

		FOR BHF USE			

LL2

**Supportive Living Facility**

**2013  
STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE & FAMILY SERVICES  
COST REPORT FOR  
SUPPORTIVE LIVING FACILITIES  
(FISCAL YEAR 2013)**

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><b>I. Facility ID Number:</b> <u>1000093</u></p> <p><b>Facility Name:</b> <u>Hawthorne Inn of Freeport</u></p> <p><b>Address:</b> <u>2140 West Navajo Dr</u> <u>Freeport</u> <u>61032</u>  <small>Number City Zip Code</small></p> <p><b>County:</b> <u>Stephenson</u></p> <p><b>Telephone Number:</b> ( <u>815</u> ) <u>232-3407</u> Fax # ( )</p> <p><b>Federal Employer ID Number:</b> _____</p> <p><b>Date Current Owners were Certified:</b> <u>11/19/2007</u></p> <p><b>Type of Ownership:</b></p> <table style="width:100%"> <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 checked="" 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><b>IRS Exemption Code</b> <u>501 (C) 3</u></td> <td><input type="checkbox"/> Corporation</td> <td><input type="checkbox"/> Other _____</td> </tr> <tr> <td></td> <td><input 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><b>In the event there are further questions about this report, please contact:</b>  <b>Name:</b> <u>Ron Wilson</u> <b>Telephone Number:</b> ( <u>309</u> ) <u>343-1550</u>  <b>Email Address:</b> _____</p>	<input type="checkbox"/> VOLUNTARY, NON-PROFIT	<input type="checkbox"/> PROPRIETARY	<input type="checkbox"/> GOVERNMENTAL	<input checked="" type="checkbox"/> Charitable Corp.	<input type="checkbox"/> Individual	<input type="checkbox"/> State	<input type="checkbox"/> Trust	<input type="checkbox"/> Partnership	<input type="checkbox"/> County	<b>IRS Exemption Code</b> <u>501 (C) 3</u>	<input type="checkbox"/> Corporation	<input type="checkbox"/> Other _____		<input type="checkbox"/> "Sub-S" Corp.	_____		<input type="checkbox"/> Limited Liability Co.	_____		<input type="checkbox"/> Trust			<input type="checkbox"/> Other _____		<p><b>II. CERTIFICATION BY AUTHORIZED FACILITY OFFICER</b></p> <p>I have examined the contents of the accompanying report to the State of Illinois, for the period from <u>4/1/2012</u> to <u>3/31/2013</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 style="width:100%"> <tr> <td style="width:20%;"><b>Officer or Administrator of Provider</b></td> <td>(Signed) _____</td> <td>(Date) _____</td> </tr> <tr> <td></td> <td>(Type or Print Name) <u>Darcee Fanning</u></td> <td></td> </tr> <tr> <td></td> <td>(Title) <u>Regional Director</u></td> <td></td> </tr> <tr> <td><b>Paid Preparer</b></td> <td>(Signed) <u>See Preparation Report</u></td> <td>(Date) _____</td> </tr> <tr> <td></td> <td>(Print Name and Title) <u>McGladrey LLP</u> <u>117 E Main Street, Suite 210</u></td> <td></td> </tr> <tr> <td></td> <td>(Firm Name &amp; Address) <u>P.O. Box 1070</u> <u>Galesburg, IL 61401</u></td> <td></td> </tr> <tr> <td></td> <td>(Telephone) <u>(309 ) 342-1175</u> Fax <u>(309) 342-7816</u></td> <td></td> </tr> </table> <p align="right">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>	<b>Officer or Administrator of Provider</b>	(Signed) _____	(Date) _____		(Type or Print Name) <u>Darcee Fanning</u>			(Title) <u>Regional Director</u>		<b>Paid Preparer</b>	(Signed) <u>See Preparation Report</u>	(Date) _____		(Print Name and Title) <u>McGladrey LLP</u> <u>117 E Main Street, Suite 210</u>			(Firm Name & Address) <u>P.O. 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 Hawthorne Inn of Freeport

Report Period Beginning: 4/1/2012 Ending: 3/31/2013

**III. STATISTICAL DATA**

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

Date of change in certified units       /      /      

	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	21	Single Unit Apartment	21	7,665	1
2	8	Double Unit Apartment	8	5,840	2
3		Other			3
4	29	TOTALS	29	13,505	4

