

		FOR BHF USE					

LL2

Supportive Living Facility

**2011
STATE OF ILLINOIS
DEPARTMENT OF HEALTHCARE & FAMILY SERVICES
COST REPORT FOR
SUPPORTIVE LIVING FACILITIES
(FISCAL YEAR 2011)**

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. Facility ID Number: <u>1000093</u></p> <p>Facility Name: <u>Hawthorne Inn of Freeport</u></p> <p>Address: <u>2140 West Navajo Drive</u> <u>Freeport</u> <u>61032</u> <small>Number City Zip Code</small></p> <p>County: <u>Stephenson</u></p> <p>Telephone Number: (<u>815</u>) <u>232-3407</u> Fax # ()</p> <p>Federal Employer ID Number: _____</p> <p>Date Current Owners were Certified: <u>11/19/2007</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 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>IRS Exemption Code <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>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 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	IRS Exemption Code <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>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>4/1/2010</u> to <u>3/31/2011</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" style="width: 15%;">Officer or Administrator of Provider</td> <td>(Signed) _____</td> <td>(Date) _____</td> </tr> <tr> <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 rowspan="4" style="width: 15%;">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 210</u></td> <td></td> </tr> <tr> <td>(Firm Name & Address) <u>P.O. 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 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>	Officer or Administrator of Provider	(Signed) _____	(Date) _____	(Type or Print Name) <u>Darcee Fanning</u>			(Title) <u>Regional Director</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 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: 4/1/2010 Ending: 3/31/2011

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	1,465	6,060		7,525	5
6	Double Unit	2,148	2,852		5,000	6
7	Other					7
8	TOTALS	3,613	8,912		12,525	8

C. Percent Occupancy. (Column 5, line 8 divided by total certified bed days on line 4, column 4.) 92.74%

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)

H. ACCOUNTING BASIS

ACCRUAL MODIFIED CASH* CASH*

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

Tax Year: 3/31/2011 Fiscal Year: 3/31/2011

* 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:

4/1/2010

Ending:

3/31/2011

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	59,905	94,932	1,410	156,247		156,247	1
2	Housekeeping, Laundry and Maintenance	41,760	10,474	13,821	66,055		66,055	2
3	Heat and Other Utilities			48,752	48,752		48,752	3
4	Other (specify):							4
5	TOTAL General Services	101,665	105,406	63,983	271,054		271,054	5
B. Health Care and Programs								
6	Health Care/ Personal Care	161,059	43,772		204,831		204,831	6
7	Activities and Social Services		471		471		471	7
8	Other (specify):							8
9	TOTAL Health Care and Programs	161,059	44,243		205,302		205,302	9
C. General Administration								
10	Administrative and Clerical	64,122	2,101	58,313	124,536	1,075	125,611	10
11	Marketing Materials, Promotions and Advertising			15,237	15,237	(15,237)		11
12	Employee Benefits and Payroll Taxes			51,034	51,034		51,034	12
13	Insurance-Property, Liability and Malpractice			13,984	13,984	215	14,199	13
14	Other (specify): Bad Debt Expense			811	811	(811)		14
15	TOTAL General Administration	64,122	2,101	139,379	205,602	(14,758)	190,844	15
16	TOTAL Operating Expense (Sum of lines 5, 9 and 15)	326,846	151,750	203,362	681,958	(14,758)	667,200	16
Capital Expenses								
D. Ownership								
17	Depreciation			6,288	6,288		6,288	17
18	Interest							18
19	Real Estate Taxes			48,000	48,000		48,000	19
20	Rent -- Facility and Grounds			310,488	310,488		310,488	20
21	Rent -- Equipment							21
22	Other (specify):							22
23	TOTAL Ownership			364,776	364,776		364,776	23
24	GRAND TOTAL (Sum of lines 16 and 23)	326,846	151,750	568,138	1,046,734	(14,758)	1,031,976	24

Facility Name: Hawthorne Inn of Freeport

Report Period Beginning 4/1/2010

Ending:

3/31/2011

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			2
3	Certified Nurse Assistants	14	8.78	3
4	Activity Director & Assistants			4
5	Social Service Workers			5
6	Head Cook			6
7	Cook Helpers/Assistants	4	8.21	7
8	Dishwashers			8
9	Maintenance Workers	1	11.06	9
10	Housekeepers	2	8.50	10
11	Laundry			11
12	Managers	1	19.35	12
13	Other Administrative			13
14	Clerical	1	9.06	14
15	Marketing	1	22.81	15
16	Other			16
17	Total (lines 1 thru 16)	24	\$	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	See Att Sch IVa for Directors Fees			\$ 487	1
2					2
3					3
4					4
5					5
Total				\$ 487	6

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:

4/1/2010

Ending:

3/31/2011

VIII. OWNERSHIP COSTS

A. Purchase price of land _____ Year land was acquired _____

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					\$	\$		\$	\$	\$	1
2											2
3											3
4											4
5											5
	Improvement Type										
6		Landscaping		2002	3,672	367	10	367		3,274	6
7		Light/Surge Protection		2004	22,900	3,266	7	3,266		20,713	7
8		Water Heater		2010	9,991	999	10	999		1,166	8
9											9
10											10
11											11
12											12
13											13
14											14
15											15
16											16
17	TOTAL (lines 1 thru 16)				\$ 36,563	\$ 4,632		\$ 4,632	\$	\$ 25,153	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	\$ 33,737	\$ 1,656	\$ 1,656	\$	5-15 yrs	\$ 23,455	18
19	Vehicles							19
20	TOTAL (lines 18 and 19)	\$ 33,737	\$ 1,656	\$ 1,656	\$		\$ 23,455	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: 4/1/2010

Ending: 3/31/2011

IX. RENTAL COSTS

A. Building and Fixed Equipment

1. Name of Party Holding Lease: Edwin Enterprises, LLC

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	\$ 310,488	9	15	3
4	Additions			/ /				4
5				/ /				5
6				/ /				6
7	TOTAL		29		\$ 310,488			7

8. Is movable equipment rental included in building rental?

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	2	3	4	6	7	8	9		
	Name of Lender	Related**		Purpose of Loan	Date of Note	Amount of Note		Maturity Date	Interest Rate (4 Digits)	Reporting Period Int. Expense
		YES	NO			Original	Balance			
	A. Directly Facility Related									
	Long-Term									
1					/ /	\$	\$	/ /		\$
2					/ /			/ /		
3					/ /			/ /		
	Working Capital									
4					/ /			/ /		
5	Home Office Allocation	X			/ /			/ /		
6	Less: Interest Income		X		/ /			/ /		
7	TOTAL Facility Related					\$	\$			\$
	B. Non-Facility Related									
8					/ /			/ /		
9					/ /			/ /		
10	TOTALS (lines 7, 8 and 9)					\$	\$			\$

* 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: 4/1/2010

Ending:

3/31/2011

XI. BALANCE SHEET - Unrestricted Operating Fund.

As of 3/31/2011

(last day of reporting year)

		1	2	
		Operating	After	
			Consolidation*	
	A. Current Assets			
1	Cash on Hand and in Banks	\$ 9,572	\$	1
2	Cash-Patient Deposits			2
3	Accounts & Short-Term Notes Receivable- Patients (less allowance)	23,877		3
4	Supply Inventory (priced at)			4
5	Short-Term Investments			5
6	Prepaid Insurance	5,177		6
7	Other Prepaid Expenses			7
8	Accounts Receivable (owners or related parties)			8
9	Other(specify): <u>Intercompany Receivable</u>	1,530,710		9
10	TOTAL Current Assets (sum of lines 1 thru 9)	\$ 1,569,336	\$	10
	B. Long-Term Assets			
11	Long-Term Notes Receivable			11
12	Long-Term Investments			12
13	Land			13
14	Buildings, at Historical Cost			14
15	Leasehold Improvements, at Historical Cost	36,563		15
16	Equipment, at Historical Cost	33,737		16
17	Accumulated Depreciation (book methods)	(48,608)		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)	\$ 21,692	\$	24
25	TOTAL ASSETS (sum of lines 10 and 24)	\$ 1,591,028	\$	25

