

Facility Name & ID Number Lexington of Lake Zurich

0039768 Report Period Beginning: 01/01/2009 Ending: 12/31/2009

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 8/28/09

	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	209	Skilled (SNF)	198	74,899	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	209	TOTALS	198	74,899	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	4 Private Pay	Other	Total		
8	SNF			16,083	16,083		8
9	SNF/PED						9
10	ICF	42,898	6,754	21	49,673		10
11	ICF/DD						11
12	SC						12
13	DD 16 OR LESS						13
14	TOTALS	42,898	6,754	16,104	65,756		14

C. Percent Occupancy. (Column 5, line 14 divided by total licensed bed days on line 7, column 4.) 87.79%

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 removed on 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 198 and days of care provided 12,636

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: 12/31/2009 Fiscal Year: 12/31/2009

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

Facility Name & ID Number Lexington of Lake Zurich # 0039768 Report Period Beginning: 01/01/2009 Ending: 12/31/2009

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
	A. General Services										
1	Dietary	383,556	49,687	15,878	449,121		449,121		449,121		1
2	Food Purchase		332,326		332,326		332,326	(16,898)	315,428		2
3	Housekeeping	325,900	39,416		365,316		365,316	510	365,826		3
4	Laundry	98,244	23,671		121,915		121,915		121,915		4
5	Heat and Other Utilities			273,841	273,841		273,841	8,439	282,280		5
6	Maintenance	39,576	793	153,981	194,350		194,350	54,498	248,848		6
7	Other (specify):* Mgmt Co.-Allocated B							5,728	5,728		7
8	TOTAL General Services	847,276	445,893	443,700	1,736,869		1,736,869	52,277	1,789,146		8
	B. Health Care and Programs										
9	Medical Director			64,000	64,000		64,000		64,000		9
10	Nursing and Medical Records	4,164,125	340,907	76,874	4,581,906		4,581,906	46,638	4,628,544		10
10a	Therapy			1,228,175	1,228,175		1,228,175		1,228,175		10a
11	Activities	279,135	28,944	9,954	318,033		318,033		318,033		11
12	Social Services	209,637		7,714	217,351		217,351		217,351		12
13	CNA Training										13
14	Program Transportation										14
15	Other (specify):* Mgmt Co.-Allocated B							5,631	5,631		15
16	TOTAL Health Care and Programs	4,652,897	369,851	1,386,717	6,409,465		6,409,465	52,269	6,461,734		16
	C. General Administration										
17	Administrative	117,831		1,277,167	1,394,998		1,394,998	(1,232,048)	162,950		17
18	Directors Fees										18
19	Professional Services			180,713	180,713		180,713	29,344	210,057		19
20	Dues, Fees, Subscriptions & Promotions			44,713	44,713		44,713	731	45,444		20
21	Clerical & General Office Expenses	378,229	35,699	23,576	437,504		437,504	381,744	819,248		21
22	Employee Benefits & Payroll Taxes			824,530	824,530		824,530	16,898	841,428		22
23	Inservice Training & Education			5,254	5,254		5,254	20	5,274		23
24	Travel and Seminar			3,513	3,513		3,513	1,121	4,634		24
25	Other Admin. Staff Transportation			3,015	3,015		3,015	18,385	21,400		25
26	Insurance-Prop.Liab.Malpractice			207,503	207,503		207,503	6,483	213,986		26
27	Other (specify):* Mgmt Co.-Allocated B							64,567	64,567		27
28	TOTAL General Administration	496,060	35,699	2,569,984	3,101,743		3,101,743	(712,755)	2,388,988		28
29	TOTAL Operating Expense (sum of lines 8, 16 & 28)	5,996,233	851,443	4,400,401	11,248,077		11,248,077	(608,209)	10,639,868		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.

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	
	D. Ownership											
30	Depreciation			116,660	116,660		116,660	348,586	465,246			30
31	Amortization of Pre-Op. & Org.											31
32	Interest			35,412	35,412		35,412	414,450	449,862			32
33	Real Estate Taxes							148,436	148,436			33
34	Rent-Facility & Grounds			1,500,141	1,500,141		1,500,141	(1,496,114)	4,027			34
35	Rent-Equipment & Vehicles			69,456	69,456		69,456	3,953	73,409			35
36	Other (specify):*											36
37	TOTAL Ownership			1,721,669	1,721,669		1,721,669	(580,689)	1,140,980			37
	Ancillary Expense											
	E. Special Cost Centers											
38	Medically Necessary Transportation											38
39	Ancillary Service Centers		471,911		471,911		471,911		471,911			39
40	Barber and Beauty Shops			29,248	29,248		29,248		29,248			40
41	Coffee and Gift Shops			12,963	12,963		12,963		12,963			41
42	Provider Participation Fee			114,426	114,426		114,426		114,426			42
43	Other (specify):* Non-allowable cost			114,282	114,282		114,282	(114,282)				43
44	TOTAL Special Cost Centers		471,911	270,919	742,830		742,830	(114,282)	628,548			44
45	GRAND TOTAL COST (sum of lines 29, 37 & 44)	5,996,233	1,323,354	6,392,989	13,712,576		13,712,576	(1,303,180)	12,409,396			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	
	NON-ALLOWABLE EXPENSES	Amount	Refer- ence	BHF USE ONLY	
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	(6,198)	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	(52,105)	32		10
11	Discounts, Allowances, Rebates & Refunds				11
12	Non-Working Officer's or Owner's Salary				12
13	Sales Tax	(1,151)	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	(1,075)	33		18
19	Entertainment	(3,406)	43		19
20	Contributions	(6,413)	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	(16,670)	43		24
25	Fund Raising, Advertising and Promotional	(28,555)	43		25
26	Income Taxes and Illinois Personal Property Replacement Tax	(559)	43		26
27	CNA Training for Non-Employees				27
28	Yellow Page Advertising				28
29	Other-Attach Schedule See PG5A	(163,657)			29
30	SUBTOTAL (A): (Sum of lines 1-29)	\$ (279,789)		\$	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	
		Amount	Reference	
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)	(1,023,391)		34
35	Other- Attach Schedule			35
36	SUBTOTAL (B): (sum of lines 31-35)	\$ (1,023,391)		36
	(sum of SUBTOTALS			
37	TOTAL ADJUSTMENTS (A) and (B))	\$ (1,303,180)		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
		Yes	No	Amount	Reference
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					44
45	Other-Attach Schedule		x		45
46	Other-Attach Schedule		x		46
47	TOTAL (C): (sum of lines 38-46)			\$	47

