(Signed) <u>See Attached Independent Accountant's Report</u></td> <td>(Date) _____</td> </tr> <tr> <td>(Print Name and Title) <u>McGladrey & Pullen, LLP</u> <u>117 E. Main Street, Suite 200</u></td> <td></td> </tr> <tr> <td>(Firm Name & Address) <u>PO Box 1070</u> <u>Galesburg, IL 61401</u></td> <td></td> </tr> <tr> <td>(Telephone) <u>(309) 342-1175</u> Fax <u>(309) 342-7816</u></td> <td></td> </tr> </table> <p>MAIL TO: BUREAU OF HEALTH FINANCE IL DEPT OF HEALTHCARE AND FAMILY SERVICES 201 S. Grand Avenue East Springfield, IL 62763-0001 Phone # (217) 782-1630</p>	Officer or Administrator of Provider	(Signed) _____	(Date) _____	(Type or Print Name) <u>Ronald J. Wilson</u>			(Title) <u>Secretary</u>		Paid Preparer	(Signed) <u>See Attached Independent Accountant's Report</u>	(Date) _____	(Print Name and Title) <u>McGladrey & Pullen, LLP</u> <u>117 E. Main Street, Suite 200</u>		(Firm Name & Address) <u>PO Box 1070</u> <u>Galesburg, IL 61401</u>		(Telephone) <u>(309) 342-1175</u> Fax <u>(309) 342-7816</u>	
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Facility Name The Kensington

Report Period Beginning: 01/01/2008 Ending: 12/31/2008

III. STATISTICAL DATA

A. Certified units; enter number of units and unit days

Date of change in certified units NA

	1	2	3	4	
	Units at Beginning of Report Period	Type of Apartment	Units at End of Report Period	Unit Days During Report Period	
1	51	Single Unit Apartment	51	18,666	1
2	23	Double Unit Apartment	23	8,418	2
3		Other			3
4	74	TOTALS	74	27,084	4

B. Census-For the entire report period.

	1 Type of Unit	2 3 4 Resident Days by Unit and Primary Source of Payment			5	
		Medicaid Recipient	Private Pay	Other		
5	Single Unit	8,267	9,137		17,404	5
6	Double Unit		7,270		7,270	6
7	Other					7
8	TOTALS	8,267	16,407		24,674	8

C. Percent Occupancy. (Column 5, line 8 divided by total certified bed days on line 4, column 4.) 91.10%

D. Indicate the number of paid bed-hold days the SLF had during this year 159 Also, indicate the number of unpaid bed-hold days the SLF had during this year. none (Do not include bed-hold days in Section B.)

E. Does page 3 include expenses for services or investments not directly related to SLF services?

YES NO

F. Does the BALANCE SHEET reflect any non-SLF assets?

YES NO

G. List all services provided by your facility for non-residents. (E.g., day care, "meals on wheels", outpatient therapy)

H. ACCOUNTING BASIS

ACCRUAL MODIFIED CASH* CASH*

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

Tax Year: 12/31/08 Fiscal Year: 12/31/08

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

J. Does the facility have any Illinois Housing Development Authority Loans outstanding? No If yes, did the facility make all of the required payments of interest and principle? _____

If no, explain. _____

K. Does the facility have any loans from the Federal Home Loan Bank outstanding? No If yes, did the facility make all of the required payments of interest and principle? _____

If no, explain. _____

L. Does the facility have any loans from the IL Dept of Commerce and Economic Opportunity outstanding? No If yes, did the facility make all of the required payments of interest and principle? _____

If no, explain. _____

STATE OF ILLINOIS

Page 3

Facility Name: The Kensington

Report Period Beginning:

01/01/2008

Ending: 12/31/2008

IV. COST CENTER EXPENSES (please round to the nearest dollar)

Operating Expenses		Costs Per General Ledger				Reclassifications and Adjustments	Adjusted Total	
		Salary/Wage 1	Supplies 2	Other 3	Total 4			
A. General Services								
1	Dietary and Food Purchase	181,931	223,497	674	406,102	(37,445)	368,657	1
2	Housekeeping, Laundry and Maintenance	84,348	45,647	54,990	184,985		184,985	2
3	Heat and Other Utilities			160,437	160,437		160,437	3
4	Other (specify):							4
5	TOTAL General Services	266,279	269,144	216,101	751,524	(37,445)	714,079	5
B. Health Care and Programs								
6	Health Care/ Personal Care	220,720	3,547	23,647	247,914		247,914	6
7	Activities and Social Services	19,193	4,473		23,666		23,666	7
8	Other (specify):							8
9	TOTAL Health Care and Programs	239,913	8,020	23,647	271,580		271,580	9
C. General Administration								
10	Administrative and Clerical	113,452	9,548	60,033	183,033	27,270	210,303	10
11	Marketing Materials, Promotions and Advertising			30,928	30,928	(30,686)	242	11
12	Employee Benefits and Payroll Taxes			108,946	108,946	7,428	116,374	12
13	Insurance-Property, Liability and Malpractice			25,700	25,700	130	25,830	13
14	Other (specify): Bad debt expense			13,965	13,965	(13,965)		14
15	TOTAL General Administration	113,452	9,548	239,572	362,572	(9,823)	352,749	15
16	TOTAL Operating Expense (Sum of lines 5, 9 and 15)	619,644	286,712	479,320	1,385,676	(47,268)	1,338,408	16
Capital Expenses								
D. Ownership								
17	Depreciation			49,624	49,624	81,953	131,577	17
18	Interest			54,925	54,925		54,925	18
19	Real Estate Taxes			42,669	42,669	411	43,080	19
20	Rent -- Facility and Grounds			360,900	360,900	(360,900)		20
21	Rent -- Equipment							21
22	Other (specify): Farm Expense			4,039	4,039	(4,039)		22
23	TOTAL Ownership			512,157	512,157	(282,575)	229,582	23
24	GRAND TOTAL (Sum of lines 16 and 23)	619,644	286,712	991,477	1,897,833	(329,843)	1,567,990	24

Facility Name: The Kensington

Report Period Beginning: 01/01/2008 Ending: 12/31/2008

V. STAFFING AND SALARY COSTS (Please report each line separately.)

	Personnel	Number of FTE	Average Hourly Wage	
1	Registered Nurses		\$	1
2	Licensed Practical Nurses	1	18.00	2
3	Certified Nurse Assistants	12	9.00	3
4	Activity Director & Assistants	1	9.00	4
5	Social Service Workers			5
6	Head Cook	4	8.20	6
7	Cook Helpers/Assistants	2	8.00	7
8	Dishwashers	1	7.75	8
9	Maintenance Workers	1	16.00	9
10	Housekeepers	2	8.00	10
11	Laundry	1	8.00	11
12	Managers	1	25.00	12
13	Other Administrative	1	19.00	13
14	Clerical	1	10.00	14
15	Marketing			15
16	Other	2	8.20	16
17	Total (lines 1 thru 16)	30	\$ 154.15	17

VI. (A) STATEMENT OF COMPENSATION AND OTHER PAYMENTS TO OWNERS, RELATIVES AND MEMBERS OF THE BOARD OF DIRECTORS.

	NAME and FUNCTION	Ownership Interest	Average Hours Per Work Week Devoted to this Business	Amount of Compensation for this Reporting Period	
1				\$	1
2					2
3					3
4					4
5					5
Total				\$	6

VI. (B) Management fees paid to unrelated parties

	Amount of Fee	
1	\$	1
2		2
Total		\$ 3

VII. RELATED ORGANIZATIONS

A. Enter below the names of all related organizations. Attach an additional schedule if necessary.

RELATED SLF's & HEALTH CARE BUSINESSES

Name	1	City	2
None			

OTHER RELATED BUSINESS ENTITIES

Name	3	City	4	Type of Business	5
See Attached Schedule I					

B. Does your facility receive services from a parent organization or home office; the costs for which were not included on page 3? YES NO

Name of related entity: _____ If yes, what is the value of those services? \$ _____
 (Please attach a separate schedule itemizing those services.)

C. Does page 3 include any costs derived from transactions (including rent) with related parties? YES NO

If so, please attach a separate schedule detailing the nature of those services, their costs as they appear on your books and the underlying cost to the related party (i.e., not including markup).