**B. Census-For the entire report period.**

	1 Type of Unit	2 3 4 5 Resident Days by Unit and Primary Source of Payment				
		Medicaid Recipient	Private Pay	Other		Total
5	Single Unit	1,864	5,753		7,617	5
6	Double Unit	1,355	4,243		5,598	6
7	Other					7
8	TOTALS	3,219	9,996		13,215	8

**C. Percent Occupancy.** (Column 5, line 8 divided by total certified bed days on line 4, column 4.) 97.85%

**D. Indicate the number of paid bed-hold days the SLF had during this year**  
None 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)

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**H. ACCOUNTING BASIS**

ACCRUAL  MODIFIED CASH\*  CASH\*

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

Tax Year: 3/31/2013 Fiscal Year: 3/31/2013

\* 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. \_\_\_\_\_

Facility Name: Hawthorne Inn of Freeport

Report Period Beginning:

4/1/2012

Ending:

3/31/2013

## 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			
<b>A. General Services</b>								
1	Dietary and Food Purchase	60,083	84,435	1,478	145,996	(255)	145,741	1
2	Housekeeping, Laundry and Maintenance	52,180	17,521	8,226	77,927		77,927	2
3	Heat and Other Utilities			44,018	44,018		44,018	3
4	Other (specify):							4
5	<b>TOTAL General Services</b>	112,263	101,956	53,722	267,941	(255)	267,686	5
<b>B. Health Care and Programs</b>								
6	Health Care/ Personal Care	181,056	22	46	181,124		181,124	6
7	Activities and Social Services		288		288		288	7
8	Other (specify):							8
9	<b>TOTAL Health Care and Programs</b>	181,056	310	46	181,412		181,412	9
<b>C. General Administration</b>								
10	Administrative and Clerical	66,805	2,151	64,090	133,046	793	133,839	10
11	Marketing Materials, Promotions and Advertising			16,511	16,511	(16,486)	25	11
12	Employee Benefits and Payroll Taxes			53,675	53,675	2	53,677	12
13	Insurance-Property, Liability and Malpractice			11,706	11,706	295	12,001	13
14	Other (specify):							14
15	<b>TOTAL General Administration</b>	66,805	2,151	145,982	214,938	(15,396)	199,542	15
16	<b>TOTAL Operating Expense (Sum of lines 5, 9 and 15)</b>	360,124	104,417	199,750	664,291	(15,651)	648,640	16
<b>Capital Expenses</b>								
<b>D. Ownership</b>								
17	Depreciation			45,168	45,168		45,168	17
18	Interest							18
19	Real Estate Taxes			52,200	52,200		52,200	19
20	Rent -- Facility and Grounds			229,864	229,864		229,864	20
21	Rent -- Equipment							21
22	Other (specify):							22
23	<b>TOTAL Ownership</b>			327,232	327,232		327,232	23
24	<b>GRAND TOTAL (Sum of lines 16 and 23)</b>	360,124	104,417	526,982	991,523	(15,651)	975,872	24

Facility Name: Hawthorne Inn of Freeport

Report Period Beginning 4/1/2012

Ending:

3/31/2013

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

	Personnel	Number of FTE	Average Hourly Wage	
1	Registered Nurses	1	\$ 21.52	1
2	Licensed Practical Nurses			2
3	Certified Nurse Assistants	9	9.16	3
4	Activity Director & Assistants			4
5	Social Service Workers			5
6	Head Cook			6
7	Cook Helpers/Assistants	3	8.56	7
8	Dishwashers			8
9	Maintenance Workers	1	9.25	9
10	Housekeepers	1	8.40	10
11	Laundry			11
12	Managers	1	20.57	12
13	Other Administrative			13
14	Clerical	1	10.63	14
15	Marketing			15
16	Other			16
17	<b>Total (lines 1 thru 16)</b>	<b>17</b>	<b>\$</b>	<b>17</b>

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	See Att Sch IVa for Directors Fees			\$ 410	1
2					2
3					3
4					4
5					5
<b>Total</b>				<b>\$ 410</b>	<b>6</b>

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
See Attached Schedule I			

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: Hawthorne Inn of Freeport

Report Period Beginning:

4/1/2012

Ending:

3/31/2013

VIII. OWNERSHIP COSTS

A. Purchase price of land 123,810 Year land was acquired 2012

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	29		2012	2002	\$ 4,773,190	\$ 39,777	40	\$ 39,777	\$	\$ 39,777	1
2											2
3											3
4											4
5											5
<b>Improvement Type</b>											
6		Landscaping		2002	3,672	31	10	31		3,672	6
7		Light/Surge Protection		2004	22,900		7			22,900	7
8		Water Heater		2010	9,991	999	10	999		3,164	8
9		Water Softener		2011	5,468	548	10	548		769	9
10											10
11											11
12											12
13											13
14											14
15											15
16											16
17	TOTAL (lines 1 thru 16)				\$ 4,815,221	\$ 41,355		\$ 41,355	\$	\$ 70,282	17

C. Equipment Depreciation -- Including Transportation.

	Type	1 Cost	2 Current Book Depreciation	3 Straight Line Depreciation	4 Adjustments	5 Life in Years	6 Accumulated Depreciation	
18	Movable Equipment	\$ 106,737	\$ 3,813	\$ 3,813	\$	3-15 yrs	\$ 28,924	18
19	Vehicles							19
20	TOTAL (lines 18 and 19)	\$ 106,737	\$ 3,813	\$ 3,813	\$		\$ 28,924	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		\$	\$	\$	21
22					22
23					23
24	TOTALS (lines 21, 22 and 23)	\$	\$	\$	24

Facility Name: Hawthorne Inn of Freeport

Report Period Beginning: 4/1/2012

Ending: 3/31/2013

**IX. RENTAL COSTS**

**A. Building and Fixed Equipment**

1. Name of Party Holding Lease: Edwin Enterprises, LLC - Lease Ended 11/30/2012, See Att Sch VII

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	2002	29	07/01/02	\$ 229,864			3
4	Additions			/ /				4
5				/ /				5
6				/ /				6
7	<b>TOTAL</b>		29		\$ 229,864			7

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

YES  NO

9. Rental amount for movable equipment \$ Not Determined

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	Name of Lender	2		3	4	6		7	8	9	
			Related**				Purpose of Loan	Date of Note				
			YES	NO			Original	Balance				
		<b>A. Directly Facility Related</b>										
		<b>Long-Term</b>										
1						/ /	\$	\$	/ /		\$	1
2						/ /			/ /			2
3						/ /			/ /			3
		<b>Working Capital</b>										
4						/ /			/ /			4
5		Home Office Allocation	X			/ /			/ /			5
6		Less: Interest Income		X		/ /			/ /			6
7		<b>TOTAL Facility Related</b>					\$	\$			\$	7
		<b>B. Non-Facility Related</b>										
8						/ /			/ /			8
9						/ /			/ /			9
10		<b>TOTALS (lines 7, 8 and 9)</b>					\$	\$			\$	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: Hawthorne Inn of Freeport

Report Period Beginning: 4/1/2012

Ending:

3/31/2013

## XI. BALANCE SHEET - Unrestricted Operating Fund.

As of 3/31/2013

(last day of reporting year)

		1	2	
		Operating	After	
			Consolidation*	
	<b>A. Current Assets</b>			
1	Cash on Hand and in Banks	\$ 17,692	\$	1
2	Cash-Patient Deposits			2
3	Accounts & Short-Term Notes Receivable- Patients (less allowance 877 )	95,660		3
4	Supply Inventory (priced at )			4
5	Short-Term Investments			5
6	Prepaid Insurance	4,721		6
7	Other Prepaid Expenses			7
8	Accounts Receivable (owners or related parties)			8
9	Other(specify): <u>Intercompany Receivable</u>			9
10	<b>TOTAL Current Assets (sum of lines 1 thru 9)</b>	\$ 118,073	\$	10
	<b>B. Long-Term Assets</b>			
11	Long-Term Notes Receivable			11
12	Long-Term Investments			12
13	Land	123,810		13
14	Buildings, at Historical Cost	4,773,190		14
15	Leasehold Improvements, at Historical Cost	42,031		15
16	Equipment, at Historical Cost	106,737		16
17	Accumulated Depreciation (book methods)	(99,206)		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	<b>TOTAL Long-Term Assets (sum of lines 11 thru 23)</b>	\$ 4,946,562	\$	24
25	<b>TOTAL ASSETS (sum of lines 10 and 24)</b>	\$ 5,064,635	\$	25

