ORIGINAL

12-025

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

RECEIVED
MAR 1 2 2012
HEALTH FACILITIES & SERVICES REVIEW BOARD

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name: Lutheran Home for the Aged, Inc.		
Street Address: 800 West Oakton Street		
City and Zip Code: Arlington Heights, IL 60004		
County: Cook	Health Service Area 7	Health Planning Area: 7-A

Applicant /Co-Applicant Identification
[Provide for each co-applicant [refer to Part 1130.220].

Exact Legal Name: Lutheran Home for the Aged, Inc.
Address: 800 West Oakton Street, Arlington Heights, IL 60004
Name of Registered Agent: Andrew P. Tecson
Name of Chief Executive Officer: Roger W. Paulsberg
CEO Address: 3150 Salt Creek Lane, Arlington Heights, IL 60005
Telephone Number: 847-368-7400

Type of Ownership of Applicant/Co-Applicant

- [x] Non-profit Corporation
- [ ] For-profit Corporation
- [ ] Limited Liability Company
- [ ] Partnership
- [ ] Governmental
- [ ] Sole Proprietorship
- [ ] Other

- Corporations and limited liability companies must provide an **Illinois certificate of good standing.**
- Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.

APPEND DOCUMENTATION AS ATTACHMENT-1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Primary Contact
[Person to receive all correspondence or inquiries during the review period]

Name: Andrew P. Tecson
Title: Counsel
Company Name: Chuhak & Tecson, P.C.
Address: 30 S. Wacker Drive, Suite 2600, Chicago, IL 60606
Telephone Number: 312-855-4321
E-mail Address: atecson@chuhak.com
Fax Number: 312-444-9027

Additional Contact
[Person who is also authorized to discuss the application for permit]

Name: Kimberly T. Boike
Title: Counsel
Company Name: Chuhak & Tecson, P.C.
Address: 30 S. Wacker Drive, Suite 2600, Chicago, IL 60606
Telephone Number: 312-855-6418
E-mail Address: kboike@chuhak.com
Fax Number: 312-444-9027

SEE NEXT PAGE FOR ADDITIONAL CONTACTS

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

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City and Zip Code: Arlington Heights, IL 60004		
County: Cook	Health Service Area 7	Health Planning Area: 7-A

Applicant /Co-Applicant Identification
[Provide for each co-applicant [refer to Part 1130.220].

Exact Legal Name: Lutheran Home and Services for the Aged, Inc.
Address: 800 West Oakton Street, Arlington Heights, IL 60004
Name of Registered Agent: Andrew P. Tecson
Name of Chief Executive Officer: Roger W. Paulsberg
CEO Address: 3150 Salt Creek Lane, Arlington Heights, IL 60005
Telephone Number: 847-368-7400

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ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
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SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

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Facility Name: Lutheran Home for the Aged, Inc.		
Street Address: 800 West Oakton Street		
City and Zip Code: Arlington Heights, IL 60004		
County: Cook	Health Service Area 7	Health Planning Area: 7-A

Applicant /Co-Applicant Identification
[Provide for each co-applicant [refer to Part 1130.220].

Exact Legal Name: Lutheran Life Communities
Address: 3150 Salt Creek Lane, Arlington Heights, IL 60005
Name of Registered Agent: Andrew P. Tecson
Name of Chief Executive Officer: Roger W. Paulsberg
CEO Address: 3150 Salt Creek Lane, Arlington Heights, IL 60005
Telephone Number: 877-545-5524

Type of Ownership of Applicant/Co-Applicant

- [X] Non-profit Corporation
- [ ] For-profit Corporation
- [ ] Limited Liability Company
- [ ] Partnership
- [ ] Governmental
- [ ] Sole Proprietorship
- [ ] Other

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E-mail Address: atecson@chuhak.com
Fax Number: 312-444-9027

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ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name: Lutheran Home for the Aged, Inc.		
Street Address: 800 West Oakton Street		
City and Zip Code: Arlington Heights, IL 60004		
County: Cook	Health Service Area 7	Health Planning Area: 7-A

Applicant /Co-Applicant Identification
[Provide for each co-applicant [refer to Part 1130.220].

Exact Legal Name: Lutheran Foundation for the Aged, Inc.
Address: 800 West Oakton Street, Arlington Heights, IL 60004
Name of Registered Agent: Andrew P. Tecson
Name of Chief Executive Officer: Roger W. Paulsberg
CEO Address: 3150 Salt Creek Lane, Arlington Heights, IL 60005
Telephone Number: 847-368-7400

Type of Ownership of Applicant/Co-Applicant

☒	Non-profit Corporation	☐	Partnership		
☐	For-profit Corporation	☐	Governmental		
☐	Limited Liability Company	☐	Sole Proprietorship	☐	Other

- o Corporations and limited liability companies must provide an **Illinois certificate of good standing.**
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E-mail Address: kboike@chuhak.com
Fax Number: 312-444-9027

ADDITIONAL CONTACTS
[Person to receive all correspondence or inquiries during the review period]

Name: Charles P. Sheets
Title: Counsel
Company Name: Polsinelli Shughart
Address: 161 North Clark Street, Suite 4200, Chicago, IL 60601
Telephone Number: 312-873-3605
E-mail Address: csheets@polsinelli.com
Fax Number: 312-819-1910

Name: Anne M. Cooper
Title: Counsel
Company Name: Polsinelli Shughart
Address: 161 North Clark Street, Suite 4200, Chicago, IL 60601
Telephone Number: 312-873-3606
E-mail Address: acooper@polsinelli.com
Fax Number: 312-819-1910

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Post Permit Contact

[Person to receive all correspondence subsequent to permit issuance-**THIS PERSON MUST BE EMPLOYED BY THE LICENSED HEALTH CARE FACILITY AS DEFINED AT 20 ILCS 3960**

Name: Philip G. Hemmer
Title: Administrator
Company Name: Lutheran Home for the Aged, Inc.
Address: 800 West Oakton Street, Arlington Heights, IL 60004
Telephone Number: 847-253-3710
E-mail Address: PHemmer@lutheranlifecommunities.org
Fax Number: 224-735-4004

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Lutheran Home for the Aged, Inc.
Address of Site Owner: 800 West Oakton Street, Arlington Heights, IL 60004
Street Address or Legal Description of Site: 800 West Oakton Street, Arlington Heights, IL 60004 **Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statement, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease or a lease.**
APPEND DOCUMENTATION AS ATTACHMENT-2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Operating Identity/Licensee

[Provide this information for each applicable facility, and insert after this page.]

Exact Legal Name: Lutheran Home for the Aged, Inc.

Address: 800 West Oakton Street, Arlington Heights, IL 60004

- [X] Non-profit Corporation
- [ ] For-profit Corporation
- [ ] Limited Liability Company
- [ ] Partnership
- [ ] Governmental
- [ ] Sole Proprietorship
- [ ] Other

- Corporations and limited liability companies must provide an Illinois Certificate of Good Standing.
- Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.
- **Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.**

APPEND DOCUMENTATION AS ATTACHMENT-3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Organizational Relationships

Provide (for each co-applicant) an organizational chart containing the name and relationship of any person or entity who is related (as defined in Part 1130.140). If the related person or entity is participating in the development or funding of the project, describe the interest and the amount and type of any financial contribution.

APPEND DOCUMENTATION AS ATTACHMENT-4, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Flood Plain Requirements

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2005-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at www.FEMA.gov or www.illinoisfloodmaps.org. **This map must be in a readable format.** In addition please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #2005-5 (http://www.hfsrb.illinois.gov).

APPEND DOCUMENTATION AS ATTACHMENT -5, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

Provide documentation regarding compliance with the requirements of the Historic Resources Preservation Act.

APPEND DOCUMENTATION AS ATTACHMENT-6, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

DESCRIPTION OF PROJECT

1. Project Classification

[Check those applicable - refer to Part 1110.40 and Part 1120.20(b)]

Part 1110 Classification:	Part 1120 Applicability or Classification: [Check one only.]
☒ Substantive	☐ Part 1120 Not Applicable
☐ Non-substantive	☐ Category A Project
	■ Category B Project
	☐ DHS or DVA Project

2. Narrative Description

Provide in the space below, a brief narrative description of the project. Explain **WHAT** is to be done in **State Board defined terms, NOT WHY** it is being done. If the project site does NOT have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive.

Lutheran Home for the Aged, Inc., a faith based not-for-profit organization (the "Lutheran Home"), proposes a major modernization and expansion of portions of its campus located at 800 West Oakton Street, Arlington Heights, Illinois. The Lutheran Home is the licensed entity and it is the applicant. Lutheran Home and Services for the Aged, Inc. is a faith based not-for-profit organization and the parent company of the Lutheran Home. Lutheran Life Communities, a faith based not-for-profit organization, is the parent company of Lutheran Home and Services for the Aged, Inc. and is the ultimate parent of The Lutheran Home. Lutheran Foundation for the Aged, Inc. is a faith based not-for-profit organization affiliated with the aforementioned entities, The Lutheran Home and Lutheran Home and Services for the Aged, are all Members of the Obligated Group which is jointly and severally liable for the money borrowed from the proceeds of tax exempt bonds which will be used as part of the funding for the Project. Consequently, Lutheran Life Communities, Lutheran Home and Services for the Aged, Inc., and Lutheran Foundation for the Aged, Inc. are named as co-applicants.

The Lutheran Home was founded in 1892 by a Lutheran Pastor and a community of lay people to care for aging family, friends and neighbors. The current licensed facility consists of 334 skilled nursing beds. As part of the Project, the Lutheran Home plans to renovate and expand a portion of its campus called the Olson Pavilion. The Olson Pavilion is a 4 story building located in the west portion of the campus.

As part of the Project, the Olson Pavilion, which currently houses 252 skilled nursing beds, will be gutted and a new addition will be added to the existing Olson Pavilion. The amount of living space for each private skilled nursing room in the Olson Pavilion will remain the same, but as part of the renovation, each room will have its own private bathroom with an ADA accessible shower. Additionally, the Olson Pavilion will be upgraded to add fire sprinklers, new energy efficient windows, new plumbing, new electrical, new heating, ventilation and air conditioning systems and new common areas and community space.

In addition to the renovation of the Olson Pavilion, a new addition will be added to the existing Olson Pavilion (the "Expanded Pavilion"). The Expanded Pavilion will contain a new physical therapy center, which will replace the current physical therapy room in the Olson Pavilion. The Expanded Pavilion will also contain 78 new private skilled nursing rooms, which will each have private bathrooms with ADA accessible showers. These skilled nursing rooms will replace the skilled nursing rooms in the Olson Pavilion that are lost due to the conversion to private bathrooms. The new skilled nursing rooms and bathrooms will be substantially similar in size to those that are being renovated in the Olson Pavilion.

The Project is classified as substantive pursuant to Section 1110.40(c) of the Illinois Health Facilities and Services Review Board's Rules.

Project Costs and Sources of Funds

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must equal.

Project Costs and Sources of Funds			
USE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Preplanning Costs	$236,499	$254,745	$491,243
Site Survey and Soil Investigation	$35,505	$38,245	$73,750
Site Preparation	$2,005,889	$2,160,648	$4,166,537
Off Site Work	N/A	N/A	N/A
New Construction Contracts	N/A	N/A	N/A
Modernization Contracts	$22,127,201	$23,834,361	$45,961,562
Contingencies	$1,168,175	$1,258,302	$2,426,477
Architectural/Engineering Fees	$1,961,487	$2,112,820	$4,074,307
Consulting and Other Fees	$506,975	$546,090	$1,053,065
Movable or Other Equipment (not in construction contracts)	$2,032,071	$2,188,849	$4,220,920
Bond Issuance Expense (project related)	$939,370	$1,011,844	$1,951,214
Net Interest Expense During Construction (project related)	$6,070,812	$6,539,187	$12,610,000
Fair Market Value of Leased Space or Equipment	N/A	N/A	N/A
Other Costs To Be Capitalized	$851,898	$917,623	$1,769,521
Acquisition of Building or Other Property (excluding land)	N/A	N/A	N/A
TOTAL USES OF FUNDS	$37,935,882	$40,862,714	$78,798,596
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities	$2,407,142	$2,592,858	$5,000,000
Pledges	N/A	N/A	N/A
Gifts and Bequests	N/A	N/A	N/A
Bond Issues (project related)	$35,528,740	$38,269,856	$73,798,596
Mortgages	N/A	N/A	N/A
Leases (fair market value)	N/A	N/A	N/A
Governmental Appropriations	N/A	N/A	N/A
Grants	N/A	N/A	N/A
Other Funds and Sources	N/A	N/A	N/A
TOTAL SOURCES OF FUNDS	$37,935,882	$40,862,714	$78,798,596

NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Related Project Costs

Provide the following information, as applicable, with respect to any land related to the project that will be or has been acquired during the last two calendar years:

Land acquisition is related to project ☐ Yes ☒ No
Purchase Price: $____________
Fair Market Value: $____________

The project involves the establishment of a new facility or a new category of service
☐ Yes ☒ No

If yes, provide the dollar amount of all **non-capitalized** operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.

Estimated start-up costs and operating deficit cost is $ ____________.

Project Status and Completion Schedules

Indicate the stage of the project's architectural drawings:

☐ None or not applicable ☐ Preliminary

☒ Schematics ☐ Final Working

Anticipated project completion date (refer to Part 1130.140): March 30, 2017

Indicate the following with respect to project expenditures or to obligation (refer to Part 1130.140):

☐ Purchase orders, leases or contracts pertaining to the project have been executed.
☐ Project obligation is contingent upon permit issuance. Provide a copy of the contingent "certification of obligation" document, highlighting any language related to CON Contingencies
☒ Project obligation will occur after permit issuance.

APPEND DOCUMENTATION AS ATTACHMENT-8, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

State Agency Submittals

Are the following submittals up to date as applicable:
☐ Cancer Registry Not applicable.
☐ APORS Not applicable.
☒ All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
☒ All reports regarding outstanding permits
Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.

Cost Space Requirements

Provide in the following format, the department/area **DGSF** or the building/area **BGSF** and cost. The type of gross square footage, either **DGSF** or **BGSF**, must be identified. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

		Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
Dept. / Area	Cost	Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
REVIEWABLE							
Medical Surgical							
Intensive Care							
Diagnostic Radiology							
MRI							
Total Clinical							
NON REVIEWABLE							
Administrative							
Parking							
Gift Shop							
Total Non-clinical							
TOTAL							

APPEND DOCUMENTATION AS ATTACHMENT-9, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Facility Bed Capacity and Utilization

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert following this page. Provide the existing bed capacity and utilization data for the latest **Calendar Year for which the data are available. Include observation days in the patient day totals for each bed service.** Any bed capacity discrepancy from the inventory will result in the application being deemed **incomplete**.

FACILITY NAME: Lutheran Home for the Aged			CITY: Arlington Heights, IL 60004		
REPORTING PERIOD DATES:		From: 1/1/2011		to: 12/31/2011	
Category of Service	**Authorized Beds**	**Admissions**	**Patient Days**	**Bed Changes**	**Proposed Beds**
Medical/Surgical					
Obstetrics					
Pediatrics					
Intensive Care					
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness					
Neonatal Intensive Care					
General Long Term Care	334	1169	114,645	0	334
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify)					
TOTALS:	334	1169	114,645	0	334

CERTIFICATION

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:

- in the case of a corporation, any two of its officers or members of its Board of Directors;
- in the case of a limited liability company, any two of its managers or members (or the sole manger or member when two or more managers or members do not exist);
- in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- in the case of a sole proprietor, the individual that is the proprietor.

This Application for Permit is filed on the behalf of Lutheran Home for the Aged, Inc. *** in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the permit application fee required for this application is sent herewith or will be paid upon request.**

SIGNATURE	SIGNATURE
Roger W. Paulsberg	David Abrahamson
PRINTED NAME	PRINTED NAME
Chair	Vice Chair
PRINTED TITLE	PRINTED TITLE
Notarization: Subscribed and sworn to before me this _____ day of _______________	Notarization: Subscribed and sworn to before me this 6 day of March, 2012
Signature of Notary	Signature of Notary
Seal	Seal OFFICIAL SEAL ANDREW P. TECSON Notary Public - State of Illinois My Commission Expires Dec 14, 2015

*Insert EXACT legal name of the applicant

CERTIFICATION

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:

- o in the case of a corporation, any two of its officers or members of its Board of Directors;
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SIGNATURE	SIGNATURE
Roger W. Paulsberg	David Abrahamson
PRINTED NAME	PRINTED NAME
Chair	Vice Chair
PRINTED TITLE	PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 7 day of March, 2012

Signature of Notary

Seal

OFFICIAL SEAL
ELIZABETH A WILLIAMSON
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:03/21/15

Notarization:
Subscribed and sworn to before me
this _____ day of ______________

Signature of Notary

Seal

*Insert EX[illegible]an

CERTIFICATION

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- in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
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- in the case of a sole proprietor, the individual that is the proprietor.

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SIGNATURE	Tod A. Kruse SIGNATURE
Roger W. Paulsberg PRINTED NAME	Tod A. Kruse PRINTED NAME
Chair PRINTED TITLE	Vice Chair PRINTED TITLE
Notarization: Subscribed and sworn to before me this _____ day of _______________	Notarization: Subscribed and sworn to before me this 7TH day of MARCH, 2012
Signature of Notary	Barbara Ann Janssen Signature of Notary
Seal	Seal "OFFICIAL SEAL" BARBARA ANN JANSSEN Notary Public, State of Illinois My Commission Expires 07/05/2013

*Insert EXACT legal name of the applicant

CERTIFICATION

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SIGNATURE

Roger W. Paulsberg
PRINTED NAME

Chair
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 7 day of March 2012

Signature of Notary

Seal

OFFICIAL SEAL
ELIZABETH A WILLIAMSON
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES 03/21/15

SIGNATURE

Tod A. Kruse
PRINTED NAME

Vice Chair
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this _____ day of ____________

Signature of Notary

Seal

*Insert EXACT legal name of the applicant

CERTIFICATION

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:

- in the case of a corporation, any two of its officers or members of its Board of Directors;
- in the case of a limited liability company, any two of its managers or members (or the sole manger or member when two or more managers or members do not exist);
- in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- in the case of a sole proprietor, the individual that is the proprietor.

This Application for Permit is filed on the behalf of Lutheran Life Communities * **in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the permit application fee required for this application is sent herewith or will be paid upon request.**

SIGNATURE

Roger W. Paulsberg
PRINTED NAME

President/CEO
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 7 day of March, 2012

Signature of Notary

Seal

OFFICIAL SEAL
ELIZABETH A WILLIAMSON
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES 03/21/15

James Holbrook
SIGNATURE

James A. Holbrook
PRINTED NAME

Sr. Vice President - Corporate Operations
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 7 day of March, 2012

Elizabeth A. Williamson
Signature of Notary

Seal

OFFICIAL SEAL
ELIZABETH A WILLIAMSON
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:03/21/15

*Insert EXACT legal name of the applicant

CERTIFICATION

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- in the case of a corporation, any two of its officers or members of its Board of Directors;
- in the case of a limited liability company, any two of its managers or members (or the sole manger or member when two or more managers or members do not exist);
- in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- in the case of a sole proprietor, the individual that is the proprietor.

This Application for Permit is filed on the behalf of Lutheran Foundation for the Aged, Inc. * **in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the permit application fee required for this application is sent herewith or will be paid upon request.**

SIGNATURE	SIGNATURE
Roger W. Paulsberg	James A. Holbrook
PRINTED NAME	PRINTED NAME
Chair	Secretary
PRINTED TITLE	PRINTED TITLE
Notarization: Subscribed and sworn to before me this 7 day of March, 2012	Notarization: Subscribed and sworn to before me this 7 day of March
Signature of Notary	Signature of Notary
Seal OFFICIAL SEAL ELIZABETH A WILLIAMSON NOTARY PUBLIC - STATE OF ILLINOIS MY COMMISSION EXPIRES 03/21/15	Seal OFFICIAL SEAL ELIZABETH A WILLIAMSON NOTARY PUBLIC - STATE OF ILLINOIS MY COMMISSION EXPIRES:03/21/15

*Insert EXACT legal name of the applicant

SECTION III – BACKGROUND, PURPOSE OF THE PROJECT, AND ALTERNATIVES - INFORMATION REQUIREMENTS

This Section is applicable to all projects except those that are solely for discontinuation with no project costs.

Criterion 1110.230 – Background, Purpose of the Project, and Alternatives

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.

2. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application.

3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. **Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**

4. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest the information has been previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

APPEND DOCUMENTATION AS <u>ATTACHMENT-11</u>, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-4) MUST BE IDENTIFIED IN ATTACHMENT 11.

PURPOSE OF PROJECT

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.

2. Define the planning area or market area, or other, per the applicant's definition.

3. Identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project. [See 1110.230(b) for examples of documentation.]

4. Cite the sources of the information provided as documentation.

5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.

6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals **as appropriate**.

For projects involving modernization, describe the conditions being upgraded if any. For facility projects, include statements of age and condition and regulatory citations if any. For equipment being replaced, include repair and maintenance records.

NOTE: Information regarding the "Purpose of the Project" will be included in the State Agency Report.

APPEND DOCUMENTATION AS <u>ATTACHMENT-12,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-6) MUST BE IDENTIFIED IN ATTACHMENT 12.

ALTERNATIVES

1) Identify **ALL** of the alternatives to the proposed project:

Alternative options **must** include:

A) Proposing a project of greater or lesser scope and cost;

B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;

C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and

D) Provide the reasons why the chosen alternative was selected.

2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of total costs, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation. **FOR EVERY ALTERNATIVE IDENTIFIED THE TOTAL PROJECT COST AND THE REASONS WHY THE ALTERNATIVE WAS REJECTED MUST BE PROVIDED.**

3) The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

APPEND DOCUMENTATION AS ATTACHMENT-13, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IV - PROJECT SCOPE, UTILIZATION, AND UNFINISHED/SHELL SPACE

Criterion 1110.234 - Project Scope, Utilization, and Unfinished/Shell Space

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

1. Document that the amount of physical space proposed for the proposed project is necessary and not excessive. **This must be a narrative.**

2. If the gross square footage exceeds the BGSF/DGSF standards in Appendix B, justify the discrepancy by documenting one of the following::

   a. Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies;

   b. The existing facility's physical configuration has constraints or impediments and requires an architectural design that results in a size exceeding the standards of Appendix B;

   c. The project involves the conversion of existing space that results in excess square footage.

Provide a narrative for any discrepancies from the State Standard. A table must be provided in the following format with Attachment 14.

SIZE OF PROJECT				
DEPARTMENT/SERVICE	**PROPOSED BGSF/DGSF**	**STATE STANDARD**	**DIFFERENCE**	**MET STANDARD?**
General Long Term Care	426.9	350-570 DGSF	(143.1)	Yes

APPEND DOCUMENTATION AS ATTACHMENT-14, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

PROJECT SERVICES UTILIZATION:

This criterion is applicable only to projects or portions of projects that involve services, functions or equipment for which HFSRB has established utilization standards or occupancy targets in 77 Ill. Adm. Code 1100.

Document that in the second year of operation, the annual utilization of the service or equipment shall meet or exceed the utilization standards specified in 1110.Appendix B. **A narrative of the rationale that supports the projections must be provided.**

A table must be provided in the following format with Attachment 15.