BHF USE ONLY							
48		49		50		51	52

SEE ACCOUNTANTS' COMPILATION REPORT

Lexington of Lake Zurich

ID# 0039768

Report Period Beginning: 01/01/2009

Ending: 12/31/2009

NON-ALLOWABLE EXPENSES		Amount	Sch. V Line Reference	
1	Diagnostics Managed Care	\$ (935)	43	1
2	Labs Part A	(16,116)	43	2
3	X-Rays-Part A	(34,279)	43	3
4	Marketing Salary	(112,558)	21	4
5	Expense assets	2,325	6	5
6	Trust Fees	(75)	43	6
7	Disallow collection	(1,994)	19	7
8	Out of period legal	(25)	19	8
9				9
10				10
11				11
12				12
13				13
14				14
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42				42
43				43
44				44
45				45
46				46
47				47
48				48
49	Total	(163,657)		49

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					
John Samatas Discretionary Trust	33.33	See Attached Schedule B		See Attached Schedule B		
Cynthia Thiem Discretionary Trust	33.34					

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	19 Professional Fees	\$	Lexington Helath Care Systems of Lake Zurich Ltd Ptsp	**	\$ 200	\$ 200	1	
2	V							2	
3	V	30 Depreciation		Lexington Helath Care Systems of Lake Zurich Ltd Ptsp	**	291,520	291,520	3	
4	V	32 Interest Expense		Lexington Helath Care Systems of Lake Zurich Ltd Ptsp	**	449,200	449,200	4	
5	V	32 Amortization of Mortgage Costs		Lexington Helath Care Systems of Lake Zurich Ltd Ptsp	**	1,415	1,415	5	
6	V	33 Property Taxes		Lexington Helath Care Systems of Lake Zurich Ltd Ptsp	**	144,141	144,141	6	
7	V	34 Rental Expense	1,500,141	Lexington Helath Care Systems of Lake Zurich Ltd Ptsp	**		(1,500,141)	7	
8	V	43 Trust Fees		Lexington Helath Care Systems of Lake Zurich Ltd Ptsp	**	75	75	8	
9	V							9	
10	V							10	
11	V							11	
12	V	** The owners of Lexington Health Care Center of Lake Zurich, Inc. own 100% of Lexington Health Care Systems							12
13	V	of Lake Zurich Limited Partnership.							13
14	Total		\$ 1,500,141			\$ 886,551	\$ * (613,590)	14	

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

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.	**	\$ 510	\$ 510	15	
16	V	5 Utilities - gas & electric		Royal Management Corp.	**	7,264	7,264	16	
17	V	5 Utilities - water & sewer		Royal Management Corp.	**	197	197	17	
18	V	5 Utilities - maintenance office		Royal Management Corp.	**	978	978	18	
19	V	6 Management allocation - salaries		Royal Management Corp.	**	44,406	44,406	19	
20	V	6 Repairs & maintenance		Royal Management Corp.	**	7,384	7,384	20	
21	V	6 Scavenger & exterminating		Royal Management Corp.	**	383	383	21	
22	V	7 Management allocation - employee benefits		Royal Management Corp.	**	5,728	5,728	22	
23	V	10 Medical consultant		Royal Management Corp.	**	2,989	2,989	23	
24	V	10 Management allocation - salaries		Royal Management Corp.	**	43,649	43,649	24	
25	V	15 Management allocation - employee benefits		Royal Management Corp.	**	5,631	5,631	25	
26	V	17 Management allocation - salaries		Royal Management Corp.	**	45,119	45,119	26	
27	V	19 Computer consultant & supplies		Royal Management Corp.	**	20,647	20,647	27	
28	V	19 Professional fees		Royal Management Corp.	**	10,516	10,516	28	
29	V	20 Dues & subscriptions		Royal Management Corp.	**	408	408	29	
30	V	20 Advertising - help wanted		Royal Management Corp.	**	323	323	30	
31	V	21 Management allocation - salaries		Royal Management Corp.	**	455,385	455,385	31	
32	V	21 Bank charges		Royal Management Corp.	**	9,151	9,151	32	
33	V	21 Office supplies & printing		Royal Management Corp.	**	12,914	12,914	33	
34	V	21 Postage		Royal Management Corp.	**	4,222	4,222	34	
35	V							35	
36	V							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		\$			\$ 677,804	\$ * 677,804	39	

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

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.	**	\$ 12,630	\$ 12,630	
16	V	24 Travel & seminar		Royal Management Corp.	**	1,121	1,121	
17	V	25 Auto expense		Royal Management Corp.	**	18,385	18,385	
18	V	26 Insurance general		Royal Management Corp.	**	6,483	6,483	
19	V	27 Management allocation - employee benefits		Royal Management Corp.	**	64,567	64,567	
20	V	30 Depreciation		Royal Management Corp.	**	57,066	57,066	
21	V	32 Interest		Royal Management Corp.	**	15,907	15,907	
22	V	32 Amortization of mortgage costs		Royal Management Corp.	**	33	33	
23	V	33 Property taxes		Royal Management Corp.	**	5,370	5,370	
24	V	34 Rent expense		Royal Management Corp.	**	4,027	4,027	
25	V	35 Equipment rental		Royal Management Corp.	**	928	928	
26	V	17 Management fees	1,277,167	Royal Management Corp.	**		(1,277,167)	
27	V	35 Auto Lease		Royal Management Corp.	**	3,025	3,025	
28	V	23 Inservice Training		Royal Management Corp.	**	20	20	
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		\$ 1,277,167			\$ 189,562	\$ * (1,087,605)	

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

Lexington Health Care Center of Lake Zurich, Inc.