		1	2	
		Operating	After	
			Consolidation*	
	<b>C. Current Liabilities</b>			
26	Accounts Payable	\$ 14,374	\$	26
27	Officer's Accounts Payable			27
28	Accounts Payable-Patient Deposits			28
29	Short-Term Notes Payable			29
30	Accrued Salaries Payable	12,302		30
31	Accrued Taxes Payable	65,071		31
32	Accrued Interest Payable			32
33	Deferred Compensation			33
34	Federal and State Income Taxes			34
	<b>Other Current Liabilities(specify):</b>			
35	<u>Intercompany Payable</u>	2,578,919		35
36				36
37	<b>TOTAL Current Liabilities (sum of lines 26 thru 36)</b>	\$ 2,670,666	\$	37
	<b>D. Long-Term Liabilities</b>			
38	Long-Term Notes Payable			38
39	Mortgage Payable			39
40	Bonds Payable			40
41	Deferred Compensation			41
	<b>Other Long-Term Liabilities(specify):</b>			
42	<u>Security Deposits</u>	45,000		42
43				43
44	<b>TOTAL Long-Term Liabilities (sum of lines 38 thru 43)</b>	\$ 45,000	\$	44
45	<b>TOTAL LIABILITIES (sum of lines 37 and 44)</b>	\$ 2,715,666	\$	45
46	<b>TOTAL EQUITY</b>	\$ 2,348,969	\$	46
47	<b>TOTAL LIABILITIES AND EQUITY (sum of lines 45 and 46)</b>	\$ 5,064,635	\$	47

\*(See instructions.)

Facility Name: Hawthorne Inn of Freeport

Report Period Beginning: 4/1/2012

Ending:

3/31/2013

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

		1	
Revenue		Amount	
<b>A. SLF Resident Care</b>			
1	Gross SLF Resident Revenue	\$ 1,445,727	1
2	Discounts and Allowances		2
3	<b>SUBTOTAL Resident Care (line 1 minus line 2)</b>	<b>\$ 1,445,727</b>	<b>3</b>
<b>B. Other Operating Revenue</b>			
4	Special Services	8,750	4
5	Other Health Care Services		5
6	Special Grants		6
7	Gift and Coffee Shop		7
8	Barber and Beauty Care	5,090	8
9	Non-Resident Meals	255	9
10	Laundry		10
11	<b>SUBTOTAL OTHER OPERATING REVENUE (sum of lines 4 thru 10)</b>	<b>\$ 14,095</b>	<b>11</b>
<b>C. Non-Operating Revenue</b>			
12	Contributions		12
13	Interest and Other Investment Income	2,006	13
14	<b>SUBTOTAL Non-Operating Revenue (sum of lines 12 and 13)</b>	<b>\$ 2,006</b>	<b>14</b>
<b>D. Other Revenue (specify):</b>			
15	Miscellaneous Fees	1,100	15
16	See Attached Sch VI	17,581	16
17	<b>SUBTOTAL Other Revenue (sum of lines 15 and 16)</b>	<b>\$ 18,681</b>	<b>17</b>
18	<b>TOTAL REVENUE (sum of lines 3, 11, 14 and 17)</b>	<b>\$ 1,480,509</b>	<b>18</b>

		2	
Expenses		Amount	
<b>A. Operating Expenses</b>			
19	General Services	267,941	19
20	Health Care/ Personal Care	181,412	20
21	General Administration	214,938	21
<b>B. Capital Expense</b>			
22	Ownership	327,232	22
<b>C. Other Expenses</b>			
23	Special Cost Centers		23
24	Non-Operating Expenses		24
25	Other (specify):		25
26			26
27			27
28	<b>TOTAL EXPENSES (sum of lines 19 thru 27)</b>	<b>\$ 991,523</b>	<b>28</b>
29	<b>Income Before Income Taxes (line 18 minus line 28)</b>	<b>\$ 488,986</b>	<b>29</b>
30	<b>Income Taxes</b>	<b>\$</b>	<b>30</b>
31	<b>NET INCOME OR LOSS FOR THE YEAR (line 29 minus line 30)</b>	<b>\$ 488,986</b>	<b>31</b>