Facility Name: The Kensington

Report Period Beginning:

01/01/2008

Ending:

12/31/2008

VIII. OWNERSHIP COSTS

A. Purchase price of land 50,000 Year land was acquired 1994

B. Building Depreciation -- Including Fixed Equipment. Round all numbers to the nearest dollar.

*Total units on this schedule must agree with page 2.

	1 Units*	FOR BHF USE ONLY	2 Year Acquired	3 Year Constructed	4 Cost	5 Current Book Depreciation	6 Life in Years	7 Straight Line Depreciation	8 Adjustments	9 Accumulated Depreciation	
1	74		1994		\$ 1,889,000	\$ 47,225	32	60,127	\$ 12,902	\$ 846,792	1
2											2
3											3
4											4
5											5
Improvement Type											
6		Sidewalks, parking lot and fencing		1994	50,000	2,500	20	2,500		35,208	6
7		Storm Sewer		1995	24,886	995	25	995		13,521	7
8		Pavement		1995	22,000		15	1,467	1,467	19,801	8
9		Windows		1995	4,799	240	20	240		3,260	9
10		Lighting		1995	9,147		10			9,147	10
11		Exterior Building Repair		1995	5,381	215	25	215		2,834	11
12		Paint and Carpet		1995	17,429	1,162	5		(1,162)	17,429	12
13		Heat Pumps		1995	8,618	575	10		(575)	8,618	13
14		Water Heater		1997	3,101		10			3,101	14
15		Heat Pumps		1999	5,136	513	10	513		4,965	15
16		See Attached Schedule III			656,294	32,441		43,821	11,380	235,091	16
17		TOTAL (lines 1 thru 16)			\$ 2,695,791	\$ 85,866		\$ 109,878	\$ 24,012	\$ 1,199,767	17

C. Equipment Depreciation -- Including Transportation.

	1 Type	2 Cost	3 Current Book Depreciation	4 Straight Line Depreciation	5 Adjustments	6 Life in Years	7 Accumulated Depreciation	
18	Movable Equipment	\$ 314,934	\$ 23,464	\$ 20,287	(3,177)	3-15	\$ 159,591	18
19	Vehicles	9,003				4	9,003	19
20	TOTAL (lines 18 and 19)	\$ 323,937	\$ 23,464	\$ 20,287	(3,177)		\$ 168,594	20

D. Depreciable Non-Care Assets Included in General Ledger.

	1 Description and Year Acquired	2 Cost	3 Current Book Depreciation	4 Accumulated Depreciation	
21	Land 1997	\$ 188,183	\$	\$	21
22	Buildings & Improvements 1997	17,500	660	9,810	22
23					23
24	TOTALS (lines 21, 22 and 23)	\$ 205,683	\$ 660	\$ 9,810	24

Facility Name: The Kensington

Report Period Beginning: 01/01/2008

Ending: 2/31/2008

IX. RENTAL COSTS

A. Building and Fixed Equipment

1. Name of Party Holding Lease: See attached schedule V

2. Does the facility also pay real estate taxes in addition to rental amount shown below on line 7, column 4? YES NO

	1	2	3	4	5	6	
	Year Constructed	Number of Units	Date of Lease	Rental Amount	Total Yrs. of Lease	Total Years Renewal Option*	
3	Original Building		/ /	\$			3
4	Additions		/ /				4
5			/ /				5
6			/ /				6
7	TOTAL			\$			7

8. Is movable equipment rental included in building rental? YES NO

9. Rental amount for movable equipment \$ _____

10. If the facility rents any vehicles which are used for care-related purposes, please attach a schedule detailing the model year and make, the rental expense for this period and the use of the vehicle.

X. INTEREST EXPENSE

	1	2		3	4	6		7	8	9	
		Related**				Amount of Note					
	Name of Lender	YES	NO	Purpose of Loan	Date of Note	Original	Balance	Maturity Date	Interest Rate (4 Digits)	Reporting Period Int. Expense	
A. Directly Facility Related											
Long-Term											
1	RFMS	X		Funding working capital	6/2/02	\$	\$ 1,583,466	12/1/13	Variable *	\$ 47,526	1
2	Don Fike	X		Funding working capital	3/1/03	70,000		12/1/10	Variable *	6,888	2
3					/ /			/ /			3
Working Capital											
4	Miscellaneous		X	Security deposits	/ /			/ /		511	4
5					/ /			/ /			5
6					/ /			/ /			6
7	TOTAL Facility Related					\$ 70,000	\$ 1,583,466			\$ 54,925	7
B. Non-Facility Related											
8				* 1.36% at 12/31/08	/ /			/ /			8
9					/ /			/ /			9
10	TOTALS (lines 7, 8 and 9)					\$ 70,000	\$ 1,583,466			\$ 54,925	10