Provider # 0039768

1/1/09-12/31/09

Schedule 6B

VII. Related Parties

Related Nursing Homes

<u>Name of facility</u>	<u>City</u>
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

<u>Other Business Entities</u>	<u>City</u>	<u>Type of Business</u>
Eastgate Manor	Algonquin	Supportive Living Facility
Vesta Management Group LLC	Lombard	Management Company
Lexington Health Care System of Lake Zurich Ltd. Ptsp.	Lake Zurich	Real Estate Property
Royal Management Corporation	Lombard	Management Company
Lexington Financial Services, LLC	Lombard	Finance Company

See Accountants' Compilation Report

Facility Name & ID Number

Lexington of Lake Zurich

0039768

Report Period Beginning:

01/01/2009

Ending:

12/31/2009

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	3.33	8.31	Salary	\$ 10,974	L17, C7	1	
2	John Samatas	Owner/Officer	Admin/Plant Ops	33.33	See Schedule 7A	3.64	7.28	Salary	17,741	L17, C7	2	
3	Cynthia Thiem	Owner/Officer	Administrative	33.34	See Schedule 7A	3.33	8.31	Salary	8,344	L17, C7	3	
4	Jason Samatas	Officer	Admin/SNF Ops	0.00	See Schedule 7A	5.2	10.39	Salary	8,060	L17, C7	4	
5											5	
6											6	
7											7	
8		Certain individuals work in excess of 40 hours per week.										8
9											9	
10											10	
11											11	
12											12	
13								TOTAL	\$ 45,119		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:

01/01/2009

Ending: 2/31/2009

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

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

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

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	720,658	10	\$ 4,909	\$ 74,899	\$ 510	1	
2	5	Utilities - gas & electric	Bed Days	720,658	10	69,894	74,899	7,264	2	
3	5	Utilities - water & sewer	Bed Days	720,658	10	1,894	74,899	197	3	
4	5	Utilities - maintenance office	Bed Days	720,658	10	9,406	74,899	978	4	
5	6	Management allocation - salaries	Bed Days	720,658	10	427,259	427,259	74,899	44,406	5
6	6	Repairs & maintenance	Bed Days	720,658	10	71,047	74,899	7,384	6	
7	6	Scavenger & exterminating	Bed Days	720,658	10	3,681	74,899	383	7	
8	7	Management allocation - employees	Bed Days	720,658	10	55,118	74,899	5,728	8	
9	10	Medical consultant	Bed Days	720,658	10	28,762	74,899	2,989	9	
10	10	Management allocation - salaries	Bed Days	720,658	10	419,975	419,975	74,899	43,649	10
11	15	Management allocation - employees	Bed Days	720,658	10	54,178	74,899	5,631	11	
12	17	Management allocation - salaries	Bed Days	720,658	10	434,122	434,122	74,899	45,119	12
13	19	Computer consultant & supplies	Bed Days	720,658	10	198,663	74,899	20,647	13	
14	19	Professional fees	Bed Days	720,658	10	101,182	74,899	10,516	14	
15	20	Dues & subscriptions	Bed Days	720,658	10	3,923	74,899	408	15	
16	20	Advertising - help wanted	Bed Days	720,658	10	3,108	74,899	323	16	
17	21	Management allocation - salaries	Bed Days	720,658	10	4,381,596	4,381,596	74,899	455,385	17
18	21	Bank charges	Bed Days	720,658	10	88,048	74,899	9,151	18	
19	21	Office supplies & printing	Bed Days	720,658	10	124,253	74,899	12,914	19	
20	21	Postage	Bed Days	720,658	10	40,624	74,899	4,222	20	
21	21	Telephone	Bed Days	720,658	10	121,527	74,899	12,630	21	
22	24	Travel and Seminar	Bed Days	720,658	10	10,782	74,899	1,121	22	
23									23	
24									24	
25	TOTALS					\$ 6,653,951	\$ 5,662,952	\$ 691,555	25	

SEE ACCOUNTANTS' COMPILATION REPORT

Facility Name & ID Number Lexington of Lake Zurich

0039768

Report Period Beginning:

01/01/2009

Ending: 2/31/2009

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

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

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) 458-476

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	720,658	10	\$ 176,898	\$ 74,899	\$ 18,385	1
2	26	Insurance general	Bed Days	720,658	10	62,379	74,899	6,483	2
3	27	Management allocation - employees	Bed Days	720,658	10	621,243	74,899	64,567	3
4	30	Depreciation	Bed Days	720,658	10	549,069	74,899	57,066	4
5	32	Interest	Bed Days	720,658	10	153,050	74,899	15,907	5
6	32	Amortization of mortgage costs	Bed Days	720,658	10	321	74,899	33	6
7	33	Property taxes	Bed Days	720,658	10	51,670	74,899	5,370	7
8	34	Rent expense	Bed Days	720,658	10	38,747	74,899	4,027	8
9	35	Equipment rental	Bed Days	720,658	10	8,933	74,899	928	9
10	35	Auto Lease	Bed Days	720,658	10	29,103	74,899	3,025	10
11	23	Inservice Training	Bed Days	720,658	10	193	74,899	20	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					\$ 1,691,606	\$	\$ 175,811	25