UTILIZATION					
	DEPT./ SERVICE	**HISTORICAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC.**	**PROJECTED UTILIZATION**	**STATE STANDARD**	**MET STANDARD?**
YEAR 1					
YEAR 2					

APPEND DOCUMENTATION AS ATTACHMENT-15, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

UNFINISHED OR SHELL SPACE: Not applicable.

Provide the following information:

1. Total gross square footage of the proposed shell space;

2. The anticipated use of the shell space, specifying the proposed GSF tot be allocated to each department, area or function;

3. Evidence that the shell space is being constructed due to
   a. Requirements of governmental or certification agencies; or
   b. Experienced increases in the historical occupancy or utilization of those areas proposed to occupy the shell space.

4. Provide:
   a. Historical utilization for the area for the latest five-year period for which data are available; and
   b. Based upon the average annual percentage increase for that period, projections of future utilization of the area through the anticipated date when the shell space will be placed into operation.

APPEND DOCUMENTATION AS <u>ATTACHMENT-16,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

ASSURANCES: Not applicable.

Submit the following:

1. Verification that the applicant will submit to HFSRB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at the time or the categories of service involved.

2. The estimated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted; and

3. The anticipated date when the shell space will be completed and placed into operation.

APPEND DOCUMENTATION AS <u>ATTACHMENT-17,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

I. Criterion 1110.1730 - General Long Term Care

1. Applicants proposing to establish, expand and/or modernize General Long Term Care must submit the following information:

Indicate bed capacity changes by Service: Indicate # of beds changed by action(s):

Category of Service	# Existing Beds	# Proposed Beds
■ General Long Term Care	334	334

2. READ the applicable review criteria outlined below and **submit the required documentation for the criteria:**

APPLICABLE REVIEW CRITERIA	Establish	Expand	Modernize	Continuum of Care-Establish or Expand	Defined Population Establish or Expand
1110.1730(b)(1) - Planning Area Need - 77 Ill. Adm. Code 1100 (formula calculation)	X				
1110.1730(b)(2) - Planning Area Need - Service to Planning Area Residents	X	X			
1110.1730(b)(3) - Planning Area Need - Service Demand - Establishment of Category of Service	X				
1110.1730(b)(4) - Planning Area Need - Service Demand - Expansion of Existing Category of Service		X			
1110.1730(b)(5) - Planning Area Need - Service Accessibility	X				
1110.1730(c)(1) - Description of Continuum of Care				X	
1110.1730(c)(2) - Components				X	
1110.1730(c)(3) - Documentation				X	
1110.1730(d)(1) - Description of Defined Population to be Served					X
1110.1730(d)(2) - Documentation of Need					X
1110.1730(d)(3) - Documentation Related to Cited Problems			X		
1110.1730(e)(1) - Unnecessary Duplication of Services	X				
1110.1730(e)(2) - Maldistribution	X				
1110.1730(e)(3) - Impact of Project on Other Area Providers	X				
1110.1730(f)(1) - Deteriorated Facilities			X		
1110.1730(f)(2) & (3) - Documentation			X		

APPLICABLE REVIEW CRITERIA		Establish	Expand	Modernize	Continuum of Care-Establish or Expand	Defined Population Establish or Expand
1110.1730(f)(4) -	Utilization			X		
1110.1730(g) -	Staffing Availability	X	X		X	X
1110.1730(h) -	Facility Size	X	X	X	X	X
1110.1730(i) -	Community Related Functions	X		X	X	X
1110.1730(j) -	Zoning	X		X	X	X
1110.1730(k) -	Assurances	X	X	X	X	X

APPEND DOCUMENTATION AS ATTACHMENT-28, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

The following Sections DO NOT need to be addressed by the applicants or co-applicants responsible for funding or guaranteeing the funding of the project if the applicant has a bond rating of A- or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18 month period prior to the submittal of the application):

- **Section 1120.120 Availability of Funds – Review Criteria**
- **Section 1120.130 Financial Viability – Review Criteria**
- **Section 1120.140 Economic Feasibility – Review Criteria, subsection (a)**

VIII. - 1120.120 - Availability of Funds

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable: **Indicate the dollar amount to be provided from the following sources:**

$5,000,000	a) Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to: 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
0	b) Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
0	c) Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
$73,798,596	d) Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including: 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment; 5) For any option to lease, a copy of the option, including all terms and conditions.
0	e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
0	f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
0	g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
$78,798,596	TOTAL FUNDS AVAILABLE

APPEND DOCUMENTATION AS ATTACHMENT-39, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

IX. 1120.130 - Financial Viability

All the applicants and co-applicants shall be identified, specifying their roles in the project funding or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

Financial Viability Waiver

The applicant is not required to submit financial viability ratios if:

1. **All of the projects capital expenditures are completely funded through internal sources**
2. **The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent**
3. **The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.**

See Section 1120.130 Financial Waiver for information to be provided

APPEND DOCUMENTATION AS ATTACHMENT-40, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which **audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion.** When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards.

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				
Net Margin Percentage				
Percent Debt to Total Capitalization				
Projected Debt Service Coverage				
Days Cash on Hand				
Cushion Ratio				

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each.

2. Variance

Applicants not in compliance with any of the viability ratios shall document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.

APPEND DOCUMENTATION AS ATTACHMENT 41, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

X. 1120.140 - Economic Feasibility

This section is applicable to all projects subject to Part 1120.

A. Reasonableness of Financing Arrangements

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or

2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:

A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or

B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

B. Conditions of Debt Financing

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

1) That the selected form of debt financing for the project will be at the lowest net cost available;

2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;

3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

C. **Reasonableness of Project and Related Costs**

Read the criterion and provide the following:

1. Identify each department or area impacted by the proposed project and provide a cost and square footage allocation for new construction and/or modernization using the following format (insert after this page).

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Mod.	Gross Sq. Ft. New	Circ.*	Gross Sq. Ft. Mod.	Circ.*	Const. $ (A x C)	Mod. $ (B x E)	
Contingency									
TOTALS									

* Include the percentage (%) of space for circulation

D. Projected Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

E. Total Effect of the Project on Capital Costs

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

APPEND DOCUMENTATION AS ATTACHMENT -42, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

XI. Safety Net Impact Statement

SAFETY NET IMPACT STATEMENT that describes all of the following must be submitted for ALL SUBSTANTIVE AND DISCONTINUATION PROJECTS: Not applicable.

1. The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.

2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.

3. How the discontinuation of a facility or service might impact the remaining safety net providers in a given community, if reasonably known by the applicant.

Safety Net Impact Statements shall also include all of the following:

1. For the 3 fiscal years prior to the application, a certification describing the amount of charity care provided by the applicant. The amount calculated by hospital applicants shall be in accordance with the reporting requirements for charity care reporting in the Illinois Community Benefits Act. Non-hospital applicants shall report charity care, at cost, in accordance with an appropriate methodology specified by the Board.

2. For the 3 fiscal years prior to the application, a certification of the amount of care provided to Medicaidpatients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding "Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.

3. Any information the applicant believes is directly relevant to safety net services, including information regarding teaching, research, and any other service.

A table in the following format must be provided as part of Attachment 43.

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	**Year**	**Year**	**Year**
Inpatient			
Outpatient			
Total			
Charity (cost in dollars)			
Inpatient			
Outpatient			
Total			
MEDICAID			
Medicaid (# of patients)	**Year**	**Year**	**Year**
Inpatient			
Outpatient			
Total			

Medicaid (revenue)			
Inpatient			
Outpatient			
Total			

APPEND DOCUMENTATION AS ATTACHMENT-43, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

XII. Charity Care Information

Charity Care Information MUST be furnished for ALL projects.

1. All applicants and co-applicants shall indicate the amount of charity care for the latest three audited fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.

2. If the applicant owns or operates one or more facilities, the reporting shall be for each individual facility located in Illinois. If charity care costs are reported on a consolidated basis, the applicant shall provide documentation as to the cost of charity care; the ratio of that charity care to the net patient revenue for the consolidated financial statement; the allocation of charity care costs; and the ratio of charity care cost to net patient revenue for the facility under review.

3. If the applicant is not an existing facility, it shall submit the facility's projected patient mix by payer source, anticipated charity care expense and projected ratio of charity care to net patient revenue by the end of its second year of operation.

Charity care" means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third-party payer. (20 ILCS 3960/3) Charity Care must be provided at cost.

A table in the following format must be provided for all facilities as part of Attachment 44.

CHARITY CARE			
	Year	Year	Year
Net Patient Revenue			
Amount of Charity Care (charges)			
Cost of Charity Care			

APPEND DOCUMENTATION AS ATTACHMENT-44, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

After paginating the entire, completed application, indicate in the chart below, the page numbers for the attachments included as part of the project's application for permit:

INDEX OF ATTACHMENTS

File Number 0599-831-0

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

LUTHERAN HOME FOR THE AGED, INC., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON AUGUST 09, 1892, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 1ST *day of* MARCH *A.D.* 2012 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Authentication #: 1206102006

Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

ATTACHMENT 1

File Number 5390-946-9

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

LUTHERAN HOME AND SERVICES FOR THE AGED, INC., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JULY 11, 1985, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 1ST *day of* MARCH *A.D.* 2012 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Jesse White

SECRETARY OF STATE

Authentication #: 1206102038

Authenticate at: http://www.cyberdriveillinois.com

ATTACHMENT 1

File Number 6437-846-5

STATE OF ILLINOIS

OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

LUTHERAN LIFE COMMUNITIES, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JULY 21, 2005, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 1ST *day of* MARCH *A.D.* 2012 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Authentication #: 1206102062

Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

ATTACHMENT 1

File Number 5390-944-2

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

LUTHERAN FOUNDATION FOR THE AGED, INC., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JULY 11, 1985, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 1ST *day of* MARCH *A.D.* 2012 .

Authentication #: 1206102076

Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

ATTACHMENT 1

LUTHERAN HOME FOR THE AGED, INC.
CON APPLICATION
NOTARIZED STATEMENT OF OWNERSHIP

I, the undersigned, as Chair of Lutheran Home for the Aged, Inc., do hereby certify that the real property located at 800 West Oakton Street, Arlington Heights, Illinois 60004 is duly owned by Lutheran Home for the Aged, Inc.

By: ____________________________
Roger W. Paulsberg, Chair
Lutheran Home for the Aged, ~~Inc.~~

Notarization:

Subscribed and sworn to before me
this 7 day of March, 2012

____
Signature of Notary Public

OFFICIAL SEAL
ELIZABETH A WILLIAMSON
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES [illegible]

1682422\2\20037\47135

ATTACHMENT 2

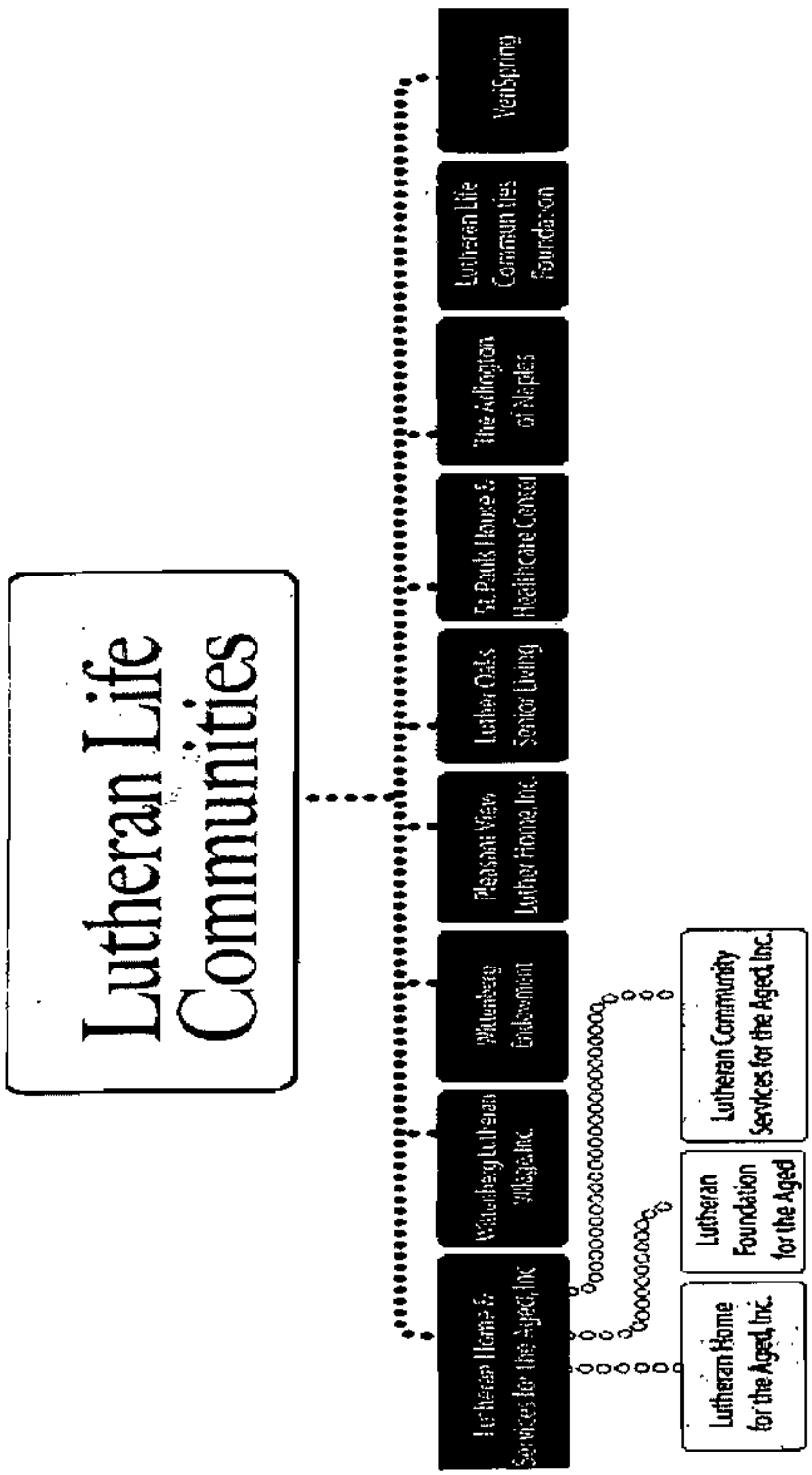
LUTHERAN HOME FOR THE AGED, INC.
CON APPLICATION
ORGANIZATIONAL RELATIONSHIPS

The entity which owns and operates the skilled nursing facility at which the Project will take place is Lutheran Home for the Aged, Inc., so it is the applicant. Lutheran Home and Services for the Aged, Inc. is the sole corporate member of Lutheran Home for the Aged, Inc. and the Lutheran Foundation for the Aged, Inc. All three of these entities are part of an obligated group under a master trust indenture. Each member of the obligated group is jointly and severally liable to pay back money borrowed by the obligated group from the proceeds of the sales of tax exempt bonds which are secured by the lien of the master trust indenture. Because Lutheran Home and Services for the Aged, Inc. and Lutheran Foundation for the Aged, Inc. are guarantors of the debt incurred which will be used to pay for the Project, they are co-applicants. Lutheran Life Communities is the sole corporate member of Lutheran Home and Services for the Aged, Inc., and as such it is the ultimate parent of Lutheran Home for the Aged and it is also a co-applicant.

An organizational chart showing the relationships described above follows.

ATTACHMENT 4

LUTHERAN HOME FOR THE AGED, INC.
CON APPLICATION
ORGANIZATIONAL RELATIONSHIPS

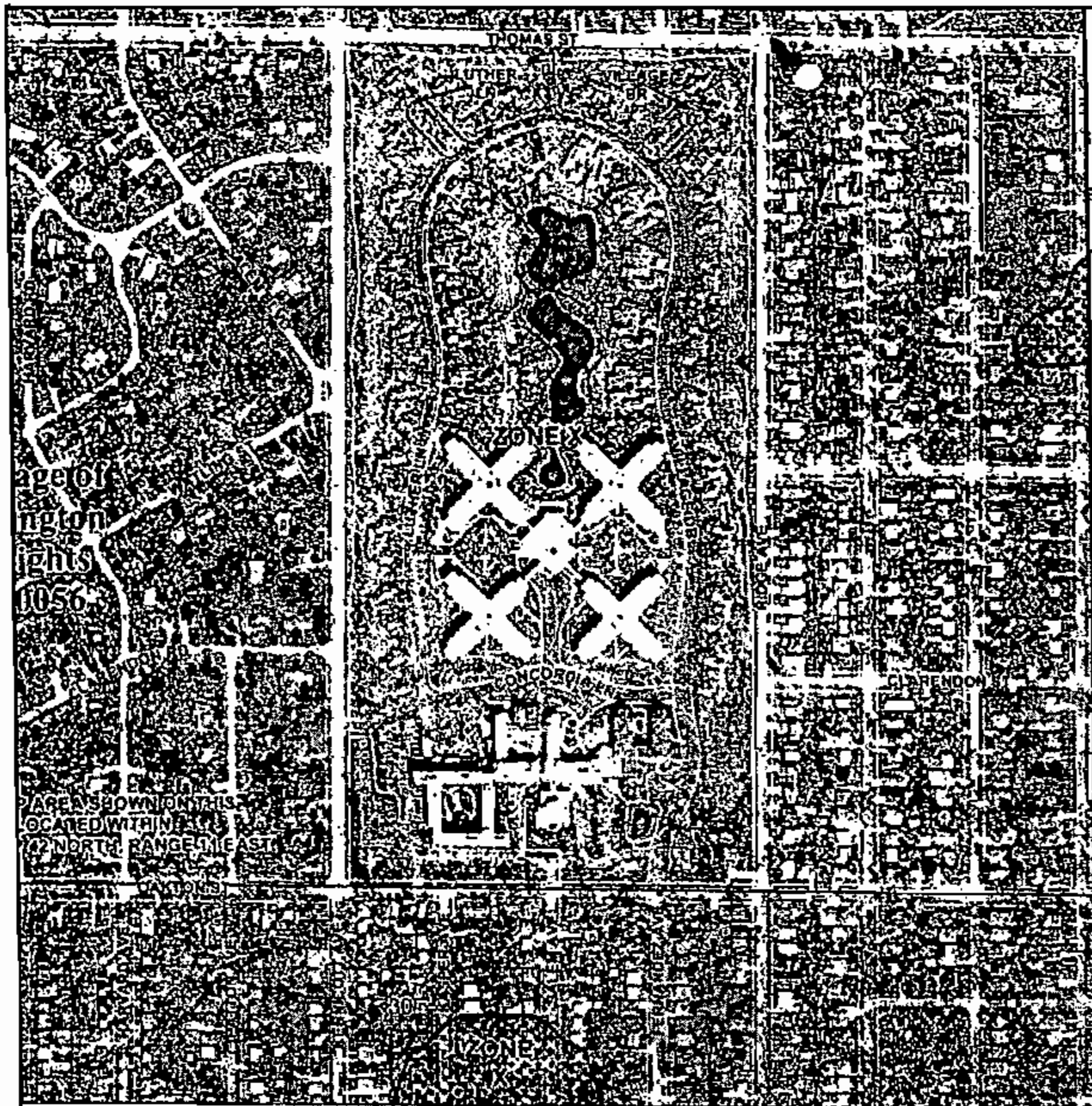


ATTACHMENT 4

1682159\1\20037\47135

LUTHERAN HOME FOR THE AGED, INC.
CON APPLICATION
FLOOD PLAIN REQUIREMENTS

Appended as Attachment 5 is a map of the proposed Project location showing any identified floodplain areas. The applicant attests that the proposed Project is not located in a special flood hazard area and the proposed Project complies with the requirements of Illinois Executive Order #2005-5.



MAP SCALE 1" = 500'

0 500 1000 FEET

METE

NFIP

NATIONAL FLOOD INSURANCE PROGRAM

PANEL 0201J

FIRM
FLOOD INSURANCE RATE MAP

COOK COUNTY, ILLINOIS

AND INCORPORATED AREAS

PANEL 201 OF 832

(SEE MAP INDEX FOR FIRM PANEL LAYOUT)

MAP NUMBER
17031C0201J

MAP REVISED
AUGUST 19, 2008

Federal Emergency Management Agency

This is an official copy of a portion of the above referenced flood map. It was extracted using F-MIT On-Line. This map does not reflect changes or amendments which may have been made subsequent to the date on the title block. For the latest product information about National Flood Insurance Program flood maps check the FEMA Flood Map Store at www.msc.fema.gov

000039

ATTACHMENT 5

Illinois Historic
Preservation Agency

FAX (217) 782-8161

1 Old State Capitol Plaza • Springfield, Illinois 62701-1512 • www.illinois-history.gov

Cook County
Arlington Heights
CON - New Addition and Rehabilitation, Olson Pavilion
800 W. Oakton St.
IHPA Log #022020812

February 23, 2012

Patrick Sutton
Chuhak & Tecson, P.C.
30 S. Wacker Dr., Suite 2600
Chicago, IL 60606

Dear Mr. Sutton:

This letter is to inform you that we have reviewed the information provided concerning the referenced project.

Our review of the records indicates that no historic, architectural or archaeological sites exist within the project area.

Please retain this letter in your files as evidence of compliance with Section 4 of the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420/1 et. seq.). This clearance remains in effect for two years from date of issuance. It does not pertain to any discovery during construction, nor is it a clearance for purposes of the Illinois Human Skeletal Remains Protection Act (20 ILCS 3440).

If you have any further questions, please contact me at 217/785-5027.

Sincerely,

Anne E. Haaker

Anne E. Haaker
Deputy State Historic
Preservation Officer

ATTACHMENT 6

A teletypewriter for the speech/hearing impaired is available at 217-524-7128. It is not a voice or fax line.

