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AUG 06 2013

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

August 6, 2013

Ms. Courtney Avery
Administrator
Illinois Health Facilities & Services Review Board
525 West Jefferson Street
Springfield, Illinois 62761

Re: Alteration Request for Project # 12-022
Resthave Home of Morrison

Dear Ms. Avery:

This letter requests an alteration for the Resthave Home Project # 12-022 due to increase square footage and cost. Resthave Home has not previously requested a permit alteration.

Status of Project

Resthave Home is a long term care facility in Morrison, Illinois. The Health Facilities and Services Review Board ("Review Board") approved Project # 12-022 on July 23, 2012 to add 21 skilled care beds to its 49 existing beds. The Project was obligated in a timely fashion on September 7, 2012. As noted in the Annual Progress Report filed July 18, 2013, the Project has progressed and remains in compliance with all post-permit requirements. However, construction has not begun and alterations are required prior to the start of construction.

Resthave Home requests to increase Project square footage by 3% to 59,164 and project costs by a commensurate 3% to \$9,796,102. The increased construction costs are solely due to the increased square footage. The increased square footage is due to the addition of social and activity space deemed necessary for the assisted living program and missing from the original plans at time of application for permit.

Of the original permit amount of \$9,510,780, the Permit Holder has spent \$858,624.44 in funds attributable to the skilled nursing facility development (attachment 1). The project is 9.0% complete.

Application Review Criteria

1. Availability of Funds

The Permit Holder is currently involved in the lender underwriting process required for financing through the USDA Direct and Guaranteed Community Facilities Program. The Permit Holder has sufficient and readily accessible funds to complete Project # 12-022.

2. Financial Viability

The 3% increase does not greatly affect the Project when analyzed using the financial viability criterion.

Provide Data for Projects Classified as:	Category A or Category B (last three years)	Category B (Projected)
Enter Historical and/or Projected Years:		
Current Ratio		23.63
Net Margin Percentage		4.70%
Percent Debt to Total Capitalization		86%
Projected Debt Service Coverage		2.09
Days Cash on Hand		79.36
Cushion Ratio		0.92

Year 3

Current Ratio

A	Current Assets	\$1,864,798
B	Current Liabilities	\$78,909
	Current ratio (A/B)	23.63

Net Margin percentage

C	Net Income/(Loss)	\$255,512
D	Net Operating Revenue	\$5,436,020
	Net Margin percentage (C/D)	4.70%

Percent Debt to Total Capitalization

E	LT Debt	\$8,233,807
F	LT Debt + Equity	\$9,586,975
	Debt service coverage ratio (E/F)	86%

Projected Debt Service Coverage

G	Net inc + depr+int+amort/P&I payment	\$1,044,236
H	Principal and interest payment	\$499,174
	Debt capitalization ratio (G/H)	2.09

Days Cash on Hand

I	Cash + investments	\$956,312
J	Operating expense-depreciation/365	\$12,051
	Days cash on hand (I/J)	79

Cushion Ratio

K	Cash + investments	\$956,312
L	Max Annual Debt Service	\$1,044,236
	Cushion Ratio (K/L)	0.92

The ratios are largely in line with the Project as approved by the Review Board. The 3% increase in total project cost does not impact the financial viability of the organization in light of the overall financial strength of Resthaven Home.

3. Reasonableness of Project Cost

The Project has undergone several revisions since the permit issuance, which was necessitated by changes in the architect's drawings. Those changes were the result of further refinement of the assisted living program needs.

A. Assisted Living Component Larger Than Planned

The assisted living component of the project is 1,730 sf larger than the original CON amount, and the regulated skilled nursing component is 146 sf smaller. The following table illustrates the current project square footage and the original CON square footage. This change is primarily due to the need for more common area space in the assisted living component of the project.

	SNF	AL	Total
SF in CON	37,929	19,651	57,580
Current Project	37,783	21,381	59,164
Difference	(146)	1,730	1,584

B. Modernization Miscategorized as New Construction

In the original CON application, 17,892 sf of modernization was miscategorized as "new construction" (14,952) and "as is" (1,356).

	New	Modern	As Is	Total
SF in CON	49,889	6,335	1,356	57,580
Current Project	34,937	24,227	-	59,164
Difference	(14,952)	17,892	(1,356)	1,584

C. Non-clinical Space Miscategorized as Clinical

In the original CON application, some of non-clinical square footage was categorized as clinical. In addition, square footage was added to the non-clinical portion of the project. This change is primarily due to the need for more common area space in the assisted living component of the project.