SEE ACCOUNTANTS' COMPILATION REPORT

Facility Name & ID Number

Lexington of Lake Zurich

0039768

Report Period Beginning:

01/01/2009

Ending:

12/31/2009

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		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
	A. Directly Facility Related																		
	Long-Term																		
1	Lexington Financial						\$	\$		\$	1								
2	Services II, LLC	X		Mortgage	Varies	4/30/07	7,606,000	7,286,382	5/1/2017	0.0625	449,200	2							
3											3								
4											4								
5							Interest on financing insurance premium				606	5							
	Working Capital																		
6	Shareholders	X		Working Capital	None	Varies	2,174,711	2,174,711	Demand	Prime +1	21,532	6							
7	JP Morgan Chase N.A.		X	Line of Credit	Varies	4/30/07	1,100,000		5/1/2010	Libor	13,274	7							
8											8								
9	TOTAL Facility Related						\$ 10,880,711	\$ 9,461,093			\$ 484,612	9							
	B. Non-Facility Related*																		
10								Amortization of loan cost			1,448	10							
11								Interest Income offset			(30,573)	11							
12								Allocated from Management Co.			15,907	12							
13								Nonallowable shareholder interest			(21,532)	13							
14	TOTAL Non-Facility Related						\$	\$			\$ (34,750)	14							
15	TOTALS (line 9+line14)						\$ 10,880,711	\$ 9,461,093			\$ 449,862	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.)

Facility Name & ID Number Lexington of Lake Zurich

0039768

Report Period Beginning:

01/01/2009 Ending:

12/31/2009

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).

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:

	1	2	3	4	
A. Land.	Use	Square Feet	Year Acquired	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>18,130</u>	<u>2</u>
3	TOTALS	250,344		\$ 513,130	3

SEE ACCOUNTANTS' COMPILATION REPORT

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	198		1994	1994	\$ 6,418,908	\$	40	\$ 160,473	\$ 160,473	\$ 2,460,582	4
5											5
6											6
7											7
8											8
	Improvement Type**										
9	Land Improvements		1994		10,701		10			10,701	9
10	Land Improvements		1994		13,330		10			13,330	10
11	Leasehold Improvements		1994		4,737	158	15	158		4,737	11
12	Leasehold Improvements		1995		4,005	267	15	267		3,872	12
13	Land Improvements		1995		3,221		10			3,221	13
14	Building Improvements		1995		3,019		40	75	75	1,132	14
15	Building Improvements		1995		64,500	1,654	39	1,654		24,327	15
16	Patio		1996		1,168	78	15	78		1,052	16
17	Compressor		1996		5,145		10			5,145	17
18	Road sidewalk		1997		18,094		20	905	905	11,310	18
19	Foundation/Sprinkler		1997		2,068	59	35	59		738	19
20	Flagpoles		1997		1,573	105	15	105		1,311	20
21	Basement rehab		1998		12,867		10			12,867	21
22	MDS Telnet wiring		1998		3,365		10			3,365	22
23	Flag Pole		1998		787	52	15	52		603	23
24	Resurface/restripe parking lot		1998		4,977		10			4,977	24
25	Transfer 10 beds from shelter care		1998		2,260	57	40	57		631	25
26	1st floor lobby tile		1999		12,153	608	10	608		12,154	26
27	Parking lot repair		2000		3,740	374	10	374		3,553	27
28	Roof repair		2000		10,770	1,077	10	1,077		10,232	28
29	Automatic door		2000		1,300	130	10	130		1,235	29
30	Kitchen rehab		2000		16,886	1,689	10	1,689		16,043	30
31	Compressor		2001		4,350	435	10	435		3,697	31
32	Boiler vent		2001		3,228	323	10	323		2,744	32
33	Fire pump		2001		1,766	177	10	177		1,501	33
34	Kitchen rehab		2001		721	72	10	72		612	34
35	Elevator infrared curtains		2001		4,500	450	10	450		3,825	35
36			2004		64,473	3,224	20	3,224		17,193	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 & ID Number Lexington of Lake Zurich

0039768

Report Period Beginning:

01/01/2009 Ending: 12/31/2009

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		\$ 886	37
38	HVAC Compressor	2004	11,845	592	20	592		3,109	38
39	Sidewalk, raise and support	2005	700	35	20	35		152	39
40	Pavement for parking lot	2005	6,650	333	20	333		1,524	40
41	Water softner	2005	2,635	132	20	132		648	41
42	Plumbing and sprinkler	2005	4,469	223	20	223		1,098	42
43	Lobby and lounge rehab	2005	44,560	2,228	20	2,228		10,954	43
44	Therapy room rehab	2005	1,721	86	20	86		366	44
45	First floor therapy room	2005	42,424	2,121	20	2,121		9,939	45
46	Transitional unit	2005	9,898	495	20	495		2,145	46
47	Countertop	2005	845	169	5	169		789	47
48	Wallcovering	2005	439	88	5	88		373	48
49	Panel Brick Replacement	2006	16,001	800	20	800		2,734	49
50	Landscaping Improvement	2006	4,640	928	5	928		3,248	50
51	HVAC	2006	3,999	400	10	400		1,233	51
52	Kitchen Rehab	2006	2,553	255	10	255		957	52
53	Wall Mounted Cabinets	2006	10,451	1,045	10	1,045		3,484	53
54	Therapy room rehab	2006	2,829	283	10	283		896	54
55	Solo step install	2006	3,689	369	10	369		1,168	55
56	Transitional unit	2006	31,685	1,584	20	1,584		4,885	56
57	Employee Lunchroom rehab	2006	1,766	177	10	177		589	57
58	Fine Dining	2006	22,517	1,126	20	1,126		3,753	58
59	Land Improvements	2006	5,374	358	15	358		1,164	59
60	Emergency AC	2006	7,564	756	10	756		2,269	60
61	Wood Flooring	2006	1,526		10	153	153	458	61
62	HVAC	2007	2,716	272	10	272		679	62
63	Emergency AC	2007	18,731	1,873	10	1,873		4,683	63
64	First floor remodel-carpentry, flooring, plumbing, painting,	2007	700,039		40	17,539	17,539	48,232	64
65	fixtures								65
66	Landscaping	2008	15,920	1,061	15	1,061		2,034	66
67	Parking Lot Repairs	2008	4,224	211	20	211		264	67
68	Roof	2008	33,700	1,685	20	1,685		2,668	68
69	Employee Locker Rooms	2008	3,732	93	40	93		116	69
70	TOTAL (lines 4 thru 69)		\$ 7,721,941	\$ 30,941		\$ 210,086	\$ 179,145	\$ 2,754,187	70