		1	2	
		Operating	After	
			Consolidation*	
	C. Current Liabilities			
26	Accounts Payable	\$ 11,610	\$	26
27	Officer's Accounts Payable			27
28	Accounts Payable-Patient Deposits			28
29	Short-Term Notes Payable			29
30	Accrued Salaries Payable	8,929		30
31	Accrued Taxes Payable	60,244		31
32	Accrued Interest Payable			32
33	Deferred Compensation			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)	\$ 80,783	\$	37
	D. Long-Term Liabilities			
38	Long-Term Notes Payable			38
39	Mortgage Payable			39
40	Bonds Payable			40
41	Deferred Compensation			41
	Other Long-Term Liabilities(specify):			
42	<u>Security Deposits</u>	37,500		42
43				43
44	TOTAL Long-Term Liabilities (sum of lines 38 thru 43)	\$ 37,500	\$	44
45	TOTAL LIABILITIES (sum of lines 37 and 44)	\$ 118,283	\$	45
46	TOTAL EQUITY	\$ 1,472,745	\$	46
47	TOTAL LIABILITIES AND EQUITY (sum of lines 45 and 46)	\$ 1,591,028	\$	47

*(See instructions.)

Facility Name: Hawthorne Inn of Freeport

Report Period Beginning: 4/1/2010

Ending:

3/31/2011

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	\$ 1,314,857	1
2	Discounts and Allowances		2
3	SUBTOTAL Resident Care (line 1 minus line 2)	\$ 1,314,857	3
B. Other Operating Revenue			
4	Special Services	5,223	4
5	Other Health Care Services		5
6	Special Grants		6
7	Gift and Coffee Shop		7
8	Barber and Beauty Care	3,824	8
9	Non-Resident Meals	108	9
10	Laundry		10
11	SUBTOTAL OTHER OPERATING REVENUE (sum of lines 4 thru 10)	\$ 9,155	11
C. Non-Operating Revenue			
12	Contributions		12
13	Interest and Other Investment Income		13
14	SUBTOTAL Non-Operating Revenue (sum of lines 12 and 13)	\$	14
D. Other Revenue (specify):			
15	Miscellaneous Fees	1,200	15
16	See Attached Sch VI	10,685	16
17	SUBTOTAL Other Revenue (sum of lines 15 and 16)	\$ 11,885	17
18	TOTAL REVENUE (sum of lines 3, 11, 14 and 17)	\$ 1,335,897	18

		2	
Expenses		Amount	
A. Operating Expenses			
19	General Services	271,054	19
20	Health Care/ Personal Care	205,302	20
21	General Administration	205,602	21
B. Capital Expense			
22	Ownership	364,776	22
C. Other Expenses			
23	Special Cost Centers		23
24	Non-Operating Expenses		24
25	Other (specify):		25
26			26
27			27
28	TOTAL EXPENSES (sum of lines 19 thru 27)	\$ 1,046,734	28
29	Income Before Income Taxes (line 18 minus line 28)	\$ 289,163	29
30	Income Taxes	\$	30
31	NET INCOME OR LOSS FOR THE YEAR (line 29 minus line 30)	\$ 289,163	31

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

BEGINNING: 4/1/2010
ENDING: 3/31/2011

ATTACHED SCHEDULE I

VII. Related Organizations

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

Name	City and State	Type of Business
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 and assisted living 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 DD facilities

Chamness Square	Bourbannis, IL
Collins Square	Bradley, IL
Gravlin 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	Bourbannis, 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: \$ 6,960

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

BEGINNING: 4/1/2010
 ENDING: 3/31/2011

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	(811)
Line 11	Non-allowable advertising	(15,237)
See Att Sch IV	Home office allocation	1,290
<i>Total Adjustments on Schedule IV</i>		(14,758)

ATTACHED SCHEDULE III

Bed Listing & Home Office Allocation

Facility	Weighted beds @ 03/31/11					Estate Units 10%	Weighted Average Total	All Homes Percentage of Total	SLF Percentage of Total
	Nursing	Home	Sheltered	SLF	ALC				
	Beds 100%	Care 50%	Beds 50%	Beds 50%	Beds 50%				
Liberty Estates of Danville	0	0	0	0	0	8	8	0.97%	0.00%
Liberty Estates of Freeport	0	0	0	0	0	7	7	0.85%	0.00%
Liberty Estates of Peoria	0	0	0	0	0	8	8	0.97%	0.00%
Liberty Estates of Geneseo	0	0	0	0	7	3	10	1.21%	0.00%
Liberty Estates of Peru	0	0	0	0	0	7	7	0.85%	0.00%
Liberty Estates of Streator	0	0	0	0	8	3	11	1.33%	0.00%
Hawthorne Inn of Danville	70	34	0	0	0	0	104	12.58%	0.00%
Manor Court of Princeton	76	11	10	0	0	0	97	11.73%	1.21%
Manor Court of Clinton	134	0	11	0	0	0	145	17.53%	1.33%
Manor Court of Peoria	50	0	0	0	0	0	50	6.05%	0.00%
Manor Court of Peru	85	22	0	0	0	0	107	12.94%	0.00%
Manor Court of Freeport	64	12	0	12	0	0	88	10.64%	0.00%
Hawthorne Inn of Peoria	0	0	0	34	0	0	34	4.11%	0.00%
Hawthorne Inn of Peru	0	0	0	34	0	0	34	4.11%	0.00%
Hawthorne Inn of Freeport	0	0	15	0	0	0	15	1.81%	1.81%
Freeport Rehab & Healthcare	102	0	0	0	0	0	102	12.33%	0.00%
							827	100%	4.35%