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

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

Facility Name: The Kensington

Report Period Beginning: 01/01/2008

Ending:

12/31/2008

XI. BALANCE SHEET - Unrestricted Operating Fund.

As of 12/31/2008

(last day of reporting year)

	1	2		
	Operating	After Consolidation*		
A. Current Assets				
1	Cash on Hand and in Banks	\$ 41,117	\$ 41,117	1
2	Cash-Patient Deposits			2
3	Accounts & Short-Term Notes Receivable-Patients (less allowance)	211,631	211,631	3
4	Supply Inventory (priced at)			4
5	Short-Term Investments			5
6	Prepaid Insurance			6
7	Other Prepaid Expenses			7
8	Accounts Receivable (owners or related parties)			8
9	Other(specify):			9
10	TOTAL Current Assets (sum of lines 1 thru 9)	\$ 252,748	\$ 252,748	10
B. Long-Term Assets				
11	Long-Term Notes Receivable			11
12	Long-Term Investments			12
13	Land	188,183	238,183	13
14	Buildings, at Historical Cost	14,000	1,903,000	14
15	Leasehold Improvements, at Historical Cost	402,968	810,291	15
16	Equipment, at Historical Cost	259,339	323,937	16
17	Accumulated Depreciation (book methods)	(272,446)	(1,120,064)	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):			23
24	TOTAL Long-Term Assets (sum of lines 11 thru 23)	\$ 592,044	\$ 2,155,347	24
25	TOTAL ASSETS (sum of lines 10 and 24)	\$ 844,792	\$ 2,408,095	25

*(See instructions.)

	1	2		
	Operating	After Consolidation*		
C. Current Liabilities				
26	Accounts Payable	\$ 69,409	\$ 69,409	26
27	Officer's Accounts Payable			27
28	Accounts Payable-Patient Deposits			28
29	Short-Term Notes Payable			29
30	Accrued Salaries Payable	38,427	38,427	30
31	Accrued Taxes Payable	63,710	63,710	31
32	Accrued Interest Payable	262	262	32
33	Deferred Compensation	79	79	33
34	Federal and State Income Taxes			34
	Other Current Liabilities(specify):			
35				35
36				36
37	TOTAL Current Liabilities (sum of lines 26 thru 36)	\$ 171,887	\$ 171,887	37
D. Long-Term Liabilities				
38	Long-Term Notes Payable	1,583,466	1,583,466	38
39	Mortgage Payable			39
40	Bonds Payable			40
41	Deferred Compensation			41
	Other Long-Term Liabilities(specify):			
42	Security Deposits	71,010	71,010	42
43				43
44	TOTAL Long-Term Liabilities (sum of lines 38 thru 43)	\$ 1,654,476	\$ 1,654,476	44
45	TOTAL LIABILITIES (sum of lines 37 and 44)	\$ 1,826,363	\$ 1,826,363	45
46	TOTAL EQUITY	\$ (981,571)	\$ 581,732	46
47	TOTAL LIABILITIES AND EQUITY (sum of lines 45 and 46)	\$ 844,792	\$ 2,408,095	47

Facility Name: The Kensington

Report Period Beginning: 01/01/2008

Ending: 12/31/2008

XII. INCOME STATEMENT (attach any explanatory footnotes necessary to reconcile this Schedule to Schedule IV.)

		1	
Revenue		Amount	
A. SLF Resident Care			
1	Gross SLF Resident Revenue	\$ 690,462	1
2	Discounts and Allowances		2
SUBTOTAL Resident Care			
3	(line 1 minus line 2)	\$ 690,462	3
B. Other Operating Revenue			
4	Special Services	25	4
5	Other Health Care Services	1,284,220	5
6	Special Grants		6
7	Gift and Coffee Shop		7
8	Barber and Beauty Care	2,750	8
9	Non-Resident Meals	3,053	9
10	Laundry		10
SUBTOTAL OTHER OPERATING REVENUE			
11	(sum of lines 4 thru 10)	\$ 1,290,048	11
C. Non-Operating Revenue			
12	Contributions		12
13	Interest and Other Investment Income		13
SUBTOTAL Non-Operating Revenue			
14	(sum of lines 12 and 13)	\$	14
D. Other Revenue (specify):			
15	See Attached schedule VIII	162,130	15
16			16
SUBTOTAL Other Revenue			
17	(sum of lines 15 and 16)	\$ 162,130	17
TOTAL REVENUE			
18	(sum of lines 3, 11, 14 and 17)	\$ 2,142,640	18