SEE ACCOUNTANTS' COMPILATION REPORT

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

Facility Name & ID Number Lexington of Lake Zurich

0039768

Report Period Beginning:

01/01/2009 Ending: 12/31/2009

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	
1	Totals from Page 12A, Carried Forward		\$ 7,721,941	\$ 30,941		\$ 210,086	\$ 179,145	\$ 2,754,187	1
2	Second floor remodel - carpentry, electrical, flooring,	2008	555,633		27	20,205	20,205	28,624	2
3	painting								3
4	Irrigation System	2009	15,335	341	15	341		341	4
5	Landscaping Enhancements	2009	8,276	230	15	230		230	5
6	Quick connects	2009	7,611	127	20	127		127	6
7	HVAC Chiller	2009	102,185	2,555	20	2,555		2,555	7
8	HVAC-1st floor admin office	2009	7,295	30	20	30		30	8
9	2nd floor remodel	2009	9,331	339	27	339		339	9
10	Basement Office	2009	2,755	25	27	25		25	10
11	Patio Pergola	2009	8,905	148	20	148		148	11
12	3rd floor remodel-Carpentry,plumbing,electrical,handrails	2009	398,350		27	2,414	2,414	2,414	12
13	painting,alarm system								13
14									14
15									15
16									16
17									17
18									18
19	Building - management company	2002	250,887		40	7,722	7,722	59,080	19
20	HVAC, electrical, security system - management company	2003	2,204		30	159	159	976	20
21	Key card system - management company	2004	346		20	18	18	94	21
22	VAV TX controls - management company	2005	105		20	5	5	25	22
23	Building improvements - management company	2006	77		20	5	5	16	23
24	Building improvements - management company	2008	8,333		20	660	660	786	24
25	Building improvements - management company	2009	627		15	11	11	11	25
26									26
27									27
28									28
29									29
30									30
31									31
32									32
33									33
34	TOTAL (lines 1 thru 33)		\$ 9,100,196	\$ 34,736		\$ 245,080	\$ 210,344	\$ 2,850,008	34

SEE ACCOUNTANTS' COMPILATION REPORT

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

Facility Name & ID Number Lexington of Lake Zurich

0039768

Report Period Beginning:

01/01/2009

Ending:

12/31/2009

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	\$ 761,567	\$ 71,949	\$ 128,084	\$ 56,135	5	\$ 398,135	71
72	Current Year Purchases	625,533	9,975	43,597	33,622	5-7	43,597	72
73	Fully Depreciated Assets	33,524					33,524	73
74	Allocated from management co.	275,880		42,603	42,603		200,665	74
75	TOTALS	\$ 1,696,504	\$ 81,924	\$ 214,284	\$ 132,360		\$ 675,921	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.			40,731		5,882	5,882		25,696	79
80	TOTALS			\$ 40,731	\$	\$ 5,882	\$ 5,882		\$ 25,696	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)	\$ 11,350,561	81
82	Current Book Depreciation (line 70, col.5 + line 75, col.2 + line 80, col.5) + (Pages 12B thru 12I, if applicable)	\$ 116,660	82
83	Straight Line Depreciation (line 70, col.7 + line 75, col.3 + line 80, col.6) + (Pages 12B thru 12I, if applicable)	\$ 465,246	83
84	Adjustments (line 70, col.8 + line 75, col.4 + line 80, col.7) + (Pages 12B thru 12I, if applicable)	\$ 348,586	84
85	Accumulated Depreciation (line 70, col.9 + line 75, col.6 + line 80, col.9) + (Pages 12B thru 12I, if applicable)	\$ 3,551,625	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		\$	\$	\$	86
87					87
88			N/A		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? YES NO

If NO, see instructions.

	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			4,027			6
7	TOTAL			\$ 4,027			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: \$ 70,384 Description: Copier-\$10,947;Med Equip-\$34,049;Oxygen-\$24,460;Alloc. Mgmt Co.-\$928

(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 Management Company			3,025	20
21	TOTAL		\$	\$ 3,025	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. _____/2010 \$ _____

13. _____/2011 \$ _____

14. _____/2012 \$ _____

* 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.