	Clinical	Non	Total
SF in CON	25,599	31,981	57,580
Current Project	20,991	38,173	59,164
Difference	(4,608)	6,192	1,584

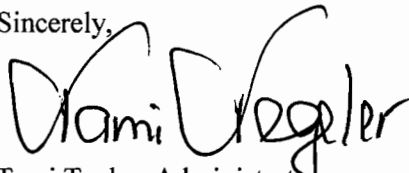
4. Total Effect of the Project on Capital Costs

Although there is no review criterion, a revised pro forma showing project cost per patient day as a result of this permit alteration is attached. A summary is provided below.

For first full year of stabilized occupancy		
Salaries	\$ 2,330,812	Includes AL
Supplies and other costs	\$ 1,645,631	Includes AL
Benefits	\$ 422,153	Includes AL
Total direct costs	\$ 4,398,596	
Year of Target Utilization	Year 3	
Patient days per year	\$ 32,485	
Cost per patient day	\$ 135.40	
Criterion 1120.310(e) Total Effect of the Project on Capital Costs		
Depreciation	\$ 455,749	
Interest	\$ 332,975	
Property Tax		
Total annual capital cost	\$ 788,724	
Year of Target Utilization	Year 3	
Patient days per year	\$ 32,485	
Cost per patient day	\$ 24.28	

Included with this letter is the permit alteration fee of \$1,000. Please contact me at 815-772-4021 with any questions in regard to this alteration request.

Sincerely,



Tami Tegler, Administrator
Resthave Home

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs	\$ 314,902	\$ 572,663	\$ 887,565
Site Survey and Soil Investigation	\$ -	\$ -	\$ -
Site Preparation	\$ -	\$ -	\$ -
Off Site Work	\$ -	\$ -	\$ -
New Construction Contracts	\$ 2,615,032	\$ 4,755,545	\$ 7,370,577
Modernization Contracts	\$ -	\$ -	\$ -
Contingencies	\$ 132,009	\$ 240,064	\$ 372,073
Architectural/Engineering Fees	\$ 151,087	\$ 274,758	\$ 425,846
Consulting and Other Fees	\$ 20,830	\$ 37,880	\$ 58,710
Movable or Other Equipment (not in construction contracts)	\$ 67,058	\$ 121,947	\$ 189,005
Bond Issuance Expense (project related)	\$ -	\$ -	\$ -
Net Interest Expense During Construction (project related)	\$ 76,011	\$ 138,229	\$ 214,240
Fair Market Value of Leased Space or Equipment	\$ -	\$ -	\$ -
Other Costs To Be Capitalized	\$ 98,663	\$ 179,423	\$ 278,086
Acquisition of Building or Other Property (excluding land)	\$ -	\$ -	\$ -
TOTAL USES OF FUNDS	\$ 3,475,593	\$ 6,320,509	\$ 9,796,102
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$ 365,437	\$ 664,563	\$ 1,030,000
Pledges	\$ -	\$ -	\$ -
Gifts and Bequests	\$ -	\$ -	\$ -
Bond Issues (project related)	\$ -	\$ -	\$ -
Mortgages	\$ 3,110,156	\$ 5,655,946	\$ 8,766,102
Leases (fair market value)	\$ -	\$ -	\$ -
Governmental Appropriations	\$ -	\$ -	\$ -
Grants	\$ -	\$ -	\$ -
Other Funds and Sources	\$ -	\$ -	\$ -
TOTAL SOURCES OF FUNDS	\$ 3,475,593	\$ 6,320,509	\$ 9,796,102

Revised Cost/Space Requirements
Attachment 9 (Revised)

		Gross Square Feet		Amount of Proposed Total Gross Square Feet that is:			
		Existing	Proposed	New Construction	Modernized	As Is	Vacated Space
BGSF	Cost						
CLINICAL							
General Long Term Care	3,475,593		20,991	18,041	2,950		
Total Clinical	3,475,593		20,991	18,041	2,950		
NON CLINICAL							
General Long Term Care	2,780,342	-	16,792	12,959	3,833		
Assisted Living	3,540,167		21,381	3,937	17,444		
Total Non-Clinical	6,320,509	-	38,173	16,896	21,277	-	-
TOTAL	9,796,102	-	59,164	34,937	24,227	-	-