		2	
Expenses		Amount	
A. Operating Expenses			
19	General Services	751,524	19
20	Health Care/ Personal Care	271,580	20
21	General Administration	362,572	21
B. Capital Expense			
22	Ownership	512,157	22
C. Other Expenses			
23	Special Cost Centers		23
24	Non-Operating Expenses		24
25	Other (specify):		25
26			26
27			27
TOTAL EXPENSES			
28	(sum of lines 19 thru 27)	\$ 1,897,833	28
Income Before Income Taxes			
29	(line 18 minus line 28)	\$ 244,807	29
Income Taxes			
30		\$	30
NET INCOME OR LOSS FOR THE YEAR			
31	(line 29 minus line 30)	\$ 244,807	31

FACILITY NAME: Kensington of Galesburg, Inc.
ID#: 37-1337014

BEGINNING: 1/1/2008
ENDING: 12/31/2008

ATTACHED SCHEDULE I

VII. Related Organizations

A. Other Related Business Entities

<u>Name</u>	<u>City and State</u>	<u>Type of Business</u>
1 LB Properties, Inc. and Subs	Galesburg, Illinois	Real estate
2 RFMS, Inc.	Galesburg, Illinois	Administrative services
3 Edwin Enterprises, LLC and Subs	Galesburg, Illinois	Real estate
4 B S F & G Farms	Galesburg, Illinois	Real estate
5 D & B Partnership	Galesburg, Illinois	Real estate
6 Illini Health care Properties #3	Galesburg, Illinois	Real estate
7 North Street Apartments	Galesburg, Illinois	Real estate
8 DF Ranch	Galesburg, Illinois	Real estate
9 Diamond L Ranch	Galesburg, Illinois	Ranch operator
10 Estancia Ranch Properties, LLC	Scottsdale, Arizona	Real estate
11 AIRFMS, Inc.	Galesburg, Illinois	Owner/operator of air transportation
12 Mid-Illini Healthcare, Inc.	Galesburg, Illinois	Real estate
13 Midwest Healthcare, Inc. and Subs	Galesburg, Illinois	Administrative services
14 DF Partnership	Galesburg, Illinois	Real estate
15 Jacksonville Home Partnership	Galesburg, Illinois	Real estate
16 Freemont, LLC	Galesburg, Illinois	Real estate
17 LeRoy Development, Inc	Galesburg, Illinois	Real estate
18 Poseidon, Inc.	Galesburg, Illinois	Real estate
19 Valleyview, LLC	Galesburg, Illinois	Real estate
20 AJ Fike, Inc.	Galesburg, Illinois	Motor sports
21 Aaron Fike, Inc	Galesburg, Illinois	Motor sports

ATTACHED SCHEDULE II

VII. Related Organizations

C. Costs Derived From Transactions with Related Parties

<u>Entity</u>	<u>Services</u>	<u>Expense per Books</u>	<u>Cost to Related Party</u>
RFMS	Administrative Services	18,000	See attached schedule VIII
LB Properties, Inc Rent		327,000	See attached schedule VII

FACILITY NAME: Kensington of Galesburg, Inc.
 ID#: 37-1337014

BEGINNING: 1/1/2008
 ENDING: 12/31/2008

ATTACHED SCHEDULE IV

IV. Cost Center Expenses
Reclassifications and Adjustments

Reported on Schedule IV on Line	Description	Adjustments Col 5
1-1	Labor - Catering and Banquet	(28,380)
1-2	Supplies - Catering and Banquet	(9,065)
17-3	Depr Sch VIII B.17. col 8	24,012
17-3	Depr Sch VIII C.20. col 4	(3,177)
17-3	Farm Depreciation	(660)
22-3	Farm Expenses	(4,039)
11-3	Marketing & promotions materials	(30,705)
14-3	Bad debt expense	(13,965)
See Att Sch V	Related Party lessor net adj	(300,534)
See Att Sch VI	Related Party Mgmt fee adj	36,670
<i>Total Adjustments on Schedule IV</i>		(329,843)