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>1. HAVE YOU TRAINED CNAs DURING THIS REPORT PERIOD?</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>2. CLASSROOM PORTION:</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>3. CLINICAL PORTION:</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	TOTALS	\$	\$	\$	\$
10	SUM OF line 9, col. 1 and 2 (e)	\$			

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)		
TOTAL TRAINED		

- (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	\$	6,979	\$ 404,630	\$	6,979	\$ 404,630	1
2	Licensed Speech and Language Development Therapist	L10A, C3	hrs		1,822	95,440		1,822	95,440	2
3	Licensed Recreational Therapist		hrs							3
4	Licensed Physical Therapist	L10A, C3	hrs		15,074	728,105		15,074	728,105	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 prescripts				471,911		471,911	9
10	Psychological Services (Evaluation and Diagnosis/ Behavior Modification)		hrs							10
11	Academic Education		hrs							11
12	Other (specify): _____									12
13	Other (specify): _____									13
14	TOTAL			\$	23,875	\$ 1,228,175	\$ 471,911	23,875	\$ 1,700,086	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# 0039768Report Period Beginning: 01/01/2009Ending: 12/31/2009

XV. BALANCE SHEET - Unrestricted Operating Fund.

As of 12/31/2009

(last day of reporting year)

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

		1 Operating	2 After Consolidation*	
A. Current Assets				
1	Cash on Hand and in Banks	\$ 348,086	\$ 360,658	1
2	Cash-Patient Deposits			2
3	Accounts & Short-Term Notes Receivable- Patients (less allowance <u>13,759</u>)	2,170,070	2,170,070	3
4	Supply Inventory (priced at)			4
5	Short-Term Investments			5
6	Prepaid Insurance	47,589	47,589	6
7	Other Prepaid Expenses	61,890	61,890	7
8	Accounts Receivable (owners or related parties)	129,741	497,726	8
9	Other(specify):			9
10	TOTAL Current Assets (sum of lines 1 thru 9)	\$ 2,757,376	\$ 3,137,933	10
B. Long-Term Assets				
11	Long-Term Notes Receivable			11
12	Long-Term Investments	7,185	7,185	12
13	Land		513,130	13
14	Buildings, at Historical Cost		6,418,908	14
15	Leasehold Improvements, at Historical Cost	731,810	2,681,288	15
16	Equipment, at Historical Cost	619,734	1,737,235	16
17	Accumulated Depreciation (book methods)	(529,611)	(3,551,625)	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 Net</u>		31,957	23
24	TOTAL Long-Term Assets (sum of lines 11 thru 23)	\$ 829,118	\$ 7,838,078	24
25	TOTAL ASSETS (sum of lines 10 and 24)	\$ 3,586,494	\$ 10,976,011	25

		1 Operating	2 After Consolidation*	
C. Current Liabilities				
26	Accounts Payable	\$ 442,474	\$ 442,474	26
27	Officer's Accounts Payable			27
28	Accounts Payable-Patient Deposits	2,834	2,834	28
29	Short-Term Notes Payable			29
30	Accrued Salaries Payable	214,647	214,647	30
31	Accrued Taxes Payable (excluding real estate taxes)	157,514	157,514	31
32	Accrued Real Estate Taxes(Sch.IX-B)		146,400	32
33	Accrued Interest Payable		40,740	33
34	Deferred Compensation			34
35	Federal and State Income Taxes			35
Other Current Liabilities(specify):				
36	<u>See Sch 17A</u>	3,869,880	1,596,494	36
37				37
38	TOTAL Current Liabilities (sum of lines 26 thru 37)	\$ 4,687,349	\$ 2,601,103	38
D. Long-Term Liabilities				
39	Long-Term Notes Payable	2,174,711	2,174,711	39
40	Mortgage Payable		7,286,382	40
41	Bonds Payable			41
42	Deferred Compensation			42
Other Long-Term Liabilities(specify):				
43				43
44				44
45	TOTAL Long-Term Liabilities (sum of lines 39 thru 44)	\$ 2,174,711	\$ 9,461,093	45
46	TOTAL LIABILITIES (sum of lines 38 and 45)	\$ 6,862,060	\$ 12,062,196	46
47	TOTAL EQUITY(page 18, line 24)	\$ (3,275,566)	\$ (1,086,185)	47
48	TOTAL LIABILITIES AND EQUITY (sum of lines 46 and 47)	\$ 3,586,494	\$ 10,976,011	48

SEE ACCOUNTANTS' COMPILATION REPORT

*(See instructions.)

Lexington Health Care Center of Lake Zurich, Inc.
1/1/09-12/31/09
Provider # 0039768

XV. Balance Sheet

C. Current Liabilities

Line 36.

<u>Description</u>	<u>Operating</u>	<u>After Consolidation</u>
Due to Royal	19,896	19,896
Due to/from Lex Fin Svcs	(11,537)	116,494
Due to/from LaGrange		75
Accrued 401K	18,193	18,193
Due to Republic Construction	91	91
Accrued Expenses	146,590	146,590
Accrued Royal Gen Mgmt Fees	48,620	48,620
Accrued Rent	3,249,405	
Deferred Income	398,622	398,622
Interest Rate Swap Liability		847,913
	<u>3,869,880</u>	<u>1,596,494</u>

See Accountants' Compilation Report

XVI. STATEMENT OF CHANGES IN EQUITY

		1 Total	
1	Balance at Beginning of Year, as Previously Reported	\$ (3,220,323)	1
2	Restatements (describe):		2
3	Post closing adjustment	1,673	3
4			4
5			5
6	Balance at Beginning of Year, as Restated (sum of lines 1-5)	\$ (3,218,650)	6
	A. Additions (deductions):		
7	NET Income (Loss) (from page 19, line 43)	453,084	7
8	Aquisitions of Pooled Companies		8
9	Proceeds from Sale of Stock		9
10	Stock Options Exercised		10
11	Contributions and Grants		11
12	Expenditures for Specific Purposes		12
13	Dividends Paid or Other Distributions to Owners	(510,000)	13
14	Donated Property, Plant, and Equipment		14
15	Other (describe)		15
16	Other (describe)		16
17	TOTAL Additions (deductions) (sum of lines 7-16)	\$ (56,916)	17
	B. Transfers (Itemize):		
18			18
19			19
20			20
21			21
22			22
23	TOTAL Transfers (sum of lines 18-22)	\$	23
24	BALANCE AT END OF YEAR (sum of lines 6 + 17 + 23)	\$ (3,275,566)	24 *

* This must agree with page 17, line 47.

SEE ACCOUNTANTS' COMPILATION REPORT

Facility Name & ID Number Lexington of Lake Zurich# 0039768Report Period Beginning: 01/01/2009Ending: 12/31/2009

XVII. 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	
A. Inpatient Care			
1	Gross Revenue -- All Levels of Care	\$ 17,431,329	1
2	Discounts and Allowances for all Levels	(7,218,452)	2
3	SUBTOTAL Inpatient Care (line 1 minus line 2)	\$ 10,212,877	3
B. Ancillary Revenue			
4	Day Care		4
5	Other Care for Outpatients		5
6	Therapy	3,092,530	6
7	Oxygen	21,947	7
8	SUBTOTAL Ancillary Revenue (lines 4 thru 7)	\$ 3,114,477	8
C. Other Operating Revenue			
9	Payments for Education		9
10	Other Government Grants		10
11	CNA Training Reimbursements		11
12	Gift and Coffee Shop	13,239	12
13	Barber and Beauty Care	29,701	13
14	Non-Patient Meals		14
15	Telephone, Television and Radio		15
16	Rental of Facility Space		16
17	Sale of Drugs	511,871	17
18	Sale of Supplies to Non-Patients		18
19	Laboratory	87,097	19
20	Radiology and X-Ray	16,381	20
21	Other Medical Services	155,981	21
22	Laundry		22
23	SUBTOTAL Other Operating Revenue (lines 9 thru 22)	\$ 814,270	23
D. Non-Operating Revenue			
24	Contributions		24
25	Interest and Other Investment Income***	24,036	25
26	SUBTOTAL Non-Operating Revenue (lines 24 and 25)	\$ 24,036	26
E. Other Revenue (specify):****			
27	Settlement Income (Insurance, Legal, Etc.)		27
28			28
28a			28a
29	SUBTOTAL Other Revenue (lines 27, 28 and 28a)	\$	29
30	TOTAL REVENUE (sum of lines 3, 8, 23, 26 and 29)	\$ 14,165,660	30

		2	
Expenses		Amount	
A. Operating Expenses			
31	General Services	1,736,869	31
32	Health Care	6,409,465	32
33	General Administration	3,101,743	33
B. Capital Expense			
34	Ownership	1,721,669	34
C. Ancillary Expense			
35	Special Cost Centers	628,404	35
36	Provider Participation Fee	114,426	36
D. Other Expenses (specify):			
37			37
38			38
39			39
40	TOTAL EXPENSES (sum of lines 31 thru 39)*	\$ 13,712,576	40
41	Income before Income Taxes (line 30 minus line 40)**	453,084	41
42	Income Taxes		42
43	NET INCOME OR LOSS FOR THE YEAR (line 41 minus line 42)	\$ 453,084	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: **01/01/2009**

Ending:

12/31/2009

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	1,820	1,965	\$ 112,403	\$ 57.20	1
2	Assistant Director of Nursing	7,890	8,640	304,185	35.21	2
3	Registered Nurses	39,131	41,836	1,392,771	33.29	3
4	Licensed Practical Nurses	22,620	24,408	666,623	27.31	4
5	CNAs & Orderlies	111,066	118,558	1,486,051	12.53	5
6	CNA Trainees					6
7	Licensed Therapist					7
8	Rehab/Therapy Aides	12,199	13,278	173,113	13.04	8
9	Activity Director					9
10	Activity Assistants	21,261	22,435	279,135	12.44	10
11	Social Service Workers	13,547	14,439	209,637	14.52	11
12	Dietician	6,652	7,069	70,513	9.97	12
13	Food Service Supervisor	2,045	2,189	40,355	18.44	13
14	Head Cook	2,053	2,169	36,448	16.80	14
15	Cook Helpers/Assistants	6,020	6,576	68,431	10.41	15
16	Dishwashers	19,038	20,307	167,809	8.26	16
17	Maintenance Workers	1,941	2,175	39,576	18.20	17
18	Housekeepers	34,078	36,917	325,900	8.83	18
19	Laundry	11,084	11,887	98,244	8.26	19
20	Administrator	2,221	2,285	117,831	51.57	20
21	Assistant Administrator					21
22	Other Administrative					22
23	Office Manager					23
24	Clerical	22,825	24,386	378,229	15.51	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	1,671	1,812	28,979	15.99	31
32	Other Health Care(specify)					32
33	Other(specify) <u>Marketing</u>					33
34	TOTAL (lines 1 - 33)	339,162	363,331	\$ 5,996,233 *	\$ 16.50	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	Monthly	\$ 15,878	1(3)	35
36	Medical Director	Monthly	64,000	9(3)	36
37	Medical Records Consultant	17	989	10(3)	37
38	Nurse Consultant	688	32,688	10(3)	38
39	Pharmacist Consultant	Monthly	11,881	10(3)	39
40	Physical Therapy Consultant				40
41	Occupational Therapy Consultant				41
42	Respiratory Therapy Consultant				42
43	Speech Therapy Consultant				43
44	Activity Consultant	Monthly	4,786	11(3)	44
45	Social Service Consultant	Monthly	5,410	12(3)	45
46	Other(specify) <u>Psychosocial</u>	Monthly	2,304	12(3)	46
47	<u>Clinical Consultant</u>	Monthly	31,316	10(3)	47
48	<u>Medical Consultant</u>	Monthly	2,989	10(7)	48
49	TOTAL (lines 35 - 48)	705	\$ 172,241		49