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

BEGINNING: 4/1/2010
 ENDING: 3/31/2011

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	1,075	1,075
11	Mkt, Promo, Adv	0	0	-
12	Emp Ben & PR taxes	0	0	-
13	Insurance	0	215	215
14	Other	0	0	-
17	Depreciation	0	0	-
18	Interest	0	0	-
19	Real Estate Taxes	0	0	-
		0	0	-
		0	0	-
TOTALS		0	1,290	1,290

Net adjustment required

1,290

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

BEGINNING: 4/1/2010
 ENDING: 3/31/2011

**ATTACHED SCHEDULE IVa ALLOCATION OF INDIRECT COSTS
 (Detail Schedule)**

Allocation Factors:

SLF Home Office Factor **0.0181**

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
V-10-1	Labor - Administrative			0	0	
V-10-1	Labor-Clerical			0	0	0
V-10-2	Supplies			0	0	0
V-10-3	Miscellaneous			0	0	
V-10-3	Postage & Shipping			0	0	
V-10-3	Equipment			0	0	
V-10-3	Equipment Contracts			0	0	
V-10-3	Equip Maintenance & Repair			0	0	
V-10-3	Telephone			0	0	
V-10-3	Board of Directors	26,858	0	26,858	487	
V-10-3	Legal Fees	5,892	5,892	0	0	
V-10-3	Professional Services	32,384	0	32,384	587	
V-10-3	Licenses/Fees/Misc	45		45	1	
V-10-3	Inservice Training	0		0	0	
V-10-3	Travel	0		0	0	
V-10-3	Vehicle Expense	0		0	0	1,075
V-11-3	Advertising - Employment			0	0	
V-11-3	Subscriptions & Fees			0	0	0
V-12-3	Worker's Compensation	0		0	0	
V-12-3	Other Employee Expense	0		0	0	
V-12-3	FICA	0		0	0	
V-12-3	State Unemployment Tax			0	0	
V-12-3	Health Insurance	0		0	0	0
V-13-3	Vehicle Insurance	0		0	0	
V-13-3	Property Insurance	0		0	0	0
V-17-3	Depreciation Expense			0	0	0
V-18-3	Interest Expense	3,977	0	3,977	72	
V-18-3	Investment Income	-60,696	-56,719	-3,977	-72	0
V-26-3	Liability Ins	11,874		11,874	215	215
TOTALS		20,334	(50,827)	71,161	1,290	1,290

BOARD OF DIRECTORS:

Alan Litwiller	4,000.00
Irwin Jann	4,500.00
Jack Biddison	1,500.00
Jeff Shaw	4,500.00
Doug Biederstedt	4,000.00
William Kempiners	5,500.00
Meeting expenses	2,190.00
Travel costs	668.00
Total	26,858.00

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

BEGINNING: 4/1/2010
ENDING: 3/31/2011

ATTACHED SCHEDULE V

Depreciation Reconciliation

Schedule	Line	Description	Amount
VIII	17-7	Total buildings and improvements	4,632
VIII	20-3	Total equipment and transportation	1,656
Attached schedule V		Home office allocation adj depreciation	-
		<i>Subtotal</i>	<u>6,288</u>
IV	17-6	Total cost center depreciation	<u>6,288</u>
		<i>Difference</i>	<u><u>-</u></u>

ATTACHED SCHEDULE VI

Schedule XII Income Statement Line 16

LINK Revenue	10,301
Vending	384
Misc Income	<u>0</u>
	<u><u>10,685</u></u>