ATTACHED SCHEDULE V

	Related Party Cost Adjustment Facility Rent LB Properties, Inc.	Schedule Ref
Cost to Related Party Lessor:		
Depreciation	<u>60,366</u>	IV-17
Total lessor cost	60,366	
Cost Per General Ledger - Facility Rent	(360,900)	IV-20
Cost Adjustment Required	<u><u>(300,534)</u></u>	

FACILITY NAME: Kensington of Galesburg, Inc.
 ID#: 37-1337014

BEGINNING: 1/1/2008
 ENDING: 12/31/2008

ATTACHED SCHEDULE VI

RELATED PARTY COST ADJUSTMENT - MGMT FEES TO RFMS, INC.

Allocation factors:

Facilities- All 1.83%

COSTS TO BE ALLOCATED:	TOTAL	NON-		Allocated Costs	Schedule Reference
		ALLOWABLE	ALLOWABLE		
SALARIES-OWNER	303,608		303,608	5,556	IV-10-1
SALARIES AND WAGES	1,641,089	36,825	1,604,264	29,358	IV-10-1
ADVERTISING	1,062		1,062	19	IV-11-3
INSURANCE	7,121		7,121	130	IV-13-3
PAYROLL TAXES & OTHER BENEFITS/OWN	20,266		20,266	371	IV-12-3
PAYROLL TAXES & OTHER BENEFITS	388,423	2,799	385,624	7,057	IV-12-3
UTILITIES	34,818	0	34,818	637	IV-10-3
TELEPHONE	34,890		34,890	638	IV-10-3
BUILDING RENTAL	0		0	0	IV-20-3
DEPRECIATION	77,148		77,148	1,412	IV-17-3
INTEREST	0		0	0	IV-18-3
PROFESSIONAL FEES:					
LEGAL FEES	63,491		63,491	1,162	IV-10-3
ACCOUNTING FEES	139,939		139,939	2,561	IV-10-3
OUTSIDE MANAGEMENT CONSULTANTS	710		710	13	IV-10-3
SUPPLIES	162,549		162,549	2,975	IV-10-2
TRAVEL:					
AIRPLANE RENTAL	53,867		53,867	986	IV-10-3
VEHICLE EXPENSE	11,488		11,488	210	IV-10-3
TRAVEL REIMBURSEMENTS	30,800	17,312	13,488	247	IV-10-3
MEAL EXPENSE	10,104	2,686	7,418	136	IV-10-3
MISCELLANEOUS:					
TRAINING	11,808	25	11,783	216	IV-10-3
REAL ESTATE TAXES	22,465		22,465	411	IV-19-3
BLDG & EQUIP MAINTENANCE	31,408		31,408	575	IV-10-3
OTHER	15,802	15,802	0	0	IV-14-3
PRINTING					
Totals	3,062,856	75,449	2,987,407	54,670	

Management fees reported on Schedule IV line 10 column 3 18,000

Total adjustment for management costs 36,670

FACILITY NAME: Kensington of Galesburg, Inc.
ID#: 37-1337014

BEGINNING: 1/1/2008
ENDING: 12/31/2008

ATTACHED SCHEDULE VII

Depreciation Reconciliation

Schedule	Line	Description	Amount
VIII	17-7	Total buildings and improvements	109,878
VIII	20-3	Total equipment and transportation	20,287
Attached schedule VIII		Related party cost adjustment depreciation	1,412
		<i>Subtotal</i>	<u>131,577</u>
IV	17-6	Total cost center depreciation	<u>131,577</u>
		<i>Difference</i>	<u><u>-</u></u>

ATTACHED SCHEDULE VIII

Income Statement Line 15

Schedule	Line	Description	Amount
XII.	15-1	Miscellaneous Catering and Rental	141,402
XII.	15-1	Farm Income	19,928
XII.	15-1	Resident Processing fees	800
		<i>Total</i>	<u><u>162,130</u></u>