LUTHERAN HOME FOR THE AGED, INC.
CON APPLICATION
USE OF FUNDS ITEMIZATION

USE OF FUNDS		Clinical		Non Clinical		Subtotal		Total
Pre-Planning Costs								
Market Analysis	$	9,320	$	10,040	$	19,360		
Focus Groups	$	11,351	$	12,227	$	23,578		
Development Related Expenses	$	12,036	$	12,964	$	25,000		
Masterplanning / Pre-Design	$	48,954	$	52,731	$	101,685		
Legal	$	24,071	$	25,929	$	50,000		
Pre-Construction Services	$	130,766	$	140,855	$	271,620		
Subtotal	$	236,499	$	254,745	$	491,243	$	491,243
Site Survey and Soil Investigation								
ALTA Boundary and Topo Survey	$	15,983	$	17,217	$	33,200		
Existing Floor Elevation Survey	$	722	$	778	$	1,500		
Drainage Analysis	$	6,788	$	7,312	$	14,100		
Water Flow Test	$	289	$	311	$	600		
Private Line Locate	$	2,407	$	2,593	$	5,000		
Phase 1 Environmental Assessment	$	1,059	$	1,141	$	2,200		
Soil Borings	$	8,256	$	8,894	$	17,150		
Subtotal	$	35,505	$	38,245	$	73,750	$	73,750
Site Preparation								
Demolition	$	714,542	$	769,670	$	1,484,212		
Earthwork and Utilities	$	1,050,633	$	1,131,692	$	2,182,325		
Hazardous Material Abatement	$	240,714	$	259,286	$	500,000		
Subtotal	$	2,005,889	$	2,160,648	$	4,166,537	$	4,166,537
Modernization Contracts								
Construction	$	22,127,201	$	23,834,361	$	45,961,562	$	45,961,562
Contingencies								
Construction Contingency	$	1,168,175	$	1,258,302	$	2,426,477	$	2,426,477
Architectural / Engineering Fees								
Architectural Design	$	1,961,487	$	2,112,820	$	4,074,307	$	4,074,307
Consulting and Other Fees								
Civil Engineering	$	30,717	$	33,087	$	63,804		
Parking Study	$	3,856	$	4,154	$	8,010		
Traffic Study	$	6,259	$	6,741	$	13,000		
Landscape Architecture	$	5,512	$	5,938	$	11,450		
Tree Preservation Plan	$	1,430	$	1,540	$	2,970		
Hazardous Materials Assessment	$	4,328	$	4,662	$	8,990		
Utility Deposit for Engineering	$	2,407	$	2,593	$	5,000		

ATTACHMENT 7

Financial Feasibility	$	14,443	$	15,557	$	30,000	
Food Service Design	$	24,120	$	25,980	$	50,100	
Certificate of Need - Application Fee	$	19,257	$	20,743	$	40,000	
Interior Design	$	84,972	$	91,528	$	176,500	
Owner's Representative Services	$	261,532	$	281,709	$	543,241	
Architectural Reimburseables	$	48,143	$	51,857	$	100,000	
Subtotal	$	506,975	$	546,090	$	1,053,065	$ 1,053,065
Movable or Other Equipment (not in construction contracts)							
Furniture	$	1,151,755	$	1,240,615	$	2,392,370	
Window Treatments	$	133,596	$	143,904	$	277,500	
Interior Signage	$	41,090	$	44,260	$	85,350	
Artwork	$	67,737	$	72,963	$	140,700	
Accessories	$	17,091	$	18,409	$	35,500	
Bedspreads	$	26,479	$	28,521	$	55,000	
Shower Curtains	$	9,629	$	10,371	$	20,000	
Medical Office Suite	$	46,939	$	50,561	$	97,500	
Televisions - Resident Rooms	$	86,657	$	93,343	$	180,000	
Televisions - Common Areas	$	15,406	$	16,594	$	32,000	
Technology Equipment	$	435,693	$	469,307	$	905,000	
Subtotal	$	2,032,071	$	2,188,849	$	4,220,920	$ 4,220,920
Other Costs To Be Capitalized							
Performance & Payment Bond	$	233,635	$	251,660	$	485,295	
Permits	$	305,334	$	328,891	$	634,225	
Project Insurance	$	851,898	$	337,072	$	650,000	
Subtotal	$	851,898	$	917,623	$	1,769,521	$ 1,769,521
Net Interest Expense During Construction	$	6,070,812	$	6,539,187		$12,610,000	$12,610,000
Bond Issuance Expense	$	939,370	$	1,011,844	$	1,951,214	$ 1,951,214
Total	$	37,935,882	$	40,862,714			**$78,798,596**

CLINICAL

PROJECT SCOPE OF WORK	Existing (DGSF)		Proposed (DGSF)				Addition	Modernization	
LUTHERAN HOME	Total	Vacated	Addition	Modernization	As-Is	Total	Cost / DGSF	Cost / DGSF	Total Cost
OLSON PAVILION									
Resident Units	45,537	-	25,725	29,802	-	55,527	$ 353	$ 301	$ 18,039,845
Resident Baths (SNF)	5,212	-	6,725	15,420	-	22,145	$ 556	$ 402	$ 9,933,946
Administrative	-	-	-	-	-	-	$ -	$ -	$ -
Laundry	-	-	-	-	-	-	$ -	$ -	$ -
Kitchen/Food Prep/Food Storage	-	-	-	-	-	-	$ -	$ -	$ -
Dining	-	-	-	-	-	-	$ -	$ -	$ -
Sitting / Living / Family Room	-	-	-	-	-	-	$ -	$ -	$ -
Physical Therapy / Exam	2,771	-	3,134	2,725	-	5,859	$ 419	$ 265	$ 2,035,251
Spa / Restrooms	-	-	-	-	-	-	$ -	$ -	$ -
Staff Support / Maintenance	-	-	-	-	-	-	$ -	$ -	$ -
Service / Storage / Receiving	-	-	-	-	-	-	$ -	$ -	$ -
Mechanical / Chase	-	-	-	-	-	-	$ -	$ -	$ -
Circulation	22,028	-	9,252	12,776	-	22,028	$ 368	$ 265	$ 6,787,629
Soiled / Clean Utility	1,697	-	937	2,133	-	3,070	$ 437	$ 342	$ 1,139,212
Employee Lounge	-	-	-	-	-	-	$ -	$ -	$ -
Canopy	-	-	-	-	-	-	$ -	$ -	$ -
Medical Clinic	-	-	-	-	-	-	$ -	$ -	$ -
ALL OTHER AREAS									
E - Wing	-	-	-	-	-	-	$ -	$ -	$ -
Resident Rooms / Bathrooms	7,686	-	-	-	7,686	7,686	$ -	$ -	$ -
Soiled / Clean Utility	592	-	-	-	592	592	$ -	$ -	$ -
Circulation	2,786	-	-	-	2,786	2,786	$ -	$ -	$ -
F - Wing	-	-	-	-	-	-	$ -	$ -	$ -
Resident Rooms / Bathrooms	2,448	-	-	-	2,448	2,448	$ -	$ -	$ -
Soiled / Clean Utility	490	-	-	-	490	490	$ -	$ -	$ -
Circulation	1,942	-	-	-	1,942	1,942	$ -	$ -	$ -
G - Wing	-	-	-	-	-	-	$ -	$ -	$ -
Resident Rooms / Bathrooms	2,312	-	-	-	2,312	2,312	$ -	$ -	$ -
Soiled / Clean Utility	234	-	-	-	234	234	$ -	$ -	$ -
Circulation	976	-	-	-	976	976	$ -	$ -	$ -
H - Wing	-	-	-	-	-	-	$ -	$ -	$ -
Resident Rooms / Bathrooms	2,119	-	-	-	2,119	2,119	$ -	$ -	$ -
Soiled / Clean Utility	120	-	-	-	120	120	$ -	$ -	$ -
MDS Administration	172	-	-	-	172	172	$ -	$ -	$ -
Circulation	1,980	-	-	-	1,980	1,980	$ -	$ -	$ -
J - Wing	-	-	-	-	-	-	$ -	$ -	$ -
Resident Rooms / Bathrooms	4,500	-	-	-	4,500	4,500	$ -	$ -	$ -
Soiled / Clean Utility	192	-	-	-	192	192	$ -	$ -	$ -
Circulation	5,394	-	-	-	5,394	5,394	$ -	$ -	$ -
Totals	111,187	-	45,773	62,856	33,942	142,571			$ 37,935,882

TOTAL BEDS 334
DGSF / BED 426.9

COST / DGSF $ 266.08

ATTACHMENT 9

NON-CLINICAL

PROJECT SCOPE OF WORK	Existing (SF)		Proposed (SF)				Addition	Modernization	
LUTHERAN HOME	Total	Vacated	Addition	Modernization	As-Is	Total	Cost per SF	Cost per SF	Total Cost
OLSON PAVILION									
Resident Units	-	-	-	-	-	-	$ -	$ -	$ -
Resident Baths (SNF)	-	-	-	-	-	-	$ -	$ -	$ -
Administrative	2,341	-	1,132	3,262	-	4,394	$ 370	$ 287	$ 1,355,721
Laundry	-	-	-	-	-	-	$ -	$ -	$ -
Kitchen/Food Prep/Food Storage	7,833	-	1,373	12,088	-	13,461	$ 731	$ 556	$ 7,721,569
Dining	3,636	-	10,982	-	-	10,982	$ 396	$ -	$ 4,344,479
Sitting / Living / Family Room	2,380	-	8,203	2,685	-	10,888	$ 396	$ 257	$ 3,933,809
Physical Therapy / Exam	-	-	-	-	-	-	$ -	$ -	$ -
Spa / Restrooms	2,242	-	2,089	3,057	-	5,146	$ 602	$ 453	$ 2,642,858
Staff Support / Maintenance	4,149	-	3,798	5,307	-	9,105	$ 344	$ 257	$ 2,667,758
Service / Storage / Receiving	6,130	-	1,358	2,243	3,140	6,741	$ 316	$ 274	$ 1,045,737
Mechanical / Chase	1,950	-	6,249	2,523	-	8,772	$ 301	$ 231	$ 2,463,364
Circulation	14,276	-	16,467	23,655	786	40,908	$ 370	$ 265	$ 12,359,403
Soiled / Clean Utility	-	-	-	-	-	-	$ -	$ -	$ -
Employee Lounge	1,465	-	-	2,196	-	2,196	$ 396	$ 248	$ 544,498
Canopy	92	-	1,687	-	-	1,687	$ 174	$ -	$ 293,166
Medical Clinic	2,389	-	1,858	2,350	-	4,208	$ 413	$ 308	$ 1,490,312
ALL OTHER AREAS							$ -	$ -	$ -
E - Wing	11,680	-	-	-	11,680	11,680	$ -	$ -	$ -
F - Wing	26,825	-	-	-	26,825	26,825	$ -	$ -	$ -
G - Wing	20,380	-	-	-	20,380	20,380	$ -	$ -	$ -
H - Wing	27,934	-	-	-	27,934	27,934	$ -	$ -	$ -
J - Wing	33,950	-	-	-	33,950	33,950	$ -	$ -	$ -
Totals	169,671	-	55,196	59,366	124,694	239,256			$ 40,862,714

TOTAL BEDS 334
DGSF / BED 716.3

COST / DGSF $ 170.79

TOTAL PROJECT	280,858	-	100,969	122,222	158,636	381,827			$ 78,798,596

TOTAL BEDS 334
DGSF / BED 1143.2

COST / DGSF $ 206.37

000044

ATTACHMENT 9

Explanation Regarding Why the Amount of Square Feet for Certain Areas Which Are Being Modernized is Greater than the Existing Square Feet for such Areas

A major purpose of the Project is to change the room configuration in the Olson Pavilion. Currently, there is one shared bathroom between every two resident units. The existing space in the Olson Pavilion will be reconfigured so that each resident unit will have a private bathroom. For example, there is 5,212 square feet of existing resident bath space. The chart shows that 15,420 of resident bath space is being modernized. The explanation for why the amount of space being modernized for resident bath space exceeds the amount of existing bath space is that the 15,420 of modernized resident bath space includes both the 5,212 of existing resident bath space and some of the existing resident unit space. In other words, some of the existing resident unit space is being re-programmed for use as resident bath space.

Please note that the 280,858 square feet of existing space for total Project equals the sum of the 122,222 square feet of modernized space plus the 158,636 square feet of as-is space.

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ATTACHMENT 9

HEALTH CARE FACILITIES OWNED AND OPERATED BY APPLICANT AND CO-APPLICANTS

The following health care facility is owned and operated by Lutheran Home for Aged, Inc. Lutheran Home and Services for the Aged, Inc. is the sole corporate member of and exercises control over Lutheran Home for the Aged, Inc. A copy of the current license for the facility listed below is included as part of this Attachment 11.

1. Lutheran Home for the Aged, Inc.
   800 West Oakton Street
   Arlington Heights, Illinois 60004

Lutheran Life Communities is the ultimate parent company of and exercises ultimate control over Lutheran Home for the Aged, Inc. and Lutheran Life Communities is the sole corporate member of and exercises control over the other health care facilities set forth below. Copies of the current licenses for each health care facility listed below are included as part of this Attachment 11.

1. Lutheran Home for the Aged, Inc.
   800 West Oakton Street
   Arlington Heights, Illinois 60004

2. Wittenberg Lutheran Village, Inc.
   1200 East Luther Drive
   Crown Point, Indiana 46307

3. Pleasant View Luther Home, Inc.
   505 College Avenue
   Ottawa, Illinois 61350

4. Luther Oaks, Inc.
   601 Lutz Road
   Bloomington, Illinois 61704

5. St. Pauls House & Healthcare Center
   3800 North California Avenue
   Chicago, Illinois 60618

Please note that Lutheran Foundation for the Aged, Inc. does not own or operate any health care facilities.

State of Illinois 2030576

Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

DAMON T. ARNOLD, M.D.
DIRECTOR

Issued under the authority of
The State of Illinois
Department of Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
04/05/2013	BGBE	0005090

LONG TERM CARE LICENSE
SKILLED 274
INTERMEDIATE 060
SHELTERED 058

UNRESTRICTED 392 TOTAL BEDS

BUSINESS ADDRESS

LICENSEE

LUTHERAN HOME FOR THE AGED, INC.

LUTHERAN HOME FOR THE AGED
800 WEST OAKTON STREET
ARLINGTON HTS IL 60004
EFFECTIVE DATE: 04/06/12

The face of this license has a colored background. Printed by Authority of the State of Illinois • 4/97 •

ATTACHMENT 11

Indiana State Department of Health

Comprehensive Care License

This is to certify that:

WITTENBERG LUTHERAN VILLAGE INC d/b/a

WITTENBERG LUTHERAN VILLAGE

1200 E LUTHER DR

CROWN POINT, IN

a 155 bed Comprehensive Care Facility, has fulfilled the requirements for licensure and is subject to provisions of IC 16-28 and the rules of the Indiana State Department of Health issued thereunder.

This license shall not be assignable or transferable, and shall be subject to revocation, replacement, or reduction at any time by the Indiana State Department of Health for failure to comply with the laws of the State of Indiana or the rules of the Indiana State Department of Health issued thereunder.

License number 12-000515-1 is effective January 1, 2012 and expires December 31, 2012.

SEAL OF THE STATE OF INDIANA 1816

Kim Rhoades

KIM RHOADES
DIRECTOR, LONG TERM CARE DIVISION
PH 317/233-7289 FAX: 317/233-7322

SDH 25-028
State Form 44876 (R3/5-05)
HEA FAC/CERT

ATTACHMENT 11

State of Illinois 2047708

Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

DAMON T. ARNOLD, M.D.
DIRECTOR

Issued under the authority of
The State of Illinois
Department of Public Health

EXPIRATION DATE	CATEGORY	ID NUMBER
04/05/2012	BGBE	0012864

LONG TERM CARE LICENSE
SKILLED 090

UNRESTRICTED 090 TOTAL BEDS

BUSINESS ADDRESS

LICENSEE

PLEASANT VIEW LUTHER HOME, INC.

PLEASANT VIEW LUTHER HOME
505 COLLEGE AVENUE
OTTAWA IL 61350

EFFECTIVE DATE: 07/27/11

The face of this license has a colored background. Printed by Authority of the State of Illinois • 4/97 •

ATTACHMENT 11

State of Illinois 2025368

Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

DAMON T. ARNOLD, M.D.
DIRECTOR

Issued under the authority of The State of Illinois Department of Public Health

EXPIRATION DATE	CATEGORY	ID NUMBER
02/27/2013	A3-A4	5102642

ASSISTED LIVING LICENSE
ISSUED: 02/27/11
18 ALZHEIMER UNITS
40 REGULAR UNITS
58 TOTAL UNITS

BUSINESS ADDRESS

STATUS: UNRESTRICTED
LICENSEE BUSINESS ADDRESS

LUTHER OAKS INC.
601 LUTZ ROAD
BLOOMINGTON IL 61704

The face of this license has a colored background. Printed by Authority of the State of Illinois • 4/97 •

DISPLAY THIS PART IN A CONSPICUOUS PLACE

REMOVE THIS CARD TO CARRY AS AN IDENTIFICATION

State of Illinois 2025368
Department of Public Health
LICENSE, PERMIT, CERTIFICATION, REGISTRATION

EXPIRATION DATE	CATEGORY	ID NUMBER
02/27/2013	A3-A4	5102642

ASSISTED LIVING LICENSE
18 ALZHEIMER UNITS
40 REGULAR UNITS
58 TOTAL UNITS

0[illegible]/24/11

LUTHER OAKS INC.
601 LUTZ ROAD
BLOOMINGTON IL 61704

FEE RECEIPT NO.

ATTACHMENT 11

State of Illinois 2009193

Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

DAMON T. ARNOLD, M.D.
DIRECTOR

Issued under the authority of The State of Illinois Department of Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
10/31/2012	BGBE	0005165

LONG TERM CARE LICENSE
SKILLED 110
SHELTERED 068

UNRESTRICTED 178 TOTAL BEDS

BUSINESS ADDRESS

LICENSEE

ST. PAULS HOUSE

ST PAUL'S HOUSE & HLTH CR CTR
3800 NORTH CALIFORNIA AVENUE
CHICAGO IL 60618
EFFECTIVE DATE: 11/01/10

The face of this license has a colored background. Printed by Authority of the State of Illinois • 4/97 •

DISPLAY THIS PART IN A CONSPICUOUS PLACE

REMOVE THIS CARD TO CARRY AS AN IDENTIFICATION

State of Illinois 2009193

Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

EXPIRATION DATE	CATEGORY	I.D. NUMBER
10/31/2012	BGBE	0005165

LONG TERM CARE LICENSE
SKILLED 110
SHELTERED 068

UNRESTRICTED 178 TOTAL BEDS

11/04/10

ST PAUL'S HOUSE & HLTH CR CTR
3800 NORTH CALIFORNIA AVENUE
CHICAGO IL 60618

FEE RECEIPT NO.

Lutheran Home
A Lutheran Life Community

Dale Galassie
Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Lutheran Home for the Aged, Inc. CON Application

Dear Chairman Galassie:

Please be advised that no adverse action as defined under Sections 1100.220 and 1130.140 of the Health Facilities and Services Review Board Rules has been taken within three (3) years preceding the filing of the permit application against: (a) Lutheran Home for the Aged, Inc. or against any health care facility controlled, owned or operated by it, directly or indirectly; (b) Lutheran Home and Services for the Aged, Inc. or against any health care facility controlled, owned or operated by it, directly or indirectly; or (c) Lutheran Foundation for the Aged, Inc. or against any health care facility controlled, owned or operated by it, directly or indirectly. Please note that Lutheran Foundation for the Aged, Inc. is a member of the obligated group of borrowers of the Lutheran Home for the Aged, Inc. The obligated group borrows the proceeds from the sale of tax exempt bonds. Lutheran Foundation for the Aged, Inc. does not control, own or operate any health care facilities.

Furthermore, pursuant to 77 Ill. Admin. Code § 1110.230(a)(3)(C), I hereby authorize the HFSRB and the Illinois Department of Public Health ("IDPH") to access any documents necessary to verify the information submitted as part of this permit application. I further authorize HFSRB and IDPH to obtain any additional documentation or information that HFSRB or IDPH deems necessary for the review or processing of this application.

Sincerely,

LUTHERAN HOME FOR THE AGED, INC.

By:____________________
Roger W. Paulsberg, Chair

Vibrant, grace-filled living across all generations

800 West Oakton Street · Arlington Heights, IL 60004
(847) 368-7400 · fax (847) 368-7412
www.LutheranHome.org

LUTHERAN HOME AND SERVICES FOR THE AGED, INC.

By:______________________
Roger W. Paulsberg, Chair

LUTHERAN FOUNDATION FOR THE AGED, INC.

By:______________________
Roger W. Paulsberg, Chair

Notarization:
Subscribed and sworn to before me
this 7 day of March, 2012

____
Signature of Notary Public

Seal

OFFICIAL SEAL
ELIZABETH A WILLIAMSON
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:03/21/15

Lutheran Life Communities

Dale Galassie
Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Lutheran Home CON Application

Dear Chairman Galassie:

Please be advised that in the three (3) years preceding the filing of the permit application, one (1) adverse action as defined under Sections 1100.220 and 1130.140 of the Health Facilities and Services Review Board ("HFSRB") Rules has been taken against Pleasant View Luther Home, Inc., of which co-applicant Lutheran Life Communities is the parent corporation.

On September 1, 2010, the Center for Medicare and Medicaid Services ("CMS") issued a final Disposition of Remedies to PVLH denying payment for new Medicare and Medicaid admissions from July 14, 2010 through July 19, 2010. This remedy was imposed in relation to non-compliance with Life Safety Code Standard NFPA 101 following a Life Safety Code revisit which occurred on June 7, 2010. However, it should be noted that after a second revisit on July 20, 2010, CMS concluded that PVLH was found to be in substantial compliance with Medicare/Medicaid participation requirements.

I hereby certify that the above is a complete listing of all adverse actions taken against all entities that Lutheran Life Communities is the sole corporate member of and exercises control over in the (3) years preceding the filing of the permit application.

Furthermore, pursuant to 77 Ill. Admin. Code § 1110.230(a)(3)(C), I hereby authorize the HFSRB and the Illinois Department of Public Health ("IDPH") to access any documents necessary to verify the information submitted as part of this permit application. I further authorize HFSRB and IDPH to obtain any additional documentation or information that HFSRB or IDPH deems necessary for the review or processing of this application.

Sincerely,

LUTHERAN LIFE COMMUNITIES

By:
Roger W. Paulsberg, President/CEO

Vibrant, grace-filled living across all generations

3150 Salt Creek Lane · Arlington Heights, IL 60005
(847) 368-7400 · fax (847) 368-7320
www.LutheranLifeCommunities.org

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Notarization:

Subscribed and sworn to before me
this 7 day of March, 2012

Elizabeth A. Williamson

Signature of Notary Public
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OFFICIAL SEAL
ELIZABETH A WILLIAMSON
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:03/21/15

LUTHERAN HOME FOR THE AGED, INC.
CON APPLICATION
PURPOSE OF THE PROJECT

The primary purpose of the project is to update the Olson Pavilion to meet current regulatory codes and to repair and replace systems that have reached the end of their useful life. In addition, the project will increase both the quality of care provided by the Lutheran Home and the resident experience by promoting a person-centered care model through an enhanced physical environment, which includes additional space for social activities and wellness programs.

The Lutheran Home is a faith-based Illinois not for profit corporation. The Lutheran Home was founded in 1892 by a Lutheran pastor whose mission was to create a home-like setting for older adults. The Lutheran Home has been a fixture in the Arlington Heights community for over a century and continues its founder's mission of providing quality health care for older adults. The Lutheran Home is located in the 7-A Planning Area. The Lutheran Home's focus on quality care is evidenced by its four star rating from Medicare. Not only will the project repair and replace outdated and non-functional systems in the Olson Pavilion, but it will permit the Lutheran Home to provide its residents with increased quality health care with more space for social and wellness activities.

The goal of the project is to provide residents of the Lutheran Home with a more homelike environment and to achieve and maintain 90% utilization by the second year after project completion.

Compliance with Regulatory Requirements

Effective as of August 13, 2013, all long term care facilities that receive any type of Medicare/Medicaid funding are required to be compliant with Federal Register mandate 42 C.F.R. §483.70(a)(8), which requires that such facilities be equipped with sprinkler systems. The Olson Pavilion does not currently have a sprinkler system. As part of the project, the Olson Pavilion will be fully equipped with sprinkler systems meeting the requirements set forth in 42 C.F.R. §483.70(a)(8).