**FACILITY NAME:** Hawthorne Inn of Freeport  
**ID#:** 37-1223846

**BEGINNING:** 4/1/2012  
**ENDING:** 3/31/2013

**ATTACHED SCHEDULE I**

**VII. Related Organizations**

**A.Related SLF's and Health Care Businesses  
and Other Related Business Entities**

<b>Name</b>	<b>City and State</b>	<b>Type of Business</b>
1 SLF's and Health Care divisions of Residential Alternatives of Illinois, Inc.:		
Hawthorne Inn of Danville	Danville, IL	Skilled nursing facility
Manor Court of Clinton	Clinton, IL	Skilled nursing and supportive living facility
Manor Court of Freeport	Freeport, IL	Skilled nursing facility
Manor Court of Peoria	Peoria, IL	Skilled nursing facility
Manor Court of Peru	Peru, IL	Skilled nursing facility
Manor Court of Princeton	Princeton, IL	Skilled nursing and supportive living facility
Hawthorne Inn of Freeport	Freeport, IL	Supportive living facility
Hawthorne Inn of Peoria	Peoria, IL	Assisted living facility
Hawthorne Inn of Peru	Peru, IL	Assisted living facility
Liberty Estates of Geneseo	Geneseo, IL	Assisted living and independent living facility
Liberty Estates of Streator	Streator, IL	Assisted living and independent living facility
Freeport Rehab & Healthcare	Freeport, IL	Skilled nursing facility
Other facilities operated by Residential Alternatives of Illinois, Inc.		
Liberty Estates of Danville	Danville, IL	Independent living facility
Liberty Estates of Freeport	Freeport, IL	Independent living facility
Liberty Estates of Peoria	Peoria, IL	Independent living facility
Liberty Estates of Peru	Peru, IL	Independent living facility
2 Residential Alternatives of Iowa (common Board of Directors)	Coralville, IA	Long-term care facilities
3 Frances House, Inc.(sole corporate member of Residential Alternatives of Illinois, Inc.) operates the following DD facilities		
Casa Willis	Sterling, IL	
Freeport Terrace	Freeport, IL	

Gordon Jones Terrace	Lanark, IL
Hallam Terrace	Rockford, IL
Hammett House	Sterling, IL
Kanthak House	Ottawa, IL
Olson Terrace	Rockford, IL
Ridge Terrace	Freeport, IL
Rockford Group Homes:	
Cantebury Place	Rockford, IL
Glenwood Villa	Rockford, IL
Rockton Court	Rockford, IL
Rose House	Moline, IL
Seborg Terrace	Rockford, IL
Smith Square	Moline, IL
Stern Square	Sterling, IL
Stouffer Terrace	Oregon, IL

Frances House, Inc. is also the sole corporate member of the following not-for-profit lessors of Residential Alternatives of Illinois, Inc.

Peoria Manor Court, Ltd., NFP	Galesburg, IL
Peru Becker, Ltd., NFP	Galesburg, IL
Danville Independence, LLC	Galesburg, IL
Hawthorne Inn of Princeton, LLC	Galesburg, IL

4 Pioneer Concepts, Inc (Frances House, Inc is the sole corporate member) operates the following DD facilities

Broadway Terrace	Chicago Heights, IL
Carole Lane Terrace	Sauk Village, IL
Cook County I Group Homes:	
Flossmoor Terrace	Flossmoor, IL
Ravisloe Terrace	Country Club Hills, IL
Spaulding Terrace	Markham, IL
Cook County II Group Homes:	
Calumet City Terrace	Calumet City, IL
Dolton Terrace	Dolton, IL
Lynwood Terrace	Lynwood, IL
Holland Terrace	South Holland, IL
Matteson Court	Matteson, IL
Prairie House	Sauk Village, IL
Torrence Place	Sauk Village, IL

5 Pinnacle Opportunities, Inc (Frances House, Inc is the sole corporate member) operated the following facilities

DD facilities

Chamness Square	Bourbannais, IL
Collins Square	Bradley, IL
Hunt Terrace	Kankakee, IL
Kankakee I Group Homes:	
Dearborn Court	Kankakee, IL
River Court	Kankakee, IL
Station Court	Kankakee, IL
Kankakee II Group Homes:	
Eagle Court	Kankakee, IL
Kankakee Court	Kankakee, IL
Roy Court	Bourbannais, IL
CILA facilities	
Gravlin Square	Bradley, IL