Projected Statements of Revenues, Expenses and Changes in Retained Earnings

	<u>2013</u>	<u>2014</u>	<u>2015</u>
SERVICE REVENUES			
Private	\$2,508,112	\$2,889,979	\$2,991,128
Medicaid	\$861,941	\$981,611	\$1,015,967
Medicare	\$729,784	\$831,105	\$860,194
AL	\$708,028	\$825,192	\$854,838
TOTAL SERVICE REVENUES	\$4,807,865	\$5,527,886	\$5,722,126
Less Vacancy and Bad Debts	\$240,393	\$276,394	\$286,106
Net Income	\$4,567,472	\$5,251,492	\$5,436,020
OPERATING EXPENSES			
Management Fee	\$228,374	\$262,575	\$271,801
Administrator	\$89,449	\$92,580	\$95,820
Assistant Admin/SLF	\$55,120	\$57,049	\$59,046
RN-Includes MDS Nurse	\$251,715	\$274,184	\$283,835
LPN	\$334,905	\$354,924	\$367,416
CNA	\$740,265	\$836,679	\$866,128
Rehab Aides	\$53,137	\$41,685	\$43,152
Nursing admin	\$66,500	\$68,827	\$71,236
ADON	\$53,200	\$55,062	\$56,989
Dietary Supervisor	\$37,545	\$38,859	\$40,219
Dietary	\$171,719	\$197,688	\$204,646
Activities	\$85,237	\$98,127	\$101,581
Laundry	\$41,531	\$47,811	\$49,494
Housekeeping	\$107,600	\$123,873	\$128,233
Maintenance	\$23,961	\$24,799	\$25,667
Social Service	\$29,924	\$30,971	\$32,055
Business Office/Clerical	\$56,160	\$58,126	\$60,160
Employee Benefits and payroll taxes	\$412,076	\$407,814	\$422,153
Therapy	\$149,274	\$169,999	\$175,949
Pharmacy	\$58,051	\$66,111	\$68,424
Medical Supplies	\$101,909	\$117,321	\$121,450
Medicare Ancillary	\$16,586	\$18,889	\$19,550
Raw Food	\$223,736	\$257,572	\$266,638
Dietary Supplies	\$47,516	\$54,702	\$56,628
Laundry	\$16,482	\$18,975	\$19,642
Utilities	\$53,400	\$55,269	\$57,203
Maintenance	\$44,912	\$46,484	\$48,111
Housekeeping Supplies	\$35,844	\$41,265	\$42,718
Accounting and Legal	\$9,000	\$9,315	\$9,641
Office Supplies	\$14,807	\$15,325	\$15,861
Social Service Supplies	\$4,634	\$3,022	\$3,129
Insurance	\$56,250	\$58,219	\$60,256
Medical Director and Psychiatrist	\$12,000	\$12,420	\$12,855
Administrative Costs	\$52,955	\$54,808	\$56,726
Bed Taxes	\$38,325	\$38,325	\$38,325
Provider Assessment	\$123,334	\$136,810	\$136,810
Auto-Transportation	\$7,592	\$8,740	\$9,048
TOTAL OPERATING EXPENSES	\$3,905,025	\$4,255,202	\$4,398,596

INCOME (LOSS) BEFORE OTHER EXPENSE (INCOME)	\$662,447	\$996,290	\$1,037,424
OTHER EXPENSES (INCOME)			
Depreciation and Amortization	(\$453,749)	(\$454,749)	(\$455,749)
Interest Income	\$270	\$2,361	\$6,812
Interest Expense	(\$345,733)	(\$339,481)	(\$332,975)
TOTAL OTHER EXPENSES (INCOME)	(\$799,212)	(\$791,870)	(\$781,912)
NET INCOME (LOSS)	(\$136,764)	\$204,420	\$255,512
RETAINED EARNINGS			
Beginning of Period		(\$136,764)	\$67,656
End of Period	(\$136,764)	\$67,656	\$323,168