Repair and Replacement of Systems

The Olson Pavilion was originally constructed in the 1970s. The Olson Pavilion currently consists of 252 skilled nursing beds. Due to the age of the building and its systems, the Olson Pavilion is in need of substantial upgrades and modernization. In 2009, the Lutheran Home engaged Reserve Advisors to do a study of its facility and to document specific problems and conditions, along with providing an analysis of the reserves available for such issues. In its report, Reserve Advisors identified 234 major common elements that are likely to require capital repair or replacement by the Lutheran Home. The following sets forth a description of the major items identified by Reserve Advisors as being in need of repair and replacement with respect to the Olson Pavilion:

- The water piping in the Olson Pavilion is approximately 40 years old and is in poor condition. There is significant interior and exterior rust on the piping system and the piping system has a reduced water flow. Accordingly, the water piping system needs to be completely replaced.
- The Lutheran Home's fire suppressant system requires an upgrade. In addition, the Lutheran Home is not currently equipped with hard wired smoke detectors. As part of the project, hard wired smoke detectors will be installed, the fire suppressant system will be upgraded and the emergency call system will be completely upgraded.
- The Lutheran Home maintains a flat roof at the Olson Pavilion. This stone ballasted roof system makes it very difficult for the Lutheran Home to determine the origin of leaks in the roof, which makes replacement of the roof a more economical option than continuously repairing the roof. Accordingly, as part of the project, the entire roof of the Olson Pavilion will be replaced.
- The Lutheran Home maintains approximately 10,700 square feet of aluminum and vinyl frame windows at the Olson Pavilion, which date back to the 1970s. Aluminum frame windows have a useful life of up to 35 years and vinyl frame windows have a useful life of up to 45 years. These windows are not energy efficient and have outlived or are close to outliving their useful lives. Accordingly, as part of the project the windows in the Olson Pavilion will be replaced with new energy efficient windows.
- The HVAC system at Olson is near the end of its useful life. There are valves in the HVAC system that do not function properly, which prevents management from closing off certain sections. This makes it difficult to appropriately regulate the temperature of the Olson Pavilion, which can have an impact on patient care. Accordingly, the HVAC system in the Olson Pavilion will be entirely replaced as part of the project.

Quality of Care

When the Olson Pavilion was constructed in the 1970s, the design was based on a medical model, which is focused purely on the delivery of health care in an institutional setting. Today, health care is more focused on person-centered care models, which create a home-like setting in which individuals receive their health care. As part of the project, the renovated Olson Pavilion will organize residents into person centered households, which includes new living, dining and social spaces in order to create a home-like setting. Please see the attached article regarding person-centered care for nursing home residents.

At the completion of the project, each resident in the existing Olson Pavilion will have a private bath that includes an ADA accessible shower. Each resident room in the new addition attached to the Olson Pavilion will also have a private bath that includes an ADA accessible shower. The current Olson Pavilion only has a communal bathing area, which is shared by all of the residents, and two rooms currently share a common bathroom with a toilet and sink. The private bathrooms in the completed project will increase the quality of care provided at the Lutheran Home, by allowing the Lutheran Home to more effectively control infections, such as MRSA and the flu, which will improve patient outcomes and reduce the number of readmissions to hospitals.

The new addition will be connected to the existing Olson Pavilion with a single story addition to accommodate expanded wellness and therapy services for residents of the Lutheran Home. When the Lutheran Home's existing therapy center was built in the 1970s, the Lutheran Home was providing therapy services to approximately 25 residents per day. Today, the Lutheran Home provides physical therapy services to approximately 75 residents per day. The existing therapy center is antiquated and does not have sufficient square footage to meet the needs of the Lutheran Home's residents. The project will permit the Lutheran Home to improve the quality of physical therapy provided to its residents and also to expand its wellness programs.

ATTACHMENT 12

By Mary Jane Koren

Person-Centered Care For Nursing Home Residents: The Culture-Change Movement

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HEALTH AFFAIRS 29,
NO. 2 (2010): -

ABSTRACT **The "culture change" movement represents a fundamental shift in thinking about nursing homes. Facilities are viewed not as health care institutions, but as person-centered homes offering long-term care services. Culture-change principles and practices have been shaped by shared concerns among consumers, policy makers, and providers regarding the value and quality of care offered in traditional nursing homes. They have shown promise in improving quality of life as well as quality of care, while alleviating such problems as high staff turnover. Policy makers can encourage culture change and capitalize on its transformational power through regulation, reimbursement, public reporting, and other mechanisms.**

Mary Jane Koren (mjk@cmwf.org) is assistant vice president, Frail Elders Program, at the Commonwealth Fund in New York City.

The culture-change movement is a broad-based effort to transform nursing homes from impersonal health care institutions into true person-centered homes offering long-term care services. The movement encompasses almost three decades of consumer advocacy coupled with legal, legislative, and policy work aimed at improving both the quality of care and the quality of life in nursing homes.

Culture-Change Movement Begins

In the early 1980s, work by the National Citizens' Coalition for Nursing Home Reform, a consumer advocacy group concerned about substandard care in nursing homes, emphasized residents' rights and the importance of resident assessment. Its Consumer Statement of Principles for the Nursing Home Regulatory System,[1] released in 1983, was endorsed by more than sixty national organizations, presented to the U.S. Department of Health and Human Services, and distributed to all congressional offices.

Later, with support from the Robert Wood Johnson Foundation, the Health Care Financing Administration (HCFA, now the Centers for Medicare and Medicaid Services, or CMS), and the American Association of Retired Persons (now AARP), the coalition conducted focus groups to learn how nursing home residents themselves defined *quality*. In 1985 it published *A Consumer Perspective on Quality Care: The Resident's Point of View*,[2] which became an important reference for the Institute of Medicine (IOM) committee on nursing home regulation. That same year, at a coalition symposium funded by HCFA, residents told federal officials that "quality of care" (which encompasses such considerations as the medical treatments a resident receives, and physical care routines including assistance with bathing, using the toilet, and eating) and "quality of life" (how one is treated—for instance, having one's privacy respected by others' knocking before entering a bathroom, or having one's dignity maintained by not being wheeled down a hallway scantily covered en route to the shower) are inseparably linked and, from the resident's perspective, equally important. This principle figured prominently in subsequent legislation and regulations.

In 1986 the Institute of Medicine published *Improving the Quality of Care in Nursing Homes*, which recommended changes in regulatory pol-

ATTACHMENT 12
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icies and procedures necessary to ensure that nursing home residents, a term that first appeared in this report, received satisfactory care. It also "emphasized the *home* part of the description more than the *nursing*"[3] aspect of nursing home. A year after the IOM study was published, a sweeping set of nursing home reforms, known as the Nursing Home Reform Act, was incorporated into the Omnibus Budget Reconciliation Act (OBRA) of 1987. The newly enacted law required that each nursing home resident "be provided with services sufficient to attain and maintain his or her highest practicable physical, mental, and psychosocial well-being." The law made nursing homes the only sector of the entire health care industry to have an explicit statutory requirement for providing what is now called "person-centered care."

In mandating this individualized, person-centered care, these reforms helped spark the emergence of a grassroots movement. In the decade following the passage of OBRA 1987, several providers in Washington, Wisconsin, California, New York, and Minnesota began to break away from the prevailing nursing home model. They created smaller "households" out of large units, sought input from residents about routines and schedules, and tried to overcome the endemic boredom and learned helplessness that was common in nursing homes. In 1997 these leaders, along with consumer advocates, researchers, and regulators, met to articulate the common principles embodied in their separate models and to found an organization called the Pioneer Network. The network partners with the CMS to explore ways to overcome regulatory barriers to culture change[4] and to provide information to congressional staff on the importance of supporting innovation in long-term care.

The Pioneer Network eventually took the lead in fostering the culture-change movement within nursing homes. Today the movement's overarching goals are to individualize care for residents, making facilities more homelike and less "institutional." It promotes person-centered care through reorientation of the facility's culture—its values, attitudes, and norms—along with its supporting core systems (such as breaking down departmental hierarchies, creating flexible job descriptions, and giving front-line workers more control over work environments). It strives to honor residents' individual rights, offering them quality of life and quality of care in equal measure. Culture change also recognizes the importance of all staff members' contributions to the pursuit of excellence.

The culture-change movement espouses a set of principles,[5] instead of offering a prescriptive set of practices or dictating conformance to a model. These principles encompass not only resident care practices, such as elimination of physical restraints, but also organizational and human resource practices and design of the physical environment. At the facility level, culture change is often described as a journey, with facilities progressing through different stages of change.[6] They typically move further or more quickly in one area than in another—such as the use of self-managed work teams and environmental modifications. As with continuous quality improvement, there is always room to do more, and to do it better.

Early in the culture-change movement, there was a lack of agreement as to precisely how all of these changes would manifest themselves in a nursing home transformed by culture change. A gathering of stakeholders[7]—including consumer advocates, CMS representatives, and large trade associations—reached consensus that the "ideal" facility[8] would feature the following.

RESIDENT DIRECTION Care and all resident-related activities should be directed as much as possible by the resident. For example, residents would be offered choices and encouraged to make their own decisions about things personally affecting them, such as what to wear or when to go to bed.

HOMELIKE ATMOSPHERE Practices and structures should be designed to be less institutional and more homelike. Small "households" of ten to fifteen residents would be the organizational unit. Meals would be prepared on the units, and residents would have access to refrigerators for snacks. Such institutional features as overhead public address systems would be eliminated.

CLOSE RELATIONSHIPS Relationships between residents, family members, staff, and the community should be close. For example, the same nurse aides would always care for a resident (a practice known as "consistent assignment"), because this appears to increase mutual familiarity and caring.

STAFF EMPOWERMENT Work should be organized to support and empower all staff to respond to residents' needs and desires. For example, teamwork would be encouraged, and additional staff training provided to enhance efficiency and effectiveness.

COLLABORATIVE DECISION MAKING Management should enable collaborative and decentralized decision making. Flattening of the typical nursing home hierarchy and participatory management systems would be encouraged. Aides would be given decision-making authority. These strategies appear to have positive effects on staff turnover and performance.[9]

QUALITY-IMPROVEMENT PROCESSES Systematic

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ATTACHMENT 12

processes would be established for continuous quality improvements that would be comprehensive and measurement-based. Culture change would be recognized as far more than offering amenities or making superficial changes. Rather, it would be treated as an ongoing process affecting overall performance and leading to specific, measurable outcomes.

Awareness Of Culture Change Grows

Awareness of the culture-change movement grew slowly at first. As late as 2005, a Commonwealth Fund survey of health care opinion leaders showed that 73 percent of respondents were unfamiliar with culture change.[10] But in 2008, when the survey was repeated, only about 34 percent reported unfamiliarity with the movement.[11] Providers in particular became very aware of culture change, in part because of the CMS's "Eighth Scope of Work" contract with the nation's quality improvement organizations. That contract specifically used the term "culture change" and required that quality improvement organizations work with nursing homes in each state "to collect information on resident and staff experience/satisfaction with care and staff turnover by engaging in activity that is likely to improve organizational culture."[12] These acts of recognition and promotion have given the movement considerable legitimacy and made it virtually impossible for providers to ignore.

STATE INITIATIVES State initiatives have also helped encourage the adoption of culture change. Efforts to "rebalance" the mix of long-term care services and supports offered in institutional and community settings, coupled with Medicaid coverage for assisted living, are giving consumers alternatives to nursing homes—thereby forcing traditional nursing homes to reassess what they must offer to stay competitive.

RESEARCH DEMONSTRATES RESULTS Research has now begun to demonstrate results—specifically, that the application of culture-change principles and practices can make life better for residents and improve working conditions for staff. Relatively simple interventions can produce measurable results—for example, keeping shower rooms warm can make bathing a more pleasurable experience for residents, reduce staff stress, and save time.[13,14] Several management studies support the link between strategic human resource management and organizational performance,[15,16] lending support for the organizational redesign called for by culture-change proponents. Similarly, research on facility design is providing evidence of the advantages of more homelike surroundings, such as single rooms, and the financial feasibility of these designs over the long term.[17]

In addition, measures now exist to describe objectively what, if anything, has changed when a home claims to have adopted culture change. Tools such as the CMS's Artifacts of Culture Change enable providers to assess readiness for, implementation of, and sustainability of person-centered care. Defined measures, such as those for staff turnover and consistent assignment, can be used for practice improvement, incorporated into reimbursement methodologies,[18] or made publicly available for consumers.

INITIATIVES EVALUATED Several culture-change initiatives have now been carefully evaluated. Wellspring[19] uses ongoing learning collaboratives among groups of eight to ten facilities to share expertise among management and empower staff. Another, the Eden Alternative,[20] one of the earliest culture-change models, uses environmental and social enrichment to overcome boredom, feelings of helplessness, and loneliness among residents. Beverly Enterprises, the first publicly traded, for-profit nursing home chain to introduce deep system change, transformed a group of its facilities through its Resident-Centered Care Initiative.[21]

Lastly, Green Houses[22,23] use free-standing small group homes, not large facilities, where residents are cared for by a consistent group of direct care staff with much expanded work responsibilities, such as activities, light housekeeping, and meal preparation, in addition to personal care. Studies of Green Houses, probably the most rigorous to date, found that residents' quality of life surpassed that of residents at control facilities, which were owned by the same operator as Green Houses but which were very typical large non-culture-change facilities, while clinical outcomes were equal or better. Green House staff were more satisfied, turnover rates dropped, and the homes did well on their annual federal inspections. With support from the Robert Wood Johnson Foundation, NCB Capital Impact, and Green House developer Bill Thomas, the model is spreading.[24] This is despite the fact that its model—a somewhat higher ratio of staff to residents and better pay for staff than is the norm in nursing homes—faces difficulties in states with low Medicaid reimbursement rates.[25]

To be sure, the number of pertinent studies is still limited, many are only descriptive or represent single case studies, and it is sometimes necessary to extrapolate findings from research performed outside the long-term care field. A large information gap still exists on the costs of culture change and the strength of the "business case" for it. Researchers are working to provide answers to these and other questions, to enlarge the empirical base to support culture change.

000062

ATTACHMENT 12

Adoption Lags Behind Awareness

Despite widespread recognition of the movement, deep culture change is relatively rare. The Commonwealth Fund's 2007 National Survey of Nursing Homes[26] found that only 5 percent of nursing directors said that their facilities completely met the description of a nursing home transformed through culture change. Only 10 percent reported that they had initiated at least seven or more culture-change practices. All told, about one-third reported adoption of some culture-change practices, and another third said that they were planning to follow suit. But the rest of the respondents said that they were neither practicing nor planning to commence culture change.

Several aspects of the nursing home industry, including its workforce, regulation, and reimbursement, have conspired to limit the initiation of culture-change practices. Culture change requires dedicated leadership over a period of years, a stable workforce, the buy-in of nursing, and funds for environmental improvements. These features represent substantial investments in time, effort, and often money. The industry comes up short on a number of these parameters. Nationally, the annual turnover rate, for example, is more than 50 percent for licensed administrators.[27] For directors of nursing and nurse aides, annual turnover rates average about 40 percent and 65 percent, respectively.[28] The nursing profession is largely unprepared for the new roles expected of nurses,[29] and funds for capital improvements are in short supply. Incompatible state regulations[30]—such as requiring that beds must project into the room, making it impossible for residents to arrange their furniture as they wish, or forbidding open kitchens, so residents are unable to fix a snack—can hamper innovation unless providers are able to obtain waivers from state agencies from existing regulations.

Despite federal requirements,[31] moreover, most nursing homes remain far from the idealized visions of nursing home reformers. Quality continues to be criticized.[32,33] Research suggests an association between poor outcomes for nursing home residents, such as decline in functional levels, and inadequate preparation for nurses,[34] minimal training for nurse aides,[35] and too few hours of nursing per resident per day relative to care needs.[36,37] What's more, most nursing homes are "homes" in name only and retain a distinctly clinical orientation. Most are built to resemble hospitals, and most of the care is provided by aides and nurses, which skews priorities toward clinical care. The current regulatory process, which exerts enormous influence over nursing home behavior, further reinforces the clinical model. Nursing home surveyors frequently cite quality-of-care problems (such as weight loss and falls), instead of focusing on such areas as whether nursing home personnel honor residents' rights. A recent study[38] in Rhode Island found that almost 90 percent of providers thought that the surveyor's highest-priority area was detecting and eliminating deficiencies in the quality of care. In addition, various quality "report cards," including the one used by the CMS Nursing Home Compare program, tend to emphasize clinical data.

Many of the circumstances that direct attention toward physical care and organizational needs at the expense of residents' overall well-being can, at least in part, be addressed though such policy interventions as payment incentives tied to lower personnel turnover rates, credentialing of nurses practicing in nursing homes, code revisions, and tax credits or interest rate reductions to encourage upgrading of physical plants. Still other areas remain amenable to policy interventions.

DIRECT ENGAGEMENT Some states are actively fostering organizational and environmental change, workforce improvement, and resident-centered practices. They are encouraging state officials to participate in culture-change coalitions, workgroups, and taskforces.[39] Many states are using Civil Monetary Penalty funds, legislative funding, Medicaid dollars, or grants, or some combination, to help groups spearheading culture-change activities. A set of state culture-change case studies is in preparation, and a culture-change toolkit for policy makers is posted on the Web site of the American Association of Homes and Services for the Aging.[40]

PAYMENT INCENTIVES States can incorporate culture-change criteria into payment models to provide incentives for the adoption of person-centered care. Or they can earmark rate adjustments to increase staffing levels.

FACILITY REPLACEMENT Many nursing home structures are becoming obsolete. Policy makers can revise construction codes to remove barriers to person-centered environments and further encourage design innovations by creating tax credits, targeted grants, or interest rate reductions to make capital costs more manageable.

REGULATORY APPROACHES Rhode Island's survey agency familiarized surveyors with culture change and tested a way to assess quality of life, residents' rights, and quality of care with equal rigor.[41] It also piloted a process of collaboration with quality improvement organizations that bears further examination by state and federal regulators.

PUBLIC REPORTING AND RECOGNITION PROGRAMS Although few currently do it, states can gather

ATTACHMENT 12
000063

and report information on such important quality indicators as resident satisfaction, staffing levels, staff turnover rates, tenure of facility administrators, and use of per diem workers. Award programs for innovation, such as the Promoting Excellent Alternatives in Kansas (PEAK) program, also appear to motivate providers.

WORKFORCE ENHANCEMENTS The number-one challenge in long-term care today is securing a large enough and adequately trained workforce.[42] Labor departments, local Workforce Investment Boards, and state departments of education can help policy makers improve entry-level training; lead job redesign, a critical necessity for culture change; revise licensing requirements to permit more flexible use of staff; and extend credentialing to nurses working in nursing homes.[43] States can likewise mandate increased training for nurse aides.

RESEARCH Although there is a growing body of evidence on the impact of culture change, many questions remain. Policy makers can facilitate access of researchers to data sets; participate in or conduct surveys; sponsor research; and use the results of research to change statutes, regulations, and policies to promote person-centered nursing home care.

Conclusions

The outgrowth of many years of work on the part of consumers, policy makers, and providers, culture change has brought a diverse group of stakeholders together around the principle of person-centered care in nursing homes. Although awareness of the movement has grown, the difficulties of operationalizing and maintaining culture change remain daunting. Yet they are not insurmountable. With a policy environment conducive to innovation, and supportive of both initial and sustained adoption of new models, it is possible that—before the baby-boom generation needs long-term care—nursing homes will have become a better value proposition. The culture-change movement has shown that provision of high-quality nursing home care, individualized to meet each resident's needs in a setting that maximizes self-determination and well-being, can be a vision made real. ■

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ATTACHMENT 12

000065

LUTHERAN HOME FOR THE AGED, INC.
CON APPLICATION
CRITERION 1125.330
ALTERNATIVES TO THE PROPOSED PROJECT

After reviewing the alternative options set forth below, the Lutheran Home for the Aged, Inc. determined that the proposed project is the most effective alternative for meeting the long term care needs of the population serviced by the project. The Lutheran Home for the Aged, Inc. considered the following options with respect to the proposed project:

1. Do Nothing

2. Add Sprinklers to the Existing Olson Pavilion

3. Demolish the Olson Pavilion in its Entirety and Rebuild it

4. Proceed with the Proposed Project

Alternative 1: Do Nothing

The Lutheran Home for the Aged, Inc. considered the alternative of doing nothing; however, this is not a viable alternative. On August 8, 2008, the Centers for Medicare and Medicaid Services ("CMS") promulgated a new regulation requiring all long-term care facilities to have complete sprinkler systems in place by August 8, 2013. (42 C.F.R. § 483.70(a)(8)). Presently, the Lutheran Home for the Aged, Inc. is not fully sprinklered and must install a sprinkler system to comply with the CMS' conditions for participation in the Medicare program. Failure comply will not only be costly for the facility but creates safety concerns for its residents.

Additionally, this option does not address the Lutheran Home for the Aged, Inc.'s concerns about increasing the quality of care to its residents. Without adding an addition to the existing Olson Pavilion, the Lutheran Home for the Aged, Inc. would not be able to install private bathrooms, which would allow the Lutheran Home for the Aged, Inc. to more effectively control infections, such as MRSA and the flu. In addition, this alternative would not permit the Lutheran Home for the Aged, Inc. to increase the size of its physical therapy area. The existing therapy center is antiquated and does not have sufficient square footage to meet the needs of the Lutheran Home's residents.

Further, this option would not permit the Lutheran Home to replace its outdated systems, included water piping and fire suppressant systems. This would lead to the Lutheran Home for the Aged, Inc. to be continuously "under construction" as the facility repairs these systems as they deteriorate. This would not only be costly for the Lutheran Home for the Aged, Inc., but it would create continuous disruptions for the residents.

While there are no immediate capital costs associated with this alternative, over the long term, this alternative would be more costly as it would have Medicare compliance issues and would have to constantly repair its other aging systems.

Based on the foregoing considerations, the Lutheran Home for the Aged, Inc. rejected this alternative.

Alternative 2: Add Sprinklers to the Olson Pavilion

As set forth above, all long-term care facilities must have complete sprinkler systems in place by August 8, 2013. The Lutheran Home for the Aged, Inc. considered the alternative of installing sprinkler systems to comply with this requirement without modernizing the remainder of the Olson Pavilion. While this option permits the Lutheran Home for the Aged, Inc. to comply with the sprinkler requirements of 42 C.F.R. §483.70(a)(8), it does not address the issue of repair and replacement of the Lutheran Home for the Aged, Inc. other aging systems, such as water piping and fire suppressant systems. This would lead to the Lutheran Home for the Aged, Inc. to be continuously "under construction" as the facility repairs these systems as they deteriorate. This would not only be costly for the Lutheran Home for the Aged, Inc., but it would create continuous disruptions for the residents.

Additionally, this option does not address the Lutheran Home for the Aged, Inc.'s concerns about increasing the quality of care to its residents. Without adding an addition to the existing Olson Pavilion, the Lutheran Home for the Aged, Inc. would not be able to install private bathrooms, which would allow the Lutheran Home for the Aged, Inc. to more effectively control infections, such as MRSA and the flu. In addition, this alternative would not permit the Lutheran Home for the Aged, Inc. to increase the size of its physical therapy area. The existing therapy center is antiquated and does not have sufficient square footage to meet the needs of the Lutheran Home's residents.

While this alternative is less costly compared the alternative selected, over the long term, this alternative would be more costly as it would result in Medicare compliance issues and Lutheran Home for the Aged, Inc. would have to constantly repair its other aging systems.

Based on the foregoing considerations, the Lutheran Home for the Aged, Inc. rejected this alternative.

Alternative 3: Demolish the Olson Pavilion in its Entirety and Rebuild it

The Lutheran Home for the Aged, Inc. considered the alternative of demolishing the Olson Pavilion in its entirety and then rebuilding it completely. While this alternative would have allowed the Lutheran Home for the Aged, Inc. to upgrade its facilities to replace its aging equipment and systems and also permitted the Lutheran Home for the Aged, Inc. to equip the new facility with sprinkler systems in compliance with 42 C.F.R. §483.70(a)(8), this option is more costly than the proposed project, does not address quality of care concerns and would limit resident/patient access.

Demolishing the Olson Pavilion in its entirety and rebuilding it is more costly than the proposed project because the Lutheran Home for the Aged, Inc. would have to decrease its patient census in the Olson Pavilion down to zero in order to demolish the building. Since the Lutheran Home for the Aged, Inc. historically has an occupancy rate greater than 90%, the residents in the Olson Pavilion would need to be relocated to another facility as there would not be enough beds available on the Lutheran Home for the Aged, Inc.'s campus to relocate them. This loss of census would create a huge financial burden on the Lutheran Home.

In addition to the cost of this option, this option would also greatly decrease resident access to care. Since the Lutheran Home for the Aged, Inc. would not be able to continue to serve a majority of the residents in the Olson Pavilion once the building were demolished, these residents would have to be located to other facilities, which would restrict their access to care.

This alternative would also not be able to address the quality concerns related to shared bathrooms because rebuilding the Olson Pavilion without any additional space would not permit the Lutheran Home for the Aged, Inc. to continue to serve the same number of residents and also install private bathrooms. Private bathrooms will allow the Lutheran Home for the Aged, Inc. to more effectively control infections, such as MRSA and the flu, which will improve patient outcomes and reduce the number of readmissions to hospitals. In addition, this alternative would not permit the Lutheran Home for the Aged, Inc. to increase the size of its physical therapy area. The existing therapy center is antiquated and does not have sufficient square footage to meet the needs of the Lutheran Home's residents.

This alternative is more costly and will decrease census in the Olson Pavilion to zero. It would also take far more time to complete.

Based on the foregoing considerations, the Lutheran Home for the Aged, Inc. rejected this alternative.

Alternative 4: Proceed with the Proposed Project

Proceeding with the proposed project contemplates that the Olson Pavilion will be completely gutted and a new addition will be added to the existing Olson Pavilion. The project will be phased so that the Lutheran Home for the Aged, Inc. does not have to drastically reduce its census in the Olson Pavilion, which allows the Lutheran Home for the Aged, Inc. to continue to operate on a financially sound basis throughout construction.

This alternative best addresses the Lutheran Home for the Aged, Inc.'s goals of continuing to serve residents in the community, while updating its facilities to comply with the sprinkler system requirements of 42 C.F.R. §483.70(a)(8). In addition, this alternative best addresses the Lutheran Home for the Aged, Ind.'s need to install private bathrooms in each resident room, which will allow the Lutheran Home for the Aged, Inc. to more effectively control infections, such as MRSA and the flu and will improve patient outcomes and reduce the number of readmissions to hospitals.

In addition, the proposed project will allow the Lutheran Home for the Aged, Inc. to more effectively serve its residents who are in need of physical therapy. The project will permit the Lutheran Home to improve the quality of physical therapy provided to its residents and also to expand its wellness programs.

Accordingly, based on the above considerations and the Lutheran Home for the Aged, Inc.'s desire to continue to provide quality care to its residents, the Lutheran Home for the Aged, Inc. elected to pursue this option, which is the best, most cost-effective way to address regulatory compliance, resident needs and quality care.

LUTHERAN HOME FOR THE AGED, INC.
CON APPLICATION
SIZE OF PROJECT

The amount of physical space proposed for the Project is necessary and not excessive. As set forth in the Review Board Rules, the project size standard applicable to the modernization of general long term care facilities is 350-570 DGSF/Bed. The DGSF for the proposed Project is 426.9 DGSF/Bed, which is 143.1 DGSF/Bed less than the State standard for general long term care modernization projects. Accordingly, the amount of physical space proposed for the Project meets the State standard and is not excessive.

LUTHERAN HOME FOR THE AGED, INC.
CON APPLICATION
PROJECT SERVICES UTILIZATION

The table below documents that in the second year of operation, the annual occupancy of the Applicant shall meet or exceed the State standards:

UTILIZATION					
YEAR	**DEPT./ SERVICE**	**HISTORICAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC.**	**PROJECTED UTILIZATION**	**STATE STANDARD**	**MET STANDARD**
2009	General Long Term Care	111,011 Patient Days		90%	Yes
2010	General Long Term Care	112,830 Patient Days		90%	Yes
2016	General Long Term Care		117,033 Patient Days	90%	Yes
2017	General Long Term Care		117,033 Patient Days	90%	Yes

The rationale which supports the projected occupancy rates included above is that the demand for admission into the Lutheran Home has historically been, and continues to remain, high. In 2011, the Lutheran Home received 2,094 patient inquiries regarding its skilled nursing beds. The Lutheran Home believes that this high rate of interest will continue and the Lutheran Home will continue to have a utilization rate above the State standard.

As indicated above, in each of 2009 and 2010, the Lutheran Home maintained an average annual occupancy rate of 94.5% and 92.6% respectively. Faced with steadily increasing demand, the Lutheran Home projects that it will meet the occupancy standard of 90% for both the first and second full years of operations with projected occupancy rates of 96% and 96% respectively.

LUTHERAN HOME FOR THE AGED, INC.
CON APPLICATION
CRITERION 1125.600
BED CAPACITY

The Lutheran Home for the Aged, Inc. is currently licensed by the Illinois Department of Public Health for 392 total beds (274 skilled nursing beds, 60 intermediate care beds, and 58 sheltered care beds). While the Lutheran Home for the Aged, Inc. exceeds the maximum bed capcity set forth in 1125.600, the Lutheran Home for the Aged, Inc. is not increasing the total number of beds as part of this project. Additionally, the Lutheran Home for the Aged, Inc. provides personalized quality patient care as evidenced by its four star Medicare rating. The modernization of the Lutheran Home for the Aged, Inc. will increase the ability of the Lutheran Home for the Aged, Inc. to provide personalized quality patient care because the renovated Olson Pavilion will organize residents into person centered households, which includes new living, dining and social spaces in order to create a home-like setting. Additionally, the private bathrooms in the completed project will increase the quality of care provided at the Lutheran Home, by allowing the Lutheran Home to more effectively control infections, such as MRSA and the flu, which will improve patient outcomes and reduce the number of readmissions to hospitals.

LUTHERAN HOME FOR THE AGED, INC.
CON APPLICATION
CRITERION 1125.610
COMMUNITY RELATED FUNCTIONS

The Lutheran Home for the Aged, Inc. has cooperated and continues to cooperate with community groups within its primary service area. Please see the attached letters of support from various community organizations, including the Mayor of Arlington Heights and the Arlington Heights Chamber of Commerce.

ATTACHMENT 28

Village of Arlington Heights

33 South Arlington Heights Road
Arlington Heights, Illinois 60005-1499
(847) 368-5000
Website: www.vah.com

Arlene J. Mulder
Mayor

February 28, 2012

Mr. Philip G. Hemmer
Administrator
Lutheran Home for the Aged, Inc.
800 West Oakton Street
Arlington Heights, IL 60004

Re: Support for Lutheran Home for the Aged, Inc. CON Application

Dear Mr. Hemmer:

I am writing to offer my support for Lutheran Home for Aged, Inc.'s Certificate of Need Application concerning its proposed modernization project.

The Lutheran Home has served both Arlington Heights and its surrounding communities with high quality care since its establishment in 1892. The Lutheran Home's commitment to offering our community's seniors high-quality care is exemplified by both its outstanding reputation throughout the area as well as its 4-star rating by the Center for Medicare and Medicaid Services.

Furthermore, the Lutheran Home is a valued member of the Arlington Heights community due to the compassionate care it provides to our seniors, including those with limited financial resources. Mission-based organizations like the Lutheran Home are vital to ensuring the well-being of our seniors, and I wholeheartedly support the Lutheran Home's application for a Certificate of Need permit to modernize its facilities.

The letter does not waive any of the Village's authority regarding zoning and land use considerations.

Sincerely,

Arlene J. Mulder
Mayor

c: Mr. Dale Galassie

ATTACHMENT 28

chamber of
COMMERCE
ARLINGTON HEIGHTS
arlingtonheightschamber.com

Friday, February 24, 2012

Mr. Philip G. Hemmer
Administrator
Lutheran Home for the Aged, Inc.
800 West Oakton Street
Arlington Heights, IL 60004

Re: Support for Lutheran Home for the Aged, Inc. CON Application

Dear Mr. Hemmer,

The Arlington Heights Chamber of Commerce adds its support to your efforts to modernize the long term care facilities of the Lutheran Home for the Aged, Inc. ("Lutheran Home"). It is important to our members to know that there is a high-quality senior living facility based in the community that offers compassionate care in the Lutheran tradition.

The Lutheran Home has been a Chamber member for many years and they participate in many community events that we hold. They sponsored our annual prayer breakfast this year both financially and by asking staff members to be on the planning and welcoming committee. They are a great business partner in our town and have been for 120 years since 1892. We are grateful for their participation and services to our community.

Lutheran Home extends their care for others beyond their facility walls. They are a community care center that values belonging to the community they serve. Lutheran Home offers high-quality, compassionate care for all of its residents, regardless of their particular religious denomination, and especially to those of limited financial means. Accordingly, I believe that the proposed modernization of the Lutheran Home's facilities will serve to benefit not only the Lutheran members of our community, but all of our community's seniors. For these reasons, I am pleased to extend the support of the Arlington Heights Chamber of Commerce to your Certificate of Need Application.

Sincerely,

Jon S. Ridler
Arlington Heights Chamber of Commerce
Executive Director

ATTACHMENT 28

311 South Arlington Heights Road, Suite 20 • Arlington Heights, Illinois 60005 • 847.253.1703 • fax: 847.253.9133

Luz A. Feldmann, MD
1100 West Central Road Suite 307 • Arlington Heights Illinois 60005
Telephone 847-255-7246 • Fax 847-255-6231

Treating Pain.
Transforming lives

March 1, 2012

Mr. Philip G. Hemmer
Administrator
Lutheran Home for the Aged, Inc.
800 West Oakton Street
Arlington Heights, IL 60004

Re: Support for the Lutheran Home for the Aged, Inc. CON Application

Dr Mr. Hemmer,

I wish to offer you my support for the Lutheran Home for the Aged, Inc's ("Lutheran Home") application for a Certificate of Need ("CON") to modernize its facilities. I am aware of the important role that the Lutheran Home plays in our community, not only for its Lutheran members, but for all seniors, regardless of their religious beliefs.

The Lutheran Home is a special place in that it offers grace-filled living for its residents, including those in need. Because of its warm, compassionate environment, the Lutheran Home is truly an asset to our community's seniors, who benefit from its high-quality, mission-focused care.

I am happy to offer my support for the modernization project which will enable the Lutheran Home to continue to provide quality care to our seniors.

Sincerely,

Luz A Feldmann

Luz A Feldmann, MD
Pain Management

Cc: Mr. Dale Galassie

ATTACHMENT 28

Northwest
Speech and Hearing Center Ltd.

Mary Cay Chisholm, Au.D., CCC-A
Director
Busse Center for Specialty Medicine
880 West Central Road, Suite 4300
Arlington Heights, IL 60005
Voice/TTY: 847-392-2250
Fax: 847-392-2270

March 02, 2012

Mr. Philip G. Hemmer
Administrator
Lutheran Home for the Aged, Inc.
800 West Oakton Street
Arlington Heights, IL 60004

Re: Support for Lutheran Home for the Aged, Inc. CON Application

Dear Mr. Hemmer,

I wish to offer you my support for Lutheran Home for Aged, Inc's ("Lutheran Home") application for a Certificate of Need ("CON") to modernize its facilities. I am aware of the important role that the Lutheran Home plays in our community, not only for its Lutheran members, but for all seniors, regardless of their religious beliefs.

The Lutheran Home is a special place in that it offers grace-filled living for its residents, including those in need. Because of its warm, compassionate environment, the Lutheran Home is truly an asset to our community's seniors, who benefit from its high-quality, mission-focused care. We see many patients at Lutheran Home and truly appreciate the care that the patients receive through this wonderful organization.

I am happy to offer my support for the modernization project which will enable the Lutheran Home to continue to provide quality care to our seniors.

Sincerely,

Mary Cay Chisholm, Au.D.

Mary Cay Chisholm, Au.D., CCC-A
Director

cc: Mr. Dale Galassie

ATTACHMENT 28

Quality You Can Hear!

MR. ROBERT IMMEN
730 Creekside Dr #101
Mt. Prospect, IL 60056

March 1, 2012

Re: Support for Lutheran Home for the Aged, Inc. CON Application

Dear Mr. Hemmer,

I write to add my support to your efforts to modernize the long term care facilities of the Lutheran Home for the Aged, Inc. ("Lutheran Home"). It is important to our members to know that there is a high-quality senior living facility based in the community that offers compassionate care in the Lutheran tradition. The faith-based environment provided by the Lutheran Home is important to our members who can be comforted knowing that they may continue to practice their faith should they come to reside in a long term care facility.

Furthermore, I am aware that the Lutheran Home offers high-quality, compassionate care for all of its residents, regardless of their particular religious denomination, and especially to those of limited financial means. Accordingly, I believe that the proposed modernization of the Lutheran Home's facilities will serve to benefit not only the Lutheran members of our community, but all of our community's seniors. For these reasons, I am pleased to offer my support to your Certificate of Need Application.

Sincerely,

Robert Immen

Robert Immen

cc: Mr. Dale Galassie

ATTACHMENT 28

Village of Arlington Heights

33 South Arlington Heights Road
Arlington Heights, Illinois 60005-1499
(847) 368-5000
Website: www.vah.com

February 22, 2012

Mr. Phil Hemmer
Administrator
Lutheran Home for the Aged, Inc.
800 W. Oakton
Arlington Heights, IL 60004

Regarding: Certificate of Need for Lutheran Home for the Aged, Inc. Application

Dear Mr. Hemmer,

This letter comes as my support for Lutheran Home's application for a Certificate of Need to renovate its facilities. This construction project will enhance Lutheran Home's ability to continue to provide quality care for its residents, their families and senior members of our community.

Lutheran Home has earned its standing as a venerable institution in our community and a leader in the field of aging. A faith based mission driven provider can accomplish so much in our industry and Lutheran Home helps keep that standard high. They offer their home and services to the elderly and their families without regard to religious affiliations or beliefs.

Being a frequent guest, both personally and professionally at Lutheran Home, I have always been impressed with the facility, the truly home like ambiance, the programs, services, and the level of staff concern for its residents and their guests.

Respectfully,

Karen Hansen

Karen Hansen
Senior Center Manager
Arlington Heights Senior Center
Village of Arlington Heights

CC: enclosed for Dale Galassie

ATTACHMENT 28

N·W·O·S

Northwest Orthopedic Surgery, S.C.

1120 N. Arlington Heights Road
Arlington Heights, Illinois 60004
847 870-4200 Fax 847-870-0059
www.nworthopedic.com
www.nwos.info

Richard A Mannion MD
Spinal/Back Surgery
Joint Replacement
General Orthopedics

Gerard R Marty MD
Pediatric Orthopedics
General Orthopedics

Thomas C Tingle MD
Sports Medicine & Arthroscopy
General Orthopedics

Sergey M Kachar DO
Joint Replacement & Reconstruction
General Orthopedics/Trauma

Malik Abraham DPM
Foot/Ankle Injuries
Certified in Reconstructive Rearfoot/Ankle Surgery

Richard S Tuttle MD
Physical Medicine & Rehabilitation
Electrodiagnostic Medicine

February 23, 2012

Mr. Philip G. Hemmer
Administrator
Lutheran Home for the Aged, Inc.
800 West Oakton Street
Arlington Heights, IL 60004

Re: Support for Lutheran Home for the Aged, Inc. CON Application

Dear Mr. Hemmer:

I wish to offer you my support for Lutheran Home for the Aged, Inc's ("Lutheran Home") application for a Certificate of Need ("CON") to modernize its facilities. I am aware of the important role that the Lutheran Home plays in our community, not only for its Lutheran members, but for all seniors, regardless of their religious beliefs.

The Lutheran Home is a special place in that it offers grace-filled living for its residents, including those in need. Because of its warm, compassionate environment, the Lutheran Home is truly an asset to our community's seniors, who benefit from its high-quality, mission-focused care.

I am happy to offer my support for the modernization project, which will enable the Lutheran Home to continue to provide quality care for our seniors.

Sincerely,

Richard S. Tuttle, M.D.

cc: Mr. Dale Galassie

ATTACHMENT 28

OUR LADY OF THE WAYSIDE PARISH

February, 14, 2012

Mr. Philip G. Hemmer
Administrator
Lutheran Home for the Aged, Inc.
800 West Oakton Street
Arlington Heights, IL 60004

Re: Support for Lutheran Home for the Aged, Inc. CON Application

Dear Mr. Hemmer,

I wish to offer you my support for Lutheran Home for Aged, Inc's ("Lutheran Home") application for a Certificate of Need ("CON") to modernize its facilities. I am aware of the important role that the Lutheran Home plays in our community, not only for its Lutheran members, but for all seniors, regardless of their religious beliefs.

The Lutheran Home is a special place in that it offers grace-filled living for its residents, including those in need. Because of its warm, compassionate environment, the Lutheran Home is truly an asset to our community's seniors, who benefit from its high-quality, mission-focused care.

I am happy to offer my support for the modernization project which will enable the Lutheran Home to continue to provide quality care to our seniors.

Sincerely,

Rev. Daniel Brady

Rev. Daniel J. Brady

ATTACHMENT 28

PARISH CENTER 847.253.5353 • CARE & OUTREACH 253.5353 • OLW SCHOOL 255.0050 • RELIGIOUS EDUCATION 398.5011
434 WEST PARK ARLINGTON HEIGHTS, ILLINOIS 60005 432 SOUTH MITCHELL ARLINGTON HEIGHTS, ILLINOIS 60005
www.olwparish.org

Corrigan
Consulting

Discerning Data Solutions

February 23, 2012

Mr. Philip G. Hemmer
Administrator
Lutheran Home for the Aged, Inc.
800 West Oakton Street
Arlington Heights, IL 60004

Re: Support for Lutheran Home for the Aged, Inc. CON Application

Dear Mr. Hemmer,

I write to add my support to your efforts to modernize the long term care facilities of the Lutheran Home for the Aged, Inc. ("Lutheran Home"). It is important to our members to know that there is a high-quality senior living facility based in the community that offers compassionate care in the Lutheran tradition. The faith-based environment provided by the Lutheran Home is important to our members who can be comforted knowing that they may continue to practice their individual faith should they come to reside in a long term care facility.

The Lutheran Home is a great supporter of the Rotary Club of Arlington Heights and they are also a club member. They help with sponsorships of our fundraisers in town and their staff help in all kinds of ways to improve our community. We could not be more pleased with how the Lutheran Home actively demonstrates its commitment to our community through its support of our Rotary Club. It is a model for other businesses and organizations in Arlington Heights.

Furthermore, I am aware that the Lutheran Home offers high-quality, compassionate care for all of its residents, regardless of their particular religious denomination, and especially to those of limited financial means. Accordingly, I believe that the proposed modernization of the Lutheran Home's facilities will serve to benefit not only the Lutheran members of our community, but all of our community's seniors. For these reasons, I am pleased to offer my support to your Certificate of Need Application.

Sincerely,

Tim Corrigan
Rotary Club of Arlington Heights
President, 2011-2012

ATTACHMENT 28

115 North Arlington Heights Road • Suite 102 • Arlington Heights • Illinois 60004
847.394.0266 fax: 847.394.2802 www.corriganinc.com

Wisdom Investments, Inc.

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Mr. Philip G. Hemmer
Administrator
Lutheran Home for the Aged, Inc.
800 West Oakton Street
Arlington Heights, IL 60004

Re: Support for Lutheran Home for the Aged, Inc. CON Application

Dear Mr. Hemmer,

I wish to offer you my support for Lutheran Home for Aged, Inc's ("Lutheran Home") application for a Certificate of Need ("CON") to modernize its facilities. I am aware of the important role that the Lutheran Home plays in our community, not only for its Lutheran members, but for all seniors, regardless of their religious beliefs.

The Lutheran Home is a special place in that it offers grace-filled living for its residents, including those in need. Because of its warm, compassionate environment, the Lutheran Home is truly an asset to our community's seniors, who benefit from its high-quality, mission-focused care. As an Arlington Heights resident, I am aware of the care and help that Lutheran Home provide to many seniors and their families without funds or who run out of funds.

The Lutheran Home staff is a great supporter of the things that I care about in Arlington Heights also. I know several of the key management staff and see them at functions throughout Arlington Heights that make our village as great as it is.

As a financial advisor I have the opportunity to interact with many seniors who truly benefit from the services provided by the Lutheran Home and similar organizations. Having had the opportunity to visit The Lutheran Home with some my current clients and potential Lutheran Home clients I have experienced a degree of warmth and friendliness that everyone would want for their senior parents, friends and neighbors.

I am happy to offer my support for the modernization project which will enable the Lutheran Home to continue to provide quality care to our seniors.

Sincerely,

Wm. S. Kmiecik, Jr.
President
Wisdom Investment, Inc.

ATTACHMENT 28

2015 S. Arlington Hts. Rd. - Suite 113 - Arlington Hts., IL 60005 - Phone 847-290-0753 - Fax 847-290-0783
e-mail - smartdecisions@wisdominvestments.com

Palatine Township
Senior Citizens Council

505 South Quentin Road • Palatine, Illinois 60067
Telephone (847) 991-1112 • Fax (847) 991-9605
www.ptscc.org

February 27, 2012

Mr. Philip G. Hemmer
Administrator
Lutheran Home for the Aged, Inc.
800 West Oakton Street
Arlington Heights, IL 60004

Re: Support for Lutheran Home for the Aged, Inc. CON Application

Dear Mr. Hemmer,

I write to add my support to your efforts to modernize the long term care facilities of the Lutheran Home for the Aged, Inc. ("Lutheran Home"). It is important to our members to know that there is a high-quality senior living facility based in the community that offers compassionate care in the Lutheran tradition. The faith-based environment provided by the Lutheran Home is important to our members who can be comforted knowing that they may continue to practice their faith should they come to reside in a long term care facility.

Furthermore, I am aware that the Lutheran Home offers high-quality, compassionate care for all of its residents, regardless of their particular religious denomination, and especially to those of limited financial means. Accordingly, I believe that the proposed modernization of the Lutheran Home's facilities will serve to benefit not only the Lutheran members of our community, but all of our community's seniors. For these reasons, I am pleased to offer my support to your Certificate of Need Application.

Sincerely,

Carol Reagan

Carol Reagan
Executive Director

cc: Mr. Dale Galassie

ATTACHMENT 28

WHEELING TOWNSHIP

1616 N. Arlington Heights Road • Arlington Heights, Illinois 60004
847-259-7730 • fax 847-259-1570
www.wheelingtownship.com

February 27, 2012

Mr. Philip G. Hemmer
Administrator
Lutheran Home for the Aged, Inc.
800 West Oakton Street
Arlington Heights, IL 60004

Re: Support for Lutheran Home for the Aged, Inc. CON Application

Dear Mr. Hemmer,

I wish to offer you my support for Lutheran Home for Aged, Inc's ("Lutheran Home") application for a Certificate of Need ("CON") to modernize its facilities. I am aware of the important role that the Lutheran Home plays in our community, not only for its Lutheran members, but for all seniors, regardless of their religious beliefs.

The Lutheran Home is a special place in that it offers grace-filled living for its residents, including those in need. Because of its warm, compassionate environment, the Lutheran Home is truly an asset to our community's seniors, who benefit from its high-quality, mission-focused care.

I am happy to offer my support for the modernization project which will enable the Lutheran Home to continue to provide quality care to our seniors.

Sincerely,

Michael B. Schroeder
Supervisor.

cc: Mr. Dale Galassie

ATTACHMENT 28

ARLINGTON PARK RACECOURSE

February 17, 2012

Mr. Philip G. Hemmer
Administrator
Lutheran Home for the Aged, Inc.
800 West Oakton Street
Arlington Heights, IL 60004

Re: Support for Lutheran Home for the Aged, Inc. CON Application

Dear Mr. Hemmer,

I wish to offer you my support for Lutheran Home for Aged, Inc's ("Lutheran Home") application for a Certificate of Need ("CON") to modernize its facilities. I am aware of the important role that the Lutheran Home plays in our community, not only for its Lutheran members, but for all seniors, regardless of their religious beliefs.

The Lutheran Home is a special place in that it offers grace-filled living for its residents, including those in need. Because of its warm, compassionate environment, the Lutheran Home is truly an asset to our community's seniors, who benefit from its high-quality, mission-focused care.

The Lutheran Home and Lutheran Life Communities participate in many activities at Arlington Park. Their staff is involved in many community outreach programs and clubs such as Rotary, the Chamber of Commerce, the Mayor's Annual Prayer Breakfast and the Fourth of July Parade in which Arlington Park also participates. We are grateful to be a business partner with them in our community. They offer help and people to accomplish great things in Arlington Heights and they are a true community partner.

I am happy to offer my support for the modernization project which will enable the Lutheran Home to continue to provide quality care to our seniors.

Sincerely,

Kristine M. Stabler
Arlington Park Racecourse
Vice President, Community Affairs

ATTACHMENT 28

P.O. Box 7, Arlington Heights, Illinois 60006-0007 USA • Phone 847/385-7500 • Fax 847/385-7251

Village Bank&Trust

February 21, 2012

Mr. Philip G. Hemmer
Administrator
Lutheran Home for the Aged, Inc.
800 West Oakton Street
Arlington Heights, IL 60004

Re: Support for Lutheran Home for the Aged, Inc. CON Application

Dear Mr. Hemmer,

I wish to offer you my support for Lutheran Home for Aged, Inc's ("Lutheran Home") application for a Certificate of Need ("CON") to modernize its facilities. I am aware of the important role that the Lutheran Home plays in our community, not only for its Lutheran members, but for all seniors, regardless of their religious beliefs.

The Lutheran Home and Lutheran Life Communities are wonderful business partners in our community and they support many of the same community outreach events that we do. They offer help and people to accomplish great things in Arlington Heights and they are a true community partner.

I am happy to offer my support for the modernization project which will enable the Lutheran Home to continue to provide quality care to our seniors.

Sincerely,

DJKalka

Dennis J. Kalka
Executive Vice President
Village Bank and Trust

ATTACHMENT 28

311 S. Arlington Heights Road • Arlington Heights, IL 60005
Phone: (847) 483-6000 • Fax: (847) 483-6012

foot first Podiatry Center II

February 23, 2012

Mr Philip G. Hemmer
Administrator
Lutheran Home for the Aged, Inc.
800 West Oakton Street
Arlington Hts, IL 60004

RE: Support for Lutheran Home for the Aged, Inc. CON Application

Dear Mr. Hemmer,

I wish to offer you my support for the Lutheran Home for the Aged, Inc's ("Lutheran Home") application for a Certificate of Need ("CON") to modernize its facilities. I am aware of the important role that the Lutheran Home plays in our community, not only for its Lutheran members, but for all seniors, regardless of their religious beliefs.

The Lutheran Home is a special place in that it offers grace-filled living for its residents, including those in need. Because of its warm, compassionate environment, the Lutheran Home is truly an asset to our community's seniors, who benefit from its high-quality, mission-focused care.

I am happy to offer my support for the modernization project which will enable the Lutheran Home to continue to provide quality care to our seniors.

Sincerely,

Dr Michael H. Warheit DPM

ATTACHMENT 28

1257 W. Dundee Rd. / Buffalo Grove, Illinois 60089 / (847) 577-1649

Saint Peter
LUTHERAN CHURCH & SCHOOL
LCMS
111 W. OLIVE ST. • ARLINGTON HEIGHTS, IL 60004 • Ph. 847-259-4114 • Fax 847-259-4185 • stpeter-ah.org

February 27, 2012

Mr. Philip G. Hemmer
Administrator
Lutheran Home for the Aged, Inc.
800 West Oakton Street
Arlington Heights, IL 60004

Re: Support for Lutheran Home for the Aged, Inc. CON Application

Dear Mr. Hemmer,

I write to add my support to your efforts to modernize the long term care facilities of the Lutheran Home for the Aged, Inc. ("Lutheran Home"). It is important to our members to know that there is a high-quality senior living facility based in the community that offers compassionate care in the Lutheran tradition. The faith-based environment provided by the Lutheran Home is important to our members who can be comforted knowing that they may continue to practice their faith should they come to reside in a long term care facility.

Furthermore, I am aware that the Lutheran Home offers high-quality, compassionate care for all of its residents, regardless of their particular religious denomination, and especially to those of limited financial means. Accordingly, I believe that the proposed modernization of the Lutheran Home's facilities will serve to benefit not only the Lutheran members of our community, but all of our community's seniors. For these reasons, I am pleased to offer my support to your Certificate of Need Application.

Sincerely,

Rev. Micah Greiner

cc: Mr. Dale Galassie

ATTACHMENT 28

KERRY W. PEARSON

ATTORNEY AT LAW
1216 EAST CENTRAL ROAD, SUITE 201
ARLINGTON HEIGHTS, IL 60005-2869

www.KerryPearson.com
Kerry@KerryPearson.com or kwplaw@earthlink.net

Phone: (847)577-9000
Fax: (847) 577-9068

February 20, 2012

Mr. Philip G. Hemmer
Administrator
Lutheran Home for the Aged, Inc.
800 West Oakton Street
Arlington Heights, IL 60004

Re: Support for Lutheran Home for the Aged, Inc. CON Application

Dear Mr. Hemmer,

I wish to offer you my support for Lutheran Home for Aged, Inc's ("Lutheran Home") application for a Certificate of Need ("CON") to modernize its facilities. I am aware of the important role that the Lutheran Home plays in our community, not only for its Lutheran members, but for all seniors, regardless of their religious beliefs.

Because of its warm, compassionate environment, the Lutheran Home is truly an asset to our community's seniors, who benefit from its high-quality, mission-focused care. I have witnessed the wonderful and caring job the Lutheran Home has done both from a personal and professional standpoint. My mother spent the last few years of her life residing in the Luther Home, and while visiting her on an almost daily basis I could see first hand not only how she was treated, but also how other residents were treated. As an attorney who has lived and had my law office in Arlington Heights for 30+ years I have had many clients and acquaintances who have resided in the Lutheran Home; all of whom have spoken highly of its care and services, and of what a worthy and wonderful community partner it has been in our community.

I am happy to offer my support for the modernization project which will enable the Lutheran Home to continue to provide quality care to our seniors.

Very truly yours,

Kerry W. Pearson
KWP:dj

ATTACHMENT 28

ROBERT AND ELEANOR HORDER
1206 E. Fairview St. #203
Arlington Heights, IL 60004

March 1, 2012

Re: Support for Lutheran Home for the Aged, Inc. CON Application

Dear Mr. Hemmer,

I write to add my support to your efforts to modernize the long term care facilities of the Lutheran Home for the Aged, Inc. ("Lutheran Home"). It is important to our members to know that there is a high-quality senior living facility based in the community that offers compassionate care in the Lutheran tradition. The faith-based environment provided by the Lutheran Home is important to our members who can be comforted knowing that they may continue to practice their faith should they come to reside in a long term care facility.

Furthermore, I am aware that the Lutheran Home offers high-quality, compassionate care for all of its residents, regardless of their particular religious denomination, and especially to those of limited financial means. Accordingly, I believe that the proposed modernization of the Lutheran Home's facilities will serve to benefit not only the Lutheran members of our community, but all of our community's seniors. For these reasons, I am pleased to offer my support to your Certificate of Need Application.

Sincerely,

Robert & Eleanor Horder

Robert and Eleanor Horder

cc: Mr. Dale Galassie

ATTACHMENT 28

SHBK

SMITH HEMMESCH BURKE & KACZYNSKI
10 SOUTH LASALLE STREET • SUITE 2660 • CHICAGO, ILLINOIS 60603
P (312) 939-0100 • F (312) 939-7765
www.shbk-law.com

WILLIAM L. SMITH, JR.
DONALD F. HEMMESCH, JR.
KEVIN P. BURKE
CHRISTOPHER B. KACZYNSKI
DANIEL J. HEYWOOD
COURTNEY J. HARVEY

OF COUNSEL
THOMAS E. BRANNIGAN
ROGER J. GUERIN

February 20, 2012

Mr. Philip G. Hemmer
Administrator
Lutheran Home for the Aged, Inc.
800 West Oakton Street
Arlington Heights, IL 60004

RE: Support for Lutheran Home for the Aged, Inc. CON Application

Dear Mr. Hemmer,

I wish to offer you my support for Lutheran Home for Aged, Inc's ("Lutheran Home") application for a Certificate of Need ("CON") to modernize its facilities. As an Arlington Heights resident, and having worked in the community as an Assistant Cook County State's Attorney, I am well aware of the important role that the Lutheran Home plays in our community, not only for its Lutheran members, but for all seniors, regardless of their religious beliefs.

The Lutheran Home is a special place in that it offers grace-filled living for its residents, including those in need. Because of its warm, compassionate environment, the Lutheran Home is truly an asset to our community's seniors, who benefit from its high-quality, mission-focused care.

I am happy to offer my support for the modernization project which will enable the Lutheran Home to continue to provide quality care to our seniors.

Sincerely,

Chr B. Kaczynski

Christopher B. Kaczynski

CBK/sme

cc: Mr. Dale Galassie

ATTACHMENT 28

Camelson, Homa and Kim MDSC

Theodore Homa MD CMD
Internal Medicine, Geriatrics and
Long Term Care

800 West Oakton Street
Arlington Heights, IL 60004
Tel: 847-222-9901
Fax: 847-222-9904

2/22/12

Mr. Philip G. Hemmer

Administrator

Lutheran Home for the Aged, Inc.

800 W Oakton

Arlington Heights, IL 60004

RE: Support for Lutheran Home for the Aged, Inc. CON Application

Dear Mr. Hemmer:

We are writing to offer our support for Lutheran Home for the Aged, Inc's ("Lutheran Home") Certificate of Need ("CON") Application concerning its proposed modernization project.

The Lutheran Home has served both Arlington Heights and its surrounding communities with high quality care since its establishment in 1892. The Lutheran Home's commitment to offering our community's seniors high-quality care is exemplified by both its sterling reputation throughout the area as well as its 4-star rating by the Center for Medicare and Medicaid Services.

Furthermore, the Lutheran Home is a valued member of this community due to the compassionate care it provides to our seniors, including those with limited financial resources. Mission-based organizations like the Lutheran Home are vital to ensuring the well-being of our seniors, and we

ATTACHMENT 28

wholeheartedly support the Lutheran Home's application for a CON permit to modernize its facilities.

Sincerely,

Theodore Homa, MD

Sandra Garretson, MD

Steven Kim, MD

cc: Mr. Dale Galassie

ATTACHMENT 28

DSY DENTAL CONSULTANTS, PC
8800 N. Bronx
Suite #204
Skokie, IL 60077
847/676-6512 (phone)
847/676-6502 (fax)
dsydental@yahoo.com

March 2, 2012

Mr. Philip G. Hemmer
Administrator
Lutheran Home for the Aged, Inc.
800 West Oakton Street
Arlington Heights, IL 60004

Re: Support for Lutheran Home for the Aged, Inc. CON Application

Dear Mr. Hemmer:

I wish to offer you my support for Lutheran Home for Aged, Inc's ("Lutheran Home") application for a Certificate of Need ("CON") to modernize its facilities. I am aware of the important role that the Lutheran Home plays in our community, not only for its Lutheran members, but for all seniors, regardless of their religious beliefs.

The Lutheran Home is a special place in that it offers grace-filled living for its residents, including those in need. Because of its warm, compassionate environment, the Lutheran Home is truly an asset to our community's seniors, who benefit from its high-quality, mission-focused care.

I am happy to offer my support for the modernization project which will enable the Lutheran Home to continue to provide quality care to our seniors.

Sincerely,

David S. Yudkowsky

David S. Yudkowsky, DDS
President

cc: Mr. Dale Galassie

ATTACHMENT 28

LUTHERAN HOME FOR THE AGED, INC.
CON APPLICATION
CRITERION 1125.620
PROJECT SIZE

The amount of physical space proposed for the Project is necessary and not excessive. As set forth in detail in Attachment 14, the DGSF is 426.9 DGSF/Bed, which is 143.1 DGSF/Bed less than the State standard for modernization projects.

LUTHERAN HOME FOR THE AGED, INC.
CON APPLICATION
CRITERION 1125.630
ZONING

Building height for the project is governed by the existing Village of Arlington Heights PUD (#88-93) and is limited to 40 feet by the PUD Ordinance. In addition, the zoning ordinance of Arlington Heights contains a 45 foot height restriction for areas zoned institutional, which is the applicable category for the Lutheran Home for the Aged, Inc. One part of the Project may exceed 45 feet in height (by approximately one foot), so the Lutheran Home for the Aged, Inc. is currently in the process of seeking an amendment to the PUD and a variance under the zoning ordinance related to the building height of the proposed expanded portion of the Olson Pavilion with the Village of Arlington Heights. The existing Olson Pavilion and other buildings on the Lutheran Home campus were constructed prior to the 40 foot requirement, and actually exceed 40 feet. In addition, the Lutheran Home for the Aged, Inc. will seek a variance to a zoning ordinance limit on the height of fences to 5 feet to accommodate a seven foot high fence.

ATTACHMENT 28

Lutheran Home
A Lutheran Life Community

March 6, 2012

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Lutheran Home for the Aged, Inc. CON Application – Assurances

Dear Ms. Avery,

In compliance with section 1125.640 of the Review Board Rules, Lutheran Home for the Aged, Inc., as operator of the Project, hereby attests that, to our understanding, by the second year of operation after the completion of the Project, Lutheran Home for the Aged, Inc. will achieve and maintain the occupancy standards for the general long term care category of service specified in section 1125.210(c) of the Review Board Rules.

Sincerely,

LUTHERAN HOME FOR THE AGED, INC.

By: ____________
Roger W. Paulsberg, Chair

Notarization:
Subscribed and sworn to before me
this 7 day of March, 2012

____
Signature of Notary Public

OFFICIAL SEAL
ELIZABETH A WILLIAMSON
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:03/21/15

Seal

Vibrant, grace-filled living across all generations

800 West Oakton Street · Arlington Heights, IL 60004
(847) 368-7400 · fax (847) 368-7412
www.LutheranHome.org

ATTACHMENT 28

LUTHERAN HOME FOR THE AGED, INC.
CON APPLICATION
CRITERION 1125.650
MODERNIZATION

The Lutheran Home for the Aged, Inc. proposes to modernize the Olson Pavilion due to the following factors, which are described in greater detail below: (1) to meet current regulatory codes; (2) to repair and replace systems that have reached the end of their useful life; (3) to adjust for changes in the standard of care; and (4) to add additional space necessary for physical therapy purposes.

(1) Compliance with Current Regulatory Requirements

Effective as of August 13, 2013, all long term care facilities that receive any type of Medicare/Medicaid funding are required to be compliant with Federal Register mandate 42 C.F.R. §483.70(a)(8), which requires that such facilities be equipped with sprinkler systems. The Olson Pavilion does not currently have a sprinkler system. As part of the project, the Olson Pavilion will be fully equipped with sprinkler systems meeting the requirements set forth in 42 C.F.R. §483.70(a)(8).

(2) Repair and Replace Systems

The Olson Pavilion was originally constructed in the 1970s. The Olson Pavilion currently consists of 252 skilled nursing beds. Due to the age of the building and its systems, the Olson Pavilion is in need of substantial upgrades and modernization. In 2009, the Lutheran Home engaged Reserve Advisors to do a study of its facility and to document specific problems and conditions, along with providing an analysis of the reserves available for such issues. In its report, Reserve Advisors identified 234 major common elements that are likely to require capital repair or replacement by the Lutheran Home. The following sets forth a description of the major items identified by Reserve Advisors as being in need of repair and replacement with respect to the Olson Pavilion:

- The water piping in the Olson Pavilion is approximately 40 years old and is in poor condition. There is significant interior and exterior rust on the piping system and the piping system has a reduced water flow. Accordingly, the water piping system needs to be completely replaced.
- The Lutheran Home's fire suppressant system requires an upgrade. In addition, the Lutheran Home is not currently equipped with hard wired smoke detectors. As part of the project, hard wired smoke detectors will be installed, the fire suppressant system will be upgraded and the emergency call system will be completely upgraded.
- The Lutheran Home maintains a flat roof at the Olson Pavilion. This stone ballasted roof system makes it very difficult for the Lutheran Home to determine the origin of leaks in the roof, which makes replacement of the roof a more economical option than continuously repairing the roof.

Accordingly, as part of the project, the entire roof of the Olson Pavilion will be replaced.

- The Lutheran Home maintains approximately 10,700 square feet of aluminum and vinyl frame windows at the Olson Pavilion, which date back to the 1970s. Aluminum frame windows have a useful life of up to 35 years and vinyl frame windows have a useful life of up to 45 years. These windows are not energy efficient and have outlived or are close to outliving their useful lives. Accordingly, as part of the project the windows in the Olson Pavilion will be replaced with new energy efficient windows.
- The HVAC system at Olson is near the end of its useful life. There are valves in the HVAC system that do not function properly, which prevents management from closing off certain sections. This makes it difficult to appropriately regulate the temperature of the Olson Pavilion, which can have an impact on patient care. Accordingly, the HVAC system in the Olson Pavilion will be entirely replaced as part of the project.

(3) Changes in Standards of Care

When the Olson Pavilion was constructed in the 1970s, the design was based on a medical model, which is focused purely on the delivery of health care in an institutional setting. Today, health care is more focused on person-centered care models, which create a home-like setting in which individuals receive their health care. As part of the project, the renovated Olson Pavilion will organize residents into person centered households, which includes new living, dining and social spaces in order to create a home-like setting. Please see the attached article regarding person-centered care for nursing home residents.

At the completion of the project, each resident in the existing Olson Pavilion will have a private bath that includes an ADA accessible shower. Each resident room in the new addition attached to the Olson Pavilion will also have a private bath that includes an ADA accessible shower. The current Olson Pavilion only has a communal bathing area, which is shared by all of the residents, and two rooms currently share a common bathroom with a toilet and sink. The private bathrooms in the completed project will increase the quality of care provided at the Lutheran Home, by allowing the Lutheran Home to more effectively control infections, such as MRSA and the flu, which will improve patient outcomes and reduce the number of readmissions to hospitals.

(4) Additional Space for Physical Therapy

The new addition will be connected to the existing Olson Pavilion with a single story addition to accommodate expanded wellness and therapy services for residents of the Lutheran Home. When the Lutheran Home's existing therapy center was built in the 1970s, the Lutheran Home was providing therapy services to approximately 25 residents per day. Today, the Lutheran Home provides physical therapy services to approximately 75 residents per day. The existing therapy center is antiquated and does not have sufficient square footage to meet the needs of the Lutheran Home's residents or the regulatory requirements for physical therapy facilities. The project will permit the

Lutheran Home to improve the quality of physical therapy provided to its residents and also to expand its wellness programs.

Documentation

Please see the following attached documentation:

(1) IDPH/CMMS inspection reports from medicare.gov;

(2) Copies of invoices regarding service and repairs for the HVAC and plumbing systems at the Olson Pavilion; and

(3) Copies of relevant sections of the Reserve Report documenting various deficiencies in the facility's physical plant.

Please note that the Lutheran Home for the Aged, Inc. does not have any reports from accrediting agencies.

Occupancy Standards

Lutheran Home for the Aged will meet or exceed occupancy standards for the general long term care category of service by the second year of operation after completion of the Project.

Return To Previous Page

Previous Health Inspection Results

Below is a side-by-side comparison of the total number of deficiencies found during the last 3 inspections and those found during complaint investigations for this nursing home. The information is presented by category type. Detailed information about the deficiencies, including the level of harm and residents affected, is available by either scrolling down the page or clicking on the date at the top of the chart.