6 Concepts Plus, Inc. (Frances House, Inc is the sole corporate member) operated the following DD facilities

Lake County Group Homes:

Lewis Terrace	North Chicago, IL
Seymour Terrace	North Chicago, IL
Waukegan Terrace	Waukegan, IL
Pine Terrace	Waukegan, IL

7 LTC Support Services, LLC (RAI is one of eight corporate members)

LTC provides consulting services that include, but are not limited to: training, regulatory compliance, quality assurance programs, human resource support, marketing and maintenance.

Total fees expensed during the current year for SLF portion: \$ 8,460

**FACILITY NAME: Hawthorne Inn of Freeport**  
**ID#: 37-1223846**

**BEGINNING: 4/1/2012**  
**ENDING: 3/31/2013**

**ATTACHED SCHEDULE II**

**IV. Cost Center Expenses**

**Reclassifications and Adjustments**

Reported on Schedule IV on Line

	Description	Adjustments Col 5
Line 14	Non-allowable bad debt expense	0
Line 11	Non-allowable advertising	(16,486)
See Att Sch IV	Home office allocation	1,090
Line 1	Non-resident meals	(255)
	<i>Total Adjustments on Schedule IV</i>	(15,651)

**ATTACHED SCHEDULE III**

**Bed Listing & Home Office Allocation**

Facility	Weighted beds @ 03/31/13					Estate Units 10%	Weighted Average Total	All Homes Percentage of Total	SLF Percentage of Total
	Nursing Home Beds 100%	Sheltered Care Beds 50%	SLF Beds 40%	ALC Beds 50%					
Liberty Estates of Danville	0	0	0	0	8	8	0.93%	0.00%	
Liberty Estates of Freeport	0	0	0	0	7	7	0.82%	0.00%	

Liberty Estates of Peoria	0	0	0	0	8	8	0.93%	0.00%
Liberty Estates of Geneseo	0	0	0	7	3	10	1.17%	0.00%
Liberty Estates of Peru	0	0	0	0	7	7	0.82%	0.00%
Liberty Estates of Streator	0	0	0	10	3	13	1.52%	0.00%
Hawthorne Inn of Danville	76	32	0	0	0	108	12.59%	0.00%
Manor Court of Princeton	98	0	11	0	0	109	12.70%	1.28%
Manor Court of Clinton	134	0	11	0	0	145	16.90%	1.28%
Manor Court of Peoria	50	0	0	0	0	50	5.83%	0.00%
Manor Court of Peru	94	18	0	0	0	112	13.05%	0.00%
Manor Court of Freeport	90	6	0	0	0	96	11.19%	0.00%
Hawthorne Inn of Peoria	0	0	0	34	0	34	3.96%	0.00%
Hawthorne Inn of Peru	0	0	0	34	0	34	3.96%	0.00%
Hawthorne Inn of Freeport	0	0	15	0	0	15	1.75%	1.75%
Freeport Rehab & Healthcare	102	0	0	0	0	102	11.89%	0.00%
						858	100%	4.31%

FACILITY NAME: Hawthorne Inn of Freeport  
 ID#: 37-1223846

BEGINNING:  
 ENDING:

4/1/2012  
 3/31/2013

ATTACHED SCHEDULE IV      ALLOCATION OF HOME OFFICE INDIRECT COSTS  
 SUMMARY SCHEDULE

Sch. V      (See attached detail schedule)

Line #		Salaries	Other	Total
1	Dietary and Food	0	0	-
2	Hskp, Laundry, Main	0	0	-
3	Heat & Other Utilities	0	0	-
4	Other	0	0	-
6	Health Care/personal	0	0	-
7	Activities & Soc Serv	0	0	-
8	Other	0	0	-
10	Admin/Clerical	0	793	793
11	Mkt, Promo, Adv	0	0	-
12	Emp Ben & PR taxes	0	2	2
13	Insurance	0	295	295
14	Other	0	0	-
17	Depreciation	0	0	-
18	Interest	0	0	-
19	Real Estate Taxes	0	0	-
		0	0	-
		0	0	-