C. CONTRACT NURSES

	1	2	3		
	Number of Hrs. Paid & Accrued	Total Contract Wages	Schedule V Line & Column Reference		
50	Registered Nurses	N/A	\$		50
51	Licensed Practical Nurses				51
52	Certified Nurse Assistants/Aides				52
53	TOTAL (lines 50 - 52)		\$		53

SEE ACCOUNTANTS' COMPILATION REPORT

Facility Name & ID Number Lexington of Lake Zurich

0039768

Report Period Beginning: 01/01/2009

Ending: 12/31/2009

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	
Diane Androvich	Administrator	0%	\$ 99,000	Workers' Compensation Insurance	\$ 87,076	IDPH License Fee	\$ 1,990	
Gina McCarthy	Administrator	0%	18,831	Unemployment Compensation Insurance	30,044	Advertising: Employee Recruitment	35,535	
				FICA Taxes	434,320	Health Care Worker Background Check	2,857	
				Employee Health Insurance	214,036	(Indicate # of checks performed <u>238</u>)		
				Employee Meals	16,898	Patient Background Checks	180 2,154	
				Illinois Municipal Retirement Fund (IMRF)*		Miscellaneous Licenses & Fees	411	
				401K	19,601	Miscellaneous Dues & Subscriptions	1,766	
				Uniform Allowance	1,283			
				Other Employee Benefits	38,170	Allocated from Mgmt Co.	731	
TOTAL (agree to Schedule V, line 17, col. 1)								
(List each licensed administrator separately.)			\$ 117,831					
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-Royal Operating			\$ 855,094	N/A			Out-of-State Travel	\$
Management Fees-Royal General			422,073					
							In-State Travel	
TOTAL (agree to Schedule V, line 17, col. 3)			\$ 1,277,167					
(Attach a copy of any management service agreement)							Seminar Expense	3,513
							Allocated from Mgmt Co.	1,121
C. Professional Services				TOTAL			Entertainment Expense (agree to Sch. V, line 24, col. 8)	
Vendor/Payee	Type		Amount			\$		
Grabowski Law Center	Collections		\$ 1,994					
Cassiday Schade, LLP	Legal		115,771					
McGladrey & Pullen	Accounting		22,937					
Much Shelist	Legal		2,955					
Pension Administrators, Inc.	Pension Administration		707					
Personnel Planners	U/C Consulting		1,040					
Reed Smith/Sachnoff & Weaver	Legal		188					
RSM McGladrey	Accounting		8,970					
Action Computer Service	Computer Consulting		539					
B2B Computer	Computer Consulting		46					
C.D.W. Direct	Computer Consulting		929					
See Schedule 21C			24,637					
TOTAL (agree to Schedule V, line 19, column 3)								
(If total legal fees exceed \$5,000, attach copy of invoices.)			\$ 180,713					

* Attach copy of IMRF notifications
SEE ACCOUNTANTS' COMPILATION REPORT

**See instructions.

Lexington Health Care of Lake Zurich
1/1/09-12/31/09
Section XIX

C. Professional Fees

Schedule 21C

<u>Vendor/Payee</u>	<u>Type</u>	<u>Amount</u>
E-Health Data Solutions	Computer Consulting	2,400
Healthware Consulting	Computer Consulting	1,415
Information Control	Computer Consulting	1,474
Krakau Business	Computer Consulting	353
Lanac Technology	Computer Consulting	2,658
Lintech LLC	Computer Consulting	4,363
Microsoft Licensing	Computer Consulting	4,820
MNJ Technologies	Computer Consulting	57
National Datacare	Computer Consulting	1,910
Silver Chair Learning System	Computer Consulting	4,200
Visual Click	Computer Consulting	124
Vision Share, Inc.	Computer Consulting	863
		24,637
Total Schedule V, line 19 column 3		180,713
Less Collections		(1,994)
Out of period legal		(25)
Sambell of Lake Zurich James Samatas		200
Allocated from Management Co.		
James Samatas	Legal	60
Reed Smith	Legal	2,467
Much Shelist	Legal	1,553
Serpico, Petrosino, Dipiero	Legal	11
KMZ Rosenmann	Legal	1,798
McGladrey & Pullen LLP	Accounting	758
RSM McGladrey, Inc.	Accounting	581
LaSalle Network	Accounting	984
Gilson Labus & Silverman	Accounting	491
Aronberg, Goldgehn Davis	401(k) Administration	1
ING Life & Annuity	401(k) Administration	119
Pension Administrators, Inc	401(k) Administration	524
Personnel Planners, Inc.	Unemployment Consult	32
Gene Whitehorn	Medicaid Reim. Specia	822
Computer Services	Computer Consultant	20,647
Allocated from Samvest of	Accounting	94
	Legal	221
Total Schedule V, line 19, column 8		210,057

See Accountants' Compilation Report

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

(See instructions.)

1	2	3	4	5	6	7	8	9	10	11	12	13								
													Amount of Expense Amortized Per Year							
													Improvement Type	Month & Year Improvement Was Made	Total Cost	Useful Life	FY2006	FY2007	FY2008	FY2009
1		\$		\$	\$	\$	\$	\$	\$	\$	\$	\$								
2																				
3							N/A													
4																				
5																				
6																				
7																				
8																				
9																				
10																				
11																				
12																				
13																				
14																				
15																				
16																				
17																				
18																				
19																				
20	TOTALS	\$		\$	\$	\$	\$	\$	\$	\$	\$	\$								

SEE ACCOUNTANTS' COMPILATION REPORT