Total Number of Deficiencies Found During the Last 3 Inspections and from Complaint Investigations by Category

LUTHERAN HOME FOR THE AGED As of 01/13/2011

800 WEST OAKTON STREET
ARLINGTON HTS, IL 60004
(847) 253-3710
Mapping & Directions

Deficiency Category	Survey Date: 01/13/2011 Complaint Reporting Period: **09/01/2010 - 11/30/2011**	Survey Date: 02/25/2010 Complaint Reporting Period: **09/01/2009 - 08/31/2010**	Survey Date: 01/28/2009 Complaint Reporting Period: **09/01/2008 - 08/31/2009**
Mistreatment	0	0	0
Quality Care	0	2	0
Resident Assessment	0	0	0
Resident Rights	0	0	0
Nutrition and Dietary	1	1	0
Pharmacy Service	1	1	0
Environmental	2	2	1
Administration	0	0	1
Reported Between Inspections	0	0	0

Detailed Results for Inspection on 01/13/2011 and Complaint Reporting Period of 09/01/2010 through 11/30/2011

Date of last standard health inspection:	01/13/2011
Quality Indicator Survey	No
Dates of Complaint Investigations:	09/01/2010 - 11/30/2011
Total number of Health Deficiencies for this nursing home:	4
Average number of Health Deficiencies in Illinois:	8
Average number of Health Deficiencies in the United States:	8
Range of Health Deficiencies in Illinois:	0 - 45
How to Read a Health / Fire Safety Deficiency Chart	

ATTACHMENT 28

Nutrition and Dietary Deficiencies

Inspectors determined that the nursing home failed to:	Inspection Date	Date of Correction	Level of Harm (Least -> Most)	Residents Affected (Few -> Some -> Many)
1. Store, cook, and give out food in a safe and clean way.	01/13/2011	02/23/2011	2 = Minimal harm or potential for actual harm 1 2 3 4	Many

Pharmacy Service Deficiencies

Inspectors determined that the nursing home failed to:	Inspection Date	Date of Correction	Level of Harm (Least -> Most)	Residents Affected (Few -> Some -> Many)
2. Properly mark drugs and other similar products.	01/13/2011	02/23/2011	2 = Minimal harm or potential for actual harm 1 2 3 4	Some

Environmental Deficiencies

Inspectors determined that the nursing home failed to:	Inspection Date	Date of Correction	Level of Harm (Least -> Most)	Residents Affected (Few -> Some -> Many)
3. Have a program to keep infection from spreading.	01/13/2011	02/23/2011	2 = Minimal harm or potential for actual harm 1 2 3 4	Few
4. Make sure that the nursing home area is free of dangers that cause accidents.	01/13/2011	02/23/2011	2 = Minimal harm or potential for actual harm 1 2 3 4	Some

Detailed Results for Inspection on 02/25/2010 and Complaint Reporting Period of 09/01/2009 through 08/31/2010

Date of last standard health inspection:	02/25/2010
Quality Indicator Survey	No
Dates of Complaint Investigations:	09/01/2009 - 08/31/2010
Total number of Health Deficiencies for this nursing home:	6
Average number of Health Deficiencies in Illinois:	8
Average number of Health Deficiencies in the United States:	8

ATTACHMENT 28

Range of Health Deficiencies in Illinois:	0 - 45
How to Read a Health / Fire Safety Deficiency Chart	

Quality Care Deficiencies

Inspectors determined that the nursing home failed to:	Inspection Date	Date of Correction	Level of Harm (Least -> Most)	Residents Affected (Few -> Some -> Many)
1. Give professional services that meet a professional standard of quality.	02/25/2010	03/05/2010	2 = Minimal harm or potential for actual harm 1 2 3 4	Some
2. Make sure that each resident's nutritional needs were met.	02/25/2010	03/05/2010	2 = Minimal harm or potential for actual harm 1 2 3 4	Few

Nutrition and Dietary Deficiencies

Inspectors determined that the nursing home failed to:	Inspection Date	Date of Correction	Level of Harm (Least -> Most)	Residents Affected (Few -> Some -> Many)
3. 1) Provide 3 meals daily at regular times; or 2) serve breakfast within 14 hours after dinner; or 3) offer a snack at bedtime each day.	02/25/2010	03/05/2010	2 = Minimal harm or potential for actual harm 1 2 3 4	Few

Pharmacy Service Deficiencies

Inspectors determined that the nursing home failed to:	Inspection Date	Date of Correction	Level of Harm (Least -> Most)	Residents Affected (Few -> Some -> Many)
4. Keep the rate of medication errors (wrong drug, wrong dose, wrong time) to less than 5%.	02/25/2010	03/05/2010	2 = Minimal harm or potential for actual harm 1 2 3 4	Few

Environmental Deficiencies

Inspectors determined that the nursing home failed to:	Inspection Date	Date of Correction	Level of Harm (Least -> Most)	Residents Affected (Few -> Some -> Many)
5. Make sure that the nursing home area is free of dangers that cause accidents.	02/03/2010	03/05/2010	3 = Actual harm 1 2 3 4	Few
6. Make sure that the nursing home area is free of dangers that cause accidents.	02/25/2010	03/05/2010	2 = Minimal harm or potential for actual harm	Some

ATTACHMENT 28

Detailed Results for Inspection on 01/28/2009 and Complaint Reporting Period of 09/01/2008 through 08/31/2009

Date of last standard health inspection:	01/28/2009
Quality Indicator Survey	No
Dates of Complaint Investigations:	09/01/2008 - 08/31/2009
Total number of Health Deficiencies for this nursing home:	2
Average number of Health Deficiencies in Illinois:	8
Average number of Health Deficiencies in the United States:	8
Range of Health Deficiencies in Illinois:	0 - 45
How to Read a Health / Fire Safety Deficiency Chart	

Environmental Deficiencies

Inspectors determined that the nursing home failed to:	Inspection Date	Date of Correction	Level of Harm (Least -> Most)	Residents Affected (Few -> Some -> Many)
1. Have a program to keep infection from spreading.	01/28/2009	03/06/2009	2 = Minimal harm or potential for actual harm 1 2 3 4	Few

Administration Deficiencies

Inspectors determined that the nursing home failed to:	Inspection Date	Date of Correction	Level of Harm (Least -> Most)	Residents Affected (Few -> Some -> Many)
2. Make sure that nurse aides show they have the skills to be able to care for residents.	01/28/2009	03/06/2009	2 = Minimal harm or potential for actual harm 1 2 3 4	Few

Data Last Updated: January 4, 2012

Close Window

ATTACHMENT 28

HVAC SERVICE GROUP Inc.

PO Box 6577
Bloomingdale, IL 60108
630-650-3600
FAX 630-529-9600

To: Jim Skoufes — voice 847-368-7441
% Lutheran Home and Services — fax 847-368-7303

From: Joe Lobraco

Date: 01/24/2012

Re: Itemized Contracted Service Totals for the Olson Wing at the Lutheran Home.

Mr. Skoufes:

As per your request, we prepared an approximate cost breakdown of the Contracted Services that we have completed in or related to the Olson Wing at your facility. We have broken down this list to the new construction items and the repairs. These are the results:

NEW CONSTRUCTION RETROFIT/REPLACEMENT PROJECTS		
YEAR	DESCRIPTION	AMOUNT
2005	Replace and retrofit two-60 ton chillers and pumps for the "A" wing Olson	$129,500.00
2006	Replace and retrofit one 100 ton chillers and pumps for the "B" wing Olson	$144,000.00
2009	Return air blower replacement for RTU-42	$ 15,900.00
2011	New Steam boiler for the Kitchen	$108,700.00
2011	New refrigeration compressor/condensing units for the Kitchen	$ 56,900.00
	TOTALS FOR NEWCONSTRUCTION AND RETROFITS 2005-2011	$455,000.00

EMERGENCY AND REPAIR SERVICES		
YEAR	DESCRIPTION	AMOUNT
2005	Refrigeration, RTU, Heating & Cooling Service, Hand rail repairs, etc.	$ 5,300.00
2006	Refrigeration, RTU, Heating & Cooling Service, Valence leaks, plumbing	
	leaks, fan coil replacement, kitchen ventilation service, etc.	$ 9,300.00
2007	Plumbing repairs hot water mixing valve & system, refrigeration, RTU,	
	Heating & Cooling service, exhaust fan repairs, etc. trash chute repairs	$ 19,600.00
2008	Plumbing repairs hot water, refrigeration, RTU, Heating & Cooling service	
	pneumatic control repairs for valence system, etc. trash chute repairs	$ 21,700.00
2009	Plumbing repairs hot water, refrigeration, RTU, Heating & Cooling service	
	pneumatic control repairs for valence system, etc. trash chute repairs	$ 24,900.00
2010	Plumbing repairs hot water, refrigeration, RTU, Heating & Cooling service	
	pneumatic control repairs for valence system, chilled water riser leak	$ 26,300.00
2011	Refrigeration repairs on evaporator coils, heating system leak repairs,	
	RTU and heating cooling service. Air compressor and system service	$ 28,900.00
	TOTALS FOR EMG. SERVICE AND REPAIRS 2005-2011	$136,000.00

If you have any questions, feel free to call.
Best Regards,
Joe Lobraco

ATTACHMENT 28

TOTAL FOR REPAIRS $131,840.00 NOT DONE

COPY

BUILDING RESTORATION CONTRACTORS

April 18, 2005

Proposal Submitted To:

Lutheran Home & Services
800 West Oakton Street
Arlington Heights, IL 60004

Project Site:

Pavilion

Attn: Mr. Jim Skoufes
Director, Plant Operations and Security

We hereby propose to furnish, labor, materials, equipment and insurance complete in accordance with the following specifications.

EXTERIOR RESTORATION

The north, south and west exterior elevations as inspected with Jim on 4-6-05, from roof coping to grade, to include the courtyard walls, north and south elevations of the outer wing of the northwest corner and entrance canopy on the south, have been thoroughly inspected by this contractor. It is our opinion that the proper procedure for repair should be as outlined in the following specifications.

TUCKPOINTING OF BRICK MASONRY

All exterior face brick masonry shall be inspected and tested for soundness. Mortar joints which are visibly loose or eroded from adjoining brick masonry shall be cut out with a power-driven abrasive wheel to a minimum depth of three-quarter inch (3/4") and as much more as conditions require. After cleaning and flushing with water or compressed air, joints which have been cut out and all voids in mortar shall be filled with special tuckpointing mortar and finished off with a tooled surface to match adjoining areas as closely as possible. Completed work shall be wet down to insure proper curing of the mortar. NOTE: Hairline cracks in mortar shall not be deemed defective and are not included in the quote.

STRUCTURAL CRACK REPAIRS

The two (2) large structural cracks in brick on the southwest corner shall have retro-tie anchors installed on both sides of crack prior to cracked brick removal. After ties are installed, all cracked brick shall be removed and replaced with brick to match.

WISCONSIN: 1002 11TH AVENUE • GRAFTON, WI 53024-1903 ☎ 262-377-7887 • 414-352-8088 • FAX 262-377-0615
ILLINOIS: P.O. BOX 86 • ARLINGTON HEIGHTS, IL 60006-0086 ☎ TOLL FREE 1-888-3HOLTON (1-846-5866) • FAX 262-377-0615
www.holtonbrothers.com

ATTACHMENT 28

ANCHORING OF LIMESTONE VENEER CORNERS

All limestone outside corner panels (7) shall have eight (8) 5/8" holes drilled equally spaced apart into the limestone and approximately one inch (1") into back up masonry. Brass anchors manufactured by Dur-a-Wall shall be installed into holes and tightened firmly securing limestone. ALL CORNER STONES ON ELEVATIONS OF BUILDING SHALL HAVE 10" BRASS ANCHORS INSTALLED ON EVERY STONE ON CORNERS DUE TO FEAR THAT BACK-UP VENEER MAY HAVE EXCESS MOISTURE DAMAGE

ANCHORING OF LIMESTONE VENEER PANELS

All thirty (30) limestone panels above the windows on the north and south elevations of the outer wing on the northwest corner shall have eight (8) 5/8" holes drilled equally spaced apart into the limestone and approximately one inch (1") into the back up masonry. Brass anchors manufactured by Dur-a-Wall shall be installed into holes and tightened firmly securing limestone.

EXTERIOR CAULKING OF ALL ALUMINUM FRAME WINDOW OPENINGS

Exterior perimeter of all aluminum frame window openings abutting brick and limestone masonry where previously caulked shall have all present caulking removed in order to attain a sound base. Joints shall then be sealed with a one part urethane sealant. This will be applied directly from a pressure type gun, sealing the joints completely.

EXTERIOR CAULKING

All exterior movement and structural cracks in brick masonry, located on the north, south and west elevations shall have these areas routed out one-quarter inch (1/4") in order to attain a neat and uniform appearance. Joints shall then be sealed with a one part urethane sealant. This will be applied directly from a pressure type gun, sealing the joints completely.

RESEALING OF HORIZONTAL AND VERTICAL CONTROL JOINTS

Horizontal and vertical control joints in brick and limestone masonry shall have present sealants removed. After inspection of current backer system, these areas shall be resealed with a one part urethane sealant. Joints shall then be dusted with a fine grade lake sand so as to attain the appearance of mortar.

CAULKING OF HORIZONTAL AND VERTICAL JOINTS IN LIMESTONE

Horizontal and vertical joints in limestone masonry shall be routed out one-quarter inch (1/4"). After proper preparation, these areas shall be sealed with a one part urethane sealant. Joints shall then be dusted with a fine grade lake sand so as to attain the appearance of mortar.

ATTACHMENT 28

WATERBLASTING OF LIMESTONE MASONRY

Limestone masonry located on the courtyard walls shall be water-blasted with high pressure (2500 PSI) water so as to remove dirt, discolorations and carbon deposits as best as possible.

EXTERIOR CAULKING IN THE FOLLOWING AREAS

1) All vertical and horizontal (outside) joints in limestone copings
NOTE: All existing sealants shall be removed prior to sealant application

The above mentioned areas shall be sealed with Tremco Dymonic, a one part urethane sealant.

Sealant shall be white or colored as required to match existing work.

Joint backing where necessary shall be close-cell, non-staining polyethylene in round or square shapes, such as ethafoam joint backing. Joint backing shall be compatible with sealants used.

PREPARATION OF JOINTS

Building joints shall be examined prior to application and any conditions detrimental to achieving a positive weather-tight seal shall be remedied.

All openings, joints or channels to be sealed shall be thoroughly clean, dry and free from dust, oil, grease or any other foreign matter.

Where joints are deeper than 1/2", polyethylene joint backing shall be used and packed into the joint at within 1/2" of the surface. A size shall be selected so as to allow for a minimum of 30% compression of the backing when inserted into the joint. Where joints are 3/4" wide, the backing shall be placed so the depth of the joint to receive the sealants does not exceed 1/4".

APPLICATION OF SEALANTS

Sealants shall be gun applied through a nozzle of such diameter so the full bead of sealant is gunned into the joint, filling the joint completely.

All beads shall be tooled immediately after application to insure firm, full contact with the inner faces of the joints. Excess material shall be struck off with a tooling stick or knife.

The finished bead shall be flush with the surfaces or as otherwise indicated. Caulking shall be outlined with masking tape so as to obtain a neat and uniform appearance. Movement and structural cracks which are caulked shall be dusted with a fine grade lake sand so as to attain the appearance as closely as possible of mortar.

COST BREAKDOWN

A.	North Elevation	$ 13,975.00
B.	South Elevation to include the Entrance Canopy	$ 15,720.00
C.	East Elevation	$ 11,940.00
D.	West Elevation	$ 16,960.00
E.	North & South Elevations of the outer wing on the Northwest corner	$ 10,980.00
F.	South and East Elevations in the Courtyard	
	1. Masonry Repairs	$ 16,940.00
	2. Clean Limestone	$ 6,935.00
G.	North and West Elevations in the Courtyard	
	1. Masonry repairs	$ 16,765.00
	2. Clean Limestone	$ 6,815.00
H.	Seven (7) Corners for anchoring	$ 11,865.00
I.	Repair Two (2) Cracks on Southwest Corner	$ 2,945.00

TOTAL $ 131,840

ATTACHMENT 28

Holton Brothers Affirmative Action Policy

Holton Brothers, Inc. does not discriminate in any manner contrary to law or justice on the basis of race, color, sex, age, handicap, veterans status, religious belief or national origin in its employment, hiring and retention practices. At the same time, Holton Brothers, Inc. cherishes its right and duty to seek and retain qualified, skilled craftspeople that will make a positive contribution to its character, goals and mission.

Workmanship

All work shall be in strict accordance with manufacturer's technical data specifications for type of materials. No material will be used without reading and complying with manufacturer's recommendations. All work shall be by skilled workmen having not less than three years experience. All materials shall conform to FS standards. When materials are available in various colors, color shall match adjacent surfaces as closely as possible. Contractor shall supply all necessary barricades and covering as above stated work progresses.

Insurance

The contractor shall pay workmen's compensation, employer's liability and motor vehicle liability insurance, and provide certificate of insurance stating such.

Cleaning Up Premises

Premises shall be left in a clean and orderly condition consistent to that which existed prior to initiation of job. We appreciate this opportunity to quote you. If we are favored with your organization, we will do our best to insure your complete satisfaction.

AS REQUIRED BY THE WISCONSIN CONSTRUCTION LIEN LAW, BUILDER HEREBY NOTIFIES OWNER THAT PERSONS OR COMPANIES FURNISHING LABOR OR MATERIALS FOR THE CONSTRUCTION ON OWNER'S LAND MAY HAVE LIEN RIGHTS ON OWNER'S LAND AND BUILDINGS IF NOT PAID. THOSE ENTITLED TO LIEN RIGHTS, IN ADDITION TO THE UNDERSIGNED BUILDER, ARE THOSE WHO GIVE THE OWNER NOTICE WITHIN 60 DAYS AFTER THEY FIRST FURNISH LABOR OR MATERIALS FOR THE CONSTRUCTION, AND SHOULD GIVE A COPY OF EACH NOTICE RECEIVED TO HIS MORTGAGE LENDER, IF ANY BUILDERS AGREES TO COOPERATE WITH THE OWNER AND HIS LENDER, IF ANY, TO SEE THAT ALL POTENTIAL CLAIMANTS ARE DULY PAID.

If accepted, please sign and return one copy. Thank you.

WE PROPOSE hereby to furnish material and labor - complete in accordance with above specifications, for the sum of:

SEE COST BREAKDOWN

PAYMENT TO BE MADE WITHIN 30 DAYS OF COMPLETION OF WORK - Or a 1 1/2% Service Charge per month for any past due amount along with all attorney fees involved with collection.

All material is guaranteed to be as specified. All work to be completed in a workmanlike manner according to standard practices. Any alterations or deviation from above specifications involving extra costs will be executed only upon written orders, and will become an extra charge over and above the estimate. All agreements contingent upon strikes, accidents or delay beyond our control. Owner to carry fire, tornado and other necessary insurance. Our workers are fully covered by Workmen's Compensation Insurance.

ACCEPTANCE OF PROPOSAL The above prices, specifications and conditions are satisfactory and are hereby accepted. You are authorized to do the work as specified; payment will be made as outlined above.

RESPECTFULLY SUBMITTED,

John Holton

JOHN HOLTON, VICE-PRESIDENT
HOLTON BROTHERS, INC.

AUTHORIZED SIGNATURE/DATE

NOTE: This proposal may be withdrawn by us if not accepted within 30 (thirty) days

ATTACHMENT 28

AP Vendor Payment History (by Check Date) 01/01/2006 thru 12/31/2011

Vendor Code	Check Number		Check Date	Invoice Number	Invoice Date	Purchase Order	Discount Amount	Withholding Amount	1099 Amount	Payment Amount
003317	HOLTON BROTHERS INC.									
	0000022654	C	05/07/2010	IVC09850	04/07/2010	00203064	0.00	0.00	0.00	615.00
	0000019874	C	12/04/2009	IVC09235	10/20/2009	00201659	0.00	0.00	0.00	4,540.00
	0000006442	C	11/02/2007	IVC06316	10/09/2007	4071	0.00	0.00	0.00	1,980.00
	0000006294	C	10/26/2007	IVC06213	09/18/2007		0.00	0.00	0.00	585.00
	0000003007	C	05/04/2007	IVC05371	03/27/2007		0.00	0.00	0.00	390.00
	0000096322	C	09/08/2006	IVC04519	07/28/2006		0.00	0.00	0.00	880.00
Vendor	HOLTON BROTHERS INC.					Total	0.00	0.00	0.00	8,990.00
						Register Total	0.00	0.00	0.00	8,990.00

OLSON BUILDING
BRICK MASONRY REPAIRS
EXTERIOR WORK

ATTACHMENT 28

OLSON BUILDING PLUMBING REPAIRS

Year	Description	Amount
2011	Replace sections of rotted water pipes rodding for main sewer back up into building	$ 4,364
2010	Replace sections of rotted water pipes rodding for main sewer back up into building	$ 5,083
2009	Replace sections of rotted water pipes rodding for main sewer back up into building	$ 7,092
2008	Replace sections of rotted water pipes rodding for main sewer back up into building	$ 1,281
2007	Replace sections of rotted water pipes rodding for main sewer back up into building	$ 5,077
2006	Replace sections of rotted water pipes and sewer rodding for main sewer back up into building	$ 9,875
2005	Replace sections of rotted water pipes rodding for main sewer back up into building	$ 2,674
		$ 35,446

ATTACHMENT 28

DAHME MECHANICAL INDUSTRIES

610 S. ARTHUR AVENUE
ARLINGTON HEIGHTS, IL 60005

Invoice

Date	Invoice #
12/3/2011	20111763

Bill To	Job Location
LUTHERAN HOME & SERVICES VIA EMAIL TO: lutheranlife@easyaccessap.com PO BOX 4276 SOUTH BEND, IN 46634-4276	800 W OAKTON AH CALL JOHN ON WAY 847-312-1119

P.O. No.	Terms	Due Date	Rep	Service Date	Project
VERBAL-JOHN	Due on receipt	12/3/2011	DJH	12/2/2011	

Description	Qty	Rate		Amount
4" CAST IRON SANITARY LINE LEAK: STORAGE ROOM, EMPLOYEE ENTRANCE DOCK - REPLACED ROTTED 4" CAST IRON PIPE AND FITTINGS WITH CAST IRON NO HUB.				
SERVICE CALL		98.00		98.00
MATERIAL		208.00		208.00
HOURLY RATE FOR PLUMBER	5	148.00		740.00

Total	$1,046.00
Balance Due	$1,046.00

ATTACHMENT 28

DAHME MECHANICAL INDUSTRIES

610 S. ARTHUR AVENUE
ARLINGTON HEIGHTS, IL 60005

Invoice

Date	Invoice #
11/14/2011	20110645

Bill To
LUTHERAN HOME & SERVICES VIA EMAIL TO: lutheranlife@easyaccessap.com PO BOX 4276 SOUTH BEND, IN 46634-4276

Job Location
800 W OAKTON AH 847/253-3710

P.O. No.	Terms	Due Date	Rep	Service Date	Project
VERBAL	Due on receipt	11/14/2011	MS	11/9/2011	

Description	Qty	Rate		Amount
LOWER LEVEL LEAK ON COLD WATER PIPE: 11/4/11 - FOUND LEAK ON 2" COPPER WATER PIPING IN STORAGE ROOM #1. 11/9/11 - INSTALLED NEW SECTIONS OF 2" COPPER PIPING, FITTINGS AND 2" COPPER BALL VALVE ON COLD WATER LINE IN MIDDLE OF ROOM ENTRANCE. CHECKED FOR LEAKS ON NEW CONNECTIONS - OKAY.				
SERVICE CALL		98.00		98.00
MATERIAL		319.00		319.00
HOURLY RATE FOR PLUMBER	7.5	148.00		1,110.00

Total	$1,527.00
Balance Due	$0.00

ATTACHMENT 28

DAHME MECHANICAL INDUSTRIES

610 S. ARTHUR AVENUE
ARLINGTON HEIGHTS, IL 60005

Invoice

Date	Invoice #
8/9/2011	20111159

Bill To
LUTHERAN HOME & SERVICES VIA EMAIL TO: lutheranlife@easyaccessap.com PO BOX 4276 SOUTH BEND, IN 46634-4276

Job Location
800 W OAKTON AH SEE CASEY OR JIM 847/253-3710

P.O. No.	Terms	Due Date	Rep	Service Date	Project
VERBAL	Due on receipt	8/9/2011	MS	8/5/2011	

Description	Qty	Rate		Amount
REVIEW WORK REQUIRED TO REPAIR 2" HOT WATER LINE LEAKING IN KITCHEN: UNWRAPPED HOT WATER PIPING IN KITCHEN CEILING AREA NEAR BACK ENTRANCE AND FOUND 3 CLAMPS ALREADY ON 2" GALVANIZED WASTE LINE. INSTALLED CLAMP PROVIDED BY CASEY TO STOP LEAK UNTIL PERMANENT REPAIRS ARE MADE. TOOK MATERIAL LIST SO WE CAN PROVIDE ESTIMATE AND SCHEDULE REPAIRS.				
SERVICE CALL		98.00		98.00
HOURLY RATE FOR PLUMBER	1.25	148.00		185.00

Total	$283.00
Balance Due	$0.00

ATTACHMENT 28

DAHME MECHANICAL INDUSTRIES

610 S. ARTHUR AVENUE
ARLINGTON HEIGHTS, IL 60005

Invoice

Date	Invoice #
7/21/2011	20111009

Bill To
LUTHERAN HOME & SERVICES VIA EMAIL TO: lutheranlife@easyaccessap.com PO BOX 4276 SOUTH BEND, IN 46634-4276

Job Location
800 W OAKTON AH SEE CASEY 847/253-3710

P.O. No.	Terms	Due Date	Rep	Service Date	Project
VERBAL	Due on receipt	7/21/2011	DJH	7/21/2011	

Description	Qty	Rate		Amount
2" COPPER LINE WITH VALVE LEAKING: DOMESTIC HOT WATER FEED MECHANICAL ROOM OFF OF GARAGE. HAD TO REMOVE HANDLE ON BALL VALVE AND MANUALLY TURN VALVE STEM A LITTLE TO SHUT OFF. REMOVED SECTION OF PIPE FROM BALL VALVE. FOUND BAD SWEAT JOINT. ALSO SEAT OF BALL VALVE IS DETERIORATING. LEFT BALL VALVE IN. REPLACED SECTION OF PIPE AND ADDED UNION. TESTED-OK.				
SERVICE CALL		98.00		98.00
MATERIAL		117.60		117.60
HOURLY RATE FOR PLUMBER	3	148.00		444.00

Total	$659.60
Balance Due	$0.00

ATTACHMENT 28

DAHME MECHANICAL INDUSTRIES

610 S. ARTHUR AVENUE
ARLINGTON HEIGHTS, IL 60005

Invoice

Date	Invoice #
6/30/2011	20110930

Bill To	Job Location
LUTHERAN HOME & SERVICES VIA EMAIL TO: lutheranlife@easyaccessap.com PO BOX 4276 SOUTH BEND, IN 46634-4276	800 W OAKTON AH SEE CASEY 847/253-3710

P.O. No.	Terms	Due Date	Rep	Service Date	Project
VERBAL	Due on receipt	6/30/2011	MS	6/29/2011	

Description	Qty	Rate		Amount
MAIN KITCHEN DRAIN CLOGGED: RODDED MAIN KITCHEN DRAIN LINE FROM 6" OUTSIDE CLEANOUT ON WEST SIDE OF BUILDING BACK INTO KITCHEN 180' USING 4" AND THEN 6" CUTTER. HAD AVERY HARD TIME GETTING ROD CUTTERS THROUGH SEWER DUE TO VERY HEAVY BUILDUP OF GREASE AND OTHER DEBRI. ALSO PULLED BACK LARGE QUANTITY OF SANITARY NAPKINS, WIPES AND OTHER PAPER GOODS. RAN WATER TO CHECK FOR PROPER WATER FLOW THROUGH CLEANOUT-OK AT THIS TIME. NOTE: SEWER IS ROTTED AWAY IN DIFFERENT AREAS IN KITCHEN. FLOOR IS OPEN AND SEWER IS TO BE REPLACED UNDER CONTRACT. CLEANOUT IN KITCHEN ABOUT 40' BACK FROM OUTSIDE CLEANOUT IS HOLDING WATER SLIGHTLY, COULD BE THAT LINE MAYBE BACKPITCHED. IF ANY FURTHER TROUBLES THEN LINE SHOULD BE JETTED.				
SERVICE CALL		98.00		98.00
ROD CHARGE		85.00		85.00
HOURLY RATE FOR PLUMBER	4.5	148.00		666.00

Total	$849.00
Balance Due	$0.00

ATTACHMENT 28

DAHME MECHANICAL INDUSTRIES

610 S. ARTHUR AVENUE
ARLINGTON HEIGHTS, IL 60005

Invoice

Date	Invoice #
11/22/2010	20101340

Bill To	Job Location
LUTHERAN HOME & SERVICES VIA EMAIL TO: lutheranlife@easyaccessap.com PO BOX 4276 SOUTH BEND, IN 46634-4276	SAME SEE CASEY 847/253-3710

P.O. No.	Terms	Due Date	Rep	Service Date	Project
VERBAL	Due on receipt	11/22/2010	MS	11/19/2010	

Description	Qty	Rate		Amount
REPAIR LEAK IN WALL: HAD TO OPEN UP BLOCK WALL MORE THAN WHAT WAS ALREADY OPENED TO REMOVE BAD SECTION OF 2" PVC PIPING AND FITTINGS FOR DISPOSAL DRAIN LINE. INSTALLED NEW SECTION OF 2" PVC PIPING AND FITTINGS. TESTED FOR LEAKS ON NEW CONNECTIONS - OKAY. ANY FURTHER TROUBLES, THEN PROBLEM WOULD HAVE TO BE CHECKED FURTHER. NOTE: SUGGEST WALL BE LEFT OPEN FOR A COUPLE OF WEEKS SO WATER BETWEEN WALLS CAN HAVE A CHANCE TO DRY OUT.				
SERVICE CALL		95.00		95.00
MATERIAL		79.00		79.00
HOURLY RATE FOR PLUMBER	2	144.00		288.00

Total	$462.00
Balance Due	$0.00

ATTACHMENT 28

DAHME MECHANICAL INDUSTRIES

610 S. ARTHUR AVENUE
ARLINGTON HEIGHTS, IL 60005

Invoice

Date	Invoice #
11/4/2010	20101270

Bill To
LUTHERAN HOME & SERVICES VIA EMAIL TO: lutheranlifc@casyaccessap.com PO BOX 4276 SOUTH BEND, IN 46634-4276

Job Location
SAME SEE CASBY 847/253-3710

P.O. No.	Terms	Due Date	Rep	Service Date	Project
VERBAL	Due on receipt	11/4/2010	MS	11/3/2010	

Description	Qty	Rate		Amount
TELEVISE DOWN WALL FOR LEAKING DRAIN OR VENT LINE: TELEVISED PLUMBING WALL IN KITCHEN AREA - FOUND STAGNANT WATER SITTING BETWEEN WALLS. RAN LOTS OF WATER TO CHECK FOR LEAKS IN DRAIN LINE IN WALL. COULD NOT FIND ANY LEAKS AT THIS TIME. DID FIND WATER POOLING UP ON OUTSIDE WALLS - FOUND CLEANOUT IN FLOOR BY GARBAGE DISPOSAL WITH POOL OF GREASY WATER ON TOP OF COVER. REMOVED COVER AND CHECKED DRAIN FOR PROPER DRAINAGE - OKAY AT THIS TIME. BELIEVE WATER IS SEEPING BETWEEN WALLS FROM SEAMS ABOVE FLOOR AND GOING BETWEEN WALLS. SUGGEST FLOOR TO BE DRIED AND WATER PROOF SILICONE USED TO SEAL SEAMS AT FLOOR LEVEL. ANY FURTHER TROUBLES, THEN BRICK WALL WOULD HAVE TO BE OPENED TO FURTHER INVESTIGATE PROBLEM.				
SERVICE CALL		95.00		95.00
RIDGID SEE SNAKE CAMERA EQUIPMENT		150.00		150.00
HOURLY RATE FOR PLUMBER	2.25	144.00		324.00

Total	$569.00
Balance Due	$0.00

ATTACHMENT 28

DAHME MECHANICAL INDUSTRIES

610 S. ARTHUR AVENUE
ARLINGTON HEIGHTS, IL 60005

Invoice

Date	Invoice #
9/30/2010	20101105

Bill To	Job Location
LUTHERAN HOME & SERVICES VIA EMAIL TO: lutheranlife@easyaccessap.com PO BOX 4276 SOUTH BEND, IN 46634-4276	SAME SEE CASEY 847/253-3710

P.O. No.	Terms	Due Date	Rep	Service Date	Project
VERBAL	Due on receipt	9/30/2010	DJH	9/29/2010	

Description	Qty	Rate		Amount
PIPE LEAKING IN WALL IN RESIDENT ROOM #127: LOOSENED UNIONS (DIELECTRIC) FOR COIL. CLEANED FACES OF UNION HALVES AND INSTALLED MAINTENANCE SUPPLIED GASKETS. RETIGHTENED UNIONS (APPLIED THREAD COMPOUND TO THREADS FOR EASE OF REMOVAL AND INSTALLATION). TURNED WATER ON AND BLED OUT AIR. NO LEAKS AT THIS TIME.				
SERVICE CALL		95.00		95.00
HOURLY RATE FOR PLUMBER	2	144.00		288.00

Total	$383.00
Balance Due	$0.00

ATTACHMENT 28

DAHME MECHANICAL INDUSTRIES

610 S. ARTHUR AVENUE
ARLINGTON HEIGHTS, IL 60005

Invoice

Date	Invoice #
9/21/2010	20101071

Bill To
LUTHERAN HOME & SERVICES VIA EMAIL TO: lutheranlife@easyaccessap.com PO BOX 4276 SOUTH BEND, IN 46634-4276

Job Location
SAME HEARTHWOOD BUILDING SEE CASEY 847/253-3710

P.O. No.	Terms	Due Date	Rep	Service Date	Project
VERBAL	Due on receipt	9/21/2010	DJH	9/20/2010	

Description	Qty	Rate		Amount
EMERGENCY CALL - ROD KITCHEN LINE: RODDED FROM DISHWASHER FLOOR DRAIN 50'. BLOCKAGE IN HORIZONTAL RUN BETWEEN HAND WASH SINK/PREP-SINK AT ENTRANCE TO DINING AREA. FLOOR DRAIN AT DOORWAY WAS NOT BACKED UP. RAN WATER TO FLUSH OUT.				
SERVICE CALL		95.00		95.00
ROD CHARGE		45.00		45.00
OVERTIME HOURLY RATE FOR PLUMBER	3	194.00		582.00

Total	$722.00
Balance Due	$0.00

ATTACHMENT 28

DAHME MECHANICAL INDUSTRIES

610 S. ARTHUR AVENUE
ARLINGTON HEIGHTS, IL 60005

Invoice

Date	Invoice #
9/13/2010	20101048

Bill To	Job Location
LUTHERAN HOME & SERVICES VIA EMAIL TO: luthernnlife@easyaccessap.com PO BOX 4276 SOUTH BEND, IN 46634-4276	SAME HEARTHWOOD BUILDING 847/253-3710

P.O. No.	Terms	Due Date	Rep	Service Date	Project
VERBAL-ED	Due on receipt	9/13/2010	MS	9/11/2010	

Description	Qty	Rate		Amount
EMERGENCY SERVICE CALL: RODDED BOTH FLOOR DRAINS IN KITCHEN AREA NEAR DISHWASHER SEVERAL TIMES TO CLEAR BLOCKAGES. RAN LOTS OF WATER TO FLUSH DRAINS AND CHECK FOR PROPER DRAINAGE - OKAY. ANY FURTHER TROUBLES, THEN PROBLEM WOULD HAVE TO BE CHECKED FURTHER.				
SERVICE CALL		95.00		95.00
ROD CHARGE		50.00		50.00
OVERTIME HOURLY RATE FOR PLUMBER	4	194.00		776.00

Total	$921.00
Balance Due	$0.00

ATTACHMENT 28

DAHME MECHANICAL INDUSTRIES

610 S. ARTHUR AVENUE
ARLINGTON HEIGHTS, IL 60005

Invoice

Date	Invoice #
3/31/2010	20100076

Bill To
LUTHERAN HOME & SERVICES VIA EMAIL TO: lutheranlife@easyaccessap.com PO BOX 4276 SOUTH BEND, IN 46634-4276

Job Location
SAME COMMONS BUILDING 847/253-3710

P.O. No.	Terms	Due Date	Rep	Service Date	Project
VERBAL	Due on receipt	3/31/2010	DJH	3/26/2010	

Description	Qty	Rate		Amount
EMERGENCY CALL - EAST KITCHEN: RODDED FROM FLOOR DRAIN NEAREST DOOR WAY TO DINING AREA WITH 1 1/4" CUTTER AND 1 3/4" CUTTERS 45'. BLOCKAGE AT 10' AND 15' APPROXIMATELY. PULLED CABLE OUT, SEWER BACKED UP AGAIN. RODDED AGAIN WITH 1 3/4" CUTTER. SEWER OPENED UP AT APPROXIMATELY 30'. RODDED IN AND OUT 45' THREE TIMES WITH WATER RUNNING. THEN RODDED THREE OTHER FLOOR DRAINS, DISHWASHER, PREP SINK, AND STEAMER DRAIN. NOTE: STEAMER DRAIN HAS SOMETHING IN IT LARGE ENOUGH THAT 1 3/4" CUTTER WON'T PASS THROUGH. REPLACED BROKEN DRAIN GRATE FOR STEAMER DRAIN. RECOMMENDATION - 4" CLEAN-OUT SHOULD BE INSTALLED IN LINE SO THAT LARGER CUTTERS CAN BE USED TO CLEAR DRAIN AND TO PREVENT DRAIN FROM ROTTING OUT.				
SERVICE CALL		92.00		92.00
ROD CHARGE		50.00		50.00
HOURLY RATE FOR PLUMBER	3	182.00		546.00

Total	$688.00
Balance Due	$0.00

ATTACHMENT 28

DAHME MECHANICAL INDUSTRIES

610 S. ARTHUR AVENUE
ARLINGTON HEIGHTS, IL 60005

Invoice

Date	Invoice #
2/2/2010	20100121

Bill To	Job Location
LUTHERAN HOME & SERVICES VIA EMAIL TO: lutheranlife@easyaccessap.com PO BOX 4276 SOUTH BEND, IN 46634-4276	SAME COMMONS BUILDING 847/253-3710

P.O. No.	Terms	Due Date	Rep	Service Date	Project
	Due on receipt	2/2/2010	DJH	2/1/2010	

Description	Qty	Rate		Amount
KITCHEN DRAINS NEED TO BE RODDED - BACKING UP: TRIED RODDING FROM CLEAN-OUT IN KITCHEN AND WATER STARTED BACKING UP (DID NOT WANT TO FLOOD OUT CARPET). RODDED FROM CLEAN-OUT IN SERVING AREA, NORTHWEST CORNER. RODDED 90' WITH 3" FOUR BLADE CUTTER. DRAIN OPENED AT 75'. OBSTRUCTIONS FROM 55' -75'.				
SERVICE CALL		92.00		92.00
ROD CHARGE		85.00		85.00
HOURLY RATE FOR PLUMBER	3	139.00		417.00

Total	$594.00
Balance Due	$0.00

ATTACHMENT 28

DAHME MECHANICAL INDUSTRIES

610 S. ARTHUR AVENUE
ARLINGTON HEIGHTS, IL 60005

Invoice

Date	Invoice #
1/18/2010	20100051

Bill To	Job Location
LUTHERAN HOME & SERVICES VIA EMAIL TO: lutheranlife@easyaccessap.com PO BOX 4276 SOUTH BEND, IN 46634-4276	SAME 847/253-3710

P.O. No.	Terms	Due Date	Rep	Service Date	Project
	Due on receipt	1/18/2010	DJH	1/16/2010	

Description	Qty	Rate		Amount
EMERGENCY CALL FROM ED WITH FACILITIES MAINTENANCE ON SATURDAY, 1/16/2010 @ 7:45 AM - KITCHEN DRAINS BACKING UP: RODDED DRAIN AT DOCK ENTRANCE FROM FLOOR DRAIN WEST SIDE TO MAIN 40'. BLOCKAGE AT 30'. TESTED WITH WATER - OKAY. WASHED DOWN AREA. CHECKED MANHOLES OUTSIDE. PAPER GOODS ACCUMULATING ACROSS STREET AT CITY MAIN. NOTE: PULLED BACK CLOTH TYPE MATERIAL ON CABLE.				
SERVICE CALL		92.00		92.00
ROD CHARGE		85.00		85.00
HOURLY RATE FOR PLUMBER	3	189.00		567.00

Total	$744.00
Balance Due	$0.00

ATTACHMENT 28

DAHME MECHANICAL INDUSTRIES

610 S. ARTHUR AVENUE
ARLINGTON HEIGHTS, IL 60005

Invoice

Date	Invoice #
12/31/2009	20091754

Bill To
LUTHERAN HOME & SERVICES VIA EMAIL TO: luthernnlife@easyaccessap.com PO BOX 4276 SOUTH BEND, IN 46634-4276

Job Location
SAME SEE CASEY 847/253-3710

P.O. No.	Terms	Due Date	Rep	Service Date	Project
	Due on receipt	12/31/2009	MRW	12/22/2009	

Description	Qty	Rate		Amount
HOT WATER LEAK IN STORAGE ROOM KITCHEN: REPIPED AND REPLACED LEAKING 3/4" GALVANIZED 90 ON HOT WATER RETURN IN KITCHEN STORAGE ROOM CEILING.				
SERVICE CALL		92.00		92.00
MATERIAL		41.50		41.50
HOURLY RATE FOR PLUMBER	3	139.00		417.00

Total	$550.50
Balance Due	$0.00

ATTACHMENT 28

AHME MECHANICAL INDUSTRIES

610 S. ARTHUR AVENUE
ARLINGTON HEIGHTS, IL 60005

Invoice

Date	Invoice #
5/4/2009	20090610-7

Bill To
LUTHERAN HOME & SERVICES VIA EMAIL TO: lutheranlife@easyaccessap.com PO BOX 4276 SOUTH BEND, IN 46634-4276

Job Location
SAME 847/253-3710

P.O. No.	Terms	Due Date	Rep	Service Date	Project
	Due on receipt	5/4/2009	GLB	5/4/2009	

Description	Qty	Rate		Amount
LABOR AND MATERIAL PER ATTACHED PROPOSAL NO. LH-42909 DATED 04/29/09		6,387.00		6,387.00

Total	$6,387.00
Balance Due	$0.00

ATTACHMENT 28

DAHME MECHANICAL INDUSTRIES

610 S. ARTHUR AVENUE
ARLINGTON HEIGHTS, IL 60005

Invoice

Date	Invoice #
2/5/2009	20090207

Bill To	Job Location
LUTHERAN HOME & SERVICES VIA EMAIL TO: lutheranlife@easyaccessap.com PO BOX 4276 SOUTH BEND, IN 46634-4276	SAME 847/253-3710

P.O. No.	Terms	Due Date	Rep	Service Date	Project
	Due on receipt	2/5/2009	MRW	2/5/2009	

Description	Qty	Rate		Amount
HOT WATER LINE CLOGGED TAKE APART AND CLEAN - REVIEWED JOB WITH CASEY, ADDITIONAL WALLS TO BE OPENED AND PIPING INSULATION NEEDS TO BE IDENTIFIED FOR ASBESTOS				
SERVICE CALL		89.00		89.00
HOURLY RATE FOR PLUMBER	0.5	132.00		66.00

Total	$155.00
Balance Due	$0.00

ATTACHMENT 28

DAHME MECHANICAL INDUSTRIES

610 S. ARTHUR AVENUE
ARLINGTON HEIGHTS, IL 60005

Invoice

Date	Invoice #
12/12/2008	20082020-2

Bill To
LUTHERAN HOME & SERVICES VIA EMAIL TO: lutheranlife@easyaccessap.com PO BOX 4276 SOUTH BEND, IN 46634-4276

Job Location
SAME 847/253-3710

P.O. No.	Terms	Due Date	Rep	Service Date	Project
	Due on receipt	12/12/2008	DJH	12/12/2008	

Description	Qty	Rate		Amount
ROD MAIN SEWER FROM 6" CLEAN-OUT IN KITCHEN 120 FEET TO MANHOLE IN WEST DRIVEWAY.				
SERVICE CALL		89.00		89.00
ROD CHARGE		85.00		85.00
HOURLY RATE FOR PLUMBER	2	132.00		264.00

Total	$438.00
Balance Due	$0.00

ATTACHMENT 28

DAHME MECHANICAL INDUSTRIES

610 S. ARTHUR AVENUE
ARLINGTON HEIGHTS, IL 60005

Invoice

Date	Invoice #
10/15/2008	20081700-1

Bill To	Job Location
LUTHERAN HOME & SERVICES VIA EMAIL TO: lutheranlife@easyaccessap.com PO BOX 4276 SOUTH BEND, IN 46634-4276	SAME 847/253-3710

P.O. No.	Terms	Due Date	Rep	Service Date	Project
	Due on receipt	10/15/2008	MRW	10/15/2008	

Description	Qty	Rate		Amount
REPAIR 4" DRAIN AT MAIN ENTRANCE - REMOVED BROKEN 4 INCH CAST IRON 1/4" BEND AND REPLACED IN DRIVEWAY CONSTRUCTION AREA. HAD TO BREAK CONCRETE TO MAKE WAY FOR REPAIRS. REPLACED WITH NEW 1/4 BEND AND NO-SHEAR FERNCO CLAMP.				
SERVICE CALL		89.00		89.00
MATERIAL		153.00		153.00
HOURLY RATE FOR PLUMBER	2.5	132.00		330.00

Total	$572.00
Balance Due	$0.00

ATTACHMENT 28

DAHME MECHANICAL INDUSTRIES

610 S. ARTHUR AVENUE
ARLINGTON HEIGHTS, IL 60005

Invoice

Date	Invoice #
6/4/2008	20080889-5

Bill To	Job Location
LUTHERAN HOME & SERVICES VIA EMAIL TO: lutheranlife@easyaccessap.com PO BOX 4276 SOUTH BEND, IN 46634-4276	EMERGENCY CALL SAME 847/253-3710

P.O. No.	Terms	Due Date	Rep	Service Date	Project
	Due on receipt	6/4/2008	DJH	6/4/2008	

Description	Qty	Rate		Amount
EMERGENCY CALL - 2" HOT WATER LEAKING - STOPPED AT SHOP AND PICKED UP CLAMPS MAINTENANCE STOPPED LEAK WHEN I GOT THERE. LOOKED AT REPAIRED PIPE. REVIEWED ADDITIONAL PIPING FOR FUTURE REPLACEMENT.				
SERVICE CALL		89.00		89.00
HOURLY RATE FOR PLUMBER	1	182.00		182.00

Total	$271.00
Balance Due	$0.00

ATTACHMENT 28

DAHME MECHANICAL INDUSTRIES

610 S. ARTHUR AVENUE
ARLINGTON HEIGHTS, IL 60005

Invoice

Date	Invoice #
12/5/2007	20072127

Bill To	Job Location
LUTHERAN HOME & SERVICES VIA EMAIL TO: luthernnlife@easyaccessap.com PO BOX 4276 SOUTH BEND, IN 46634-4276	SAME 847/253-3710

P.O. No.	Terms	Due Date	Rep	Service Date	Project
	Due on receipt	12/5/2007	MRW	12/5/2007	

Description	Qty	Rate		Amount
ROD AND TELEVISE LINE - ATTEMPTED TO TELEVISE 8" SANITARY SEWER LINE IS FULL OF GREASE. TRIED TO ROD SEWER, GOT AT ABOUT 60 FEET FROM MANHOLE ON EAST SIDE OF STREET. REMOVED ROD AND FOUND LARGE AMOUNT OF PAPER TOWELS OR WIPES ON ROD. RODDED 3 MORE TIMES, COULDN'T GET PAST 60 FEET WITH 4" CUTTER. REMOVED LARGE AMOUNT OF PLASTIC BAGS ON ROD. SEWER NEEDS TO BE CLEARED WITH LARGE VACTOR EQUIPMENT IN ORDER TO BE TELEVISED TO DETERMINE SEWER CONDITION.				
SERVICE CALL		85.00		85.00
ROD CHARGE		85.00		85.00
HOURLY RATE FOR PLUMBER	4	125.00		500.00

Total	$670.00
Balance Due	$0.00

ATTACHMENT 28

DAHME MECHANICAL INDUSTRIES

610 S. ARTHUR AVENUE