TOTALS      0      1,090      1,090

Net adjustment required      1,090

FACILITY NAME: Hawthorne Inn of Freeport  
 ID#: 37-1223846

BEGINNING: 4/1/2012  
 ENDING: 3/31/2013

ATTACHED SCHEDULE IVa

ALLOCATION OF INDIRECT COSTS  
 (Detail Schedule)

Allocation Factors:

SLF Home Office Factor **0.0175**

Schedule	Description	Total Expenses Incurred	Non-Allowable Costs	Costs To Be Allocated	Allocated Total	Adjustment Grouping
V-1-1	Labor-Dietary	0		0	0	0
V-1-2	Supplies-Dietary	0		0	0	0
V-2-1	Labor-Purchasing	0		0	0	0
V-3-3	Utilities	0		0	0	0
V-10-1	Labor - Administrative	0		0	0	
V-10-1	Labor-Clerical	0		0	0	0
V-10-2	Supplies	0		0	0	0
V-10-3	Miscellaneous	0		0	0	
V-10-3	Postage & Shipping	0		0	0	
V-10-3	Equipment	0		0	0	
V-10-3	Equipment Contracts	0		0	0	
V-10-3	Equip Maintenance & Repair	0		0	0	
V-10-3	Telephone	0		0	0	
V-10-3	Board of Directors	23,444	0	23,444	410	
V-10-3	Legal Fees	16,851	16,851	0	0	
V-10-3	Professional Services	21,685		21,685	379	
V-10-3	Licenses/Fees/Misc	242		242	4	
V-10-3	Inservice Training	0		0	0	
V-10-3	Travel	0		0	0	
V-10-3	Vehicle Expense	0		0	0	793
V-11-3	Advertising - Employment	0		0	0	
V-11-3	Subscriptions & Fees	0		0	0	0
V-12-3	Worker's Compensation	0		0	0	
V-12-3	Other Employee Expense	87		87	2	

V-12-3	FICA	0		0	0	
V-12-3	State Unemployment Tax	0		0	0	
V-12-3	Health Insurance	0		0	0	2
V-13-3	Vehicle Insurance	0		0	0	
V-13-3	Liability Insurance	16,880		16,880	295	
V-13-3	Property Insurance	0		0	0	295
V-17-3	Depreciation Expense	0		0	0	0
V-18-3	Interest Expense	0	0	0	0	
V-18-3	Investment Income	0	0	0	0	0
	<b>TOTALS</b>	<b>79,189</b>	<b>16,851</b>	<b>62,338</b>	<b>1,090</b>	<b>1,090</b>

**Board of Directors Costs:**

John Kniery	1,500.00
Doug Biederstedt	4,500.00
Irwin Jann	3,000.00
Jeff Shaw	4,500.00
William Kempiners	4,500.00
Meeting expenses	100.00
Travel costs	5,344.00
<b>Total</b>	<b>23,444.00</b>

**Less:**

Out of State Travel	-
	<b>23,444.00</b>

**FACILITY NAME: Hawthorne Inn of Freeport**  
**ID#: 37-1223846**

**BEGINNING: 4/1/2012**  
**ENDING: 3/31/2013**

**ATTACHED SCHEDULE V**

**Depreciation Reconciliation**

Schedule	Line	Description	Amount
VIII	17-7	Total buildings and improvements	41,355
VIII	20-3	Total equipment and transportation	3,813
Attached schedule V		Home office allocation adj depreciation	-
		<i>Subtotal</i>	<u>45,168</u>
IV	17-6	Total cost center depreciation	45,168
		<i>Difference</i>	<u><u>-</u></u>

**ATTACHED SCHEDULE VI**

**Schedule XII Income Statement Line 16**

LINK Revenue	17,581
Vending	0
Misc Income	0
	<u>17,581</u>

**ATTACHED SCHEDULE VII**

**Schedule IX - Rental Costs**

On December 1, 2012, Residential Alternatives of Illinois, Inc. purchased the Hawthorne Inn of Freeport facility, including land, building and equipment, from the lessor, Edwin Enterprises, LLC. The rental costs recorded reflect the time period from April 1, 2012 through November 30, 2012.