Projected Balance Sheet

	<u>2013</u>	<u>2014</u>	<u>2015</u>
ASSETS			
CURRENT ASSETS			
Cash	\$17,785	\$494,781	\$956,312
Accounts Receivable	\$837,917	\$877,764	\$908,486
TOTAL CURRENT ASSETS	\$855,702	\$1,372,545	\$1,864,798
PLANT, PROPERTY & EQUIPMENT			
Building	\$7,905,650	\$7,905,650	\$7,905,650
Equipment	\$5,000	\$10,000	\$15,000
	\$7,910,650	\$7,915,650	\$7,920,650
Less Accumulated Depreciation	(\$263,522)	(\$528,043)	(\$793,565)
TOTAL PLANT, PROPERTY & EQUIPMENT	\$7,647,128	\$7,387,607	\$7,127,085
OTHER ASSETS			
Financing Costs (Net of Amortization)	\$267,153	\$257,941	\$248,728
Organizational Costs (Net of Amortization)	\$724,060	\$543,045	\$362,030
Debt Service Reserve Fund	\$20,600	\$20,600	\$20,600
Replacement Reserve - Building	\$464	\$927	\$1,391
Replacement Reserve - Equipment	\$13,751	\$27,501	\$41,252
TOTAL OTHER ASSETS	\$1,026,027	\$850,014	\$674,000
TOTAL ASSETS	\$9,528,857	\$9,610,165	\$9,665,883
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts Payable	\$75,922	\$112,503	\$78,909
Current Portion of Long-Term Debt			
Accrued Payroll and Payroll Taxes			
TOTAL CURRENT LIABILITIES	\$75,922	\$112,503	\$78,909
LONG-TERM DEBT			
Mortgage	\$8,559,699	\$8,400,006	\$8,233,807
Bank Letter of Credit			
TOTAL LONG-TERM DEBT	\$8,559,699	\$8,400,006	\$8,233,807
OTHER LIABILITIES			
Deposits			
TOTAL OTHER LIABILITIES			
TOTAL LIABILITIES	\$8,635,621	\$8,512,509	\$8,312,716
Unrestricted Net Assets			
FUND BALANCE	\$1,030,000	\$1,030,000	\$1,030,000
Retained Earnings	(\$136,764)	\$67,656	\$323,168
TOTAL STOCKHOLDERS' EQUITY	\$893,236	\$1,097,656	\$1,353,168
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$9,528,857	\$9,610,165	\$9,665,883

Projected Statement of Cash Flows

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2013</u>	<u>2014</u>	<u>2015</u>
Net Income (Loss)	(136,764)	204,420	255,512
Adjustments to Reconcile Net Revenues (Expenses) to Net Cash Provided (Used) By Operating Activities:			
Depreciation and Amortization	453,749	454,749	455,749
Changes in Current Assets and Liabilities:			
Accounts Receivable	(837,917)	(39,847)	(30,722)
Other Current Assets	-	-	-
Accounts Payable	75,922	36,581	(33,595)
Accrued Payroll and Payroll Taxes	-	-	-
Operating Deficit Reserve	-	-	-
Working Capital Reserve	-	-	-
Deposits	-	-	-
Replacement Reserves	(14,214)	(14,214)	(14,214)
TOTAL CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(459,224)	641,689	632,730
CASH FROM (USED IN) FINANCING ACTIVITIES			
Equity Contribution	1,030,000	-	-
Loan Acquisition Costs	(276,365)	-	-
Proceeds from Long-Term Debt	8,713,141	-	-
Principal Payments on Long-Term Debt	(153,442)	(159,693)	(166,199)
TOTAL CASH FROM (USED IN) FINANCING ACTIVITIES	9,313,334	(159,693)	(166,199)
CASH FROM (USED IN) INVESTING ACTIVITIES			
Capitalized Organization Costs	(905,075)		
Application inspection insurance fees	-		
Purchase of Land	-		
TOTAL CASH FROM (USED IN) FINANCING ACTIVITIES	8,408,259	(\$159,693)	(\$166,199)
CASH FROM (USED IN) INVESTING ACTIVITIES			
Capitalized Organization Costs	(\$905,075)		
Purchase of Land			
Purchase of Plant and Equipment	(\$7,910,650)	(\$5,000)	(\$5,000)
TOTAL CASH FROM (USED IN) INVESTING ACTIVITIES	(\$8,836,325)	(\$5,000)	(\$5,000)
INCREASE (DECREASE) IN CASH	\$17,785	\$476,996	\$461,531
INVESTMENT INCOME			
CASH - BEGINNING OF PERIOD		\$17,785	\$494,781
CASH - END OF PERIOD	\$17,785	\$494,781	\$956,312

RESTHAVE HOME408 MAPLE AVENUE
MORRISON, ILLINOIS 61270

12-022

THE NATIONAL BANK
211 WEST MAIN ST.
MORRISON, IL 61270

DATE

08/06/2013

1501

PAY
TO THE
ORDER
OF

One Thousand & No/100

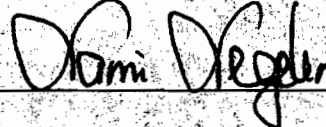
Account Number

AMOUNT

Illinois Department of Public Health

\$1,000.00

VOID AFTER 90 DAYS



⑈001501⑈ ⑈071104647⑈

4237541⑈

RESTHAVE HOME

Resthave Home of Whiteside County ILL

1501

Date

8/6/2013

Check Number

35814

Invoice ID	Invoice Description	Amount Due	Discount	Payment
[08/06/13] 20130806dph		\$1,000.00	\$0.00	\$1,000.00
RESTHAVE HOME				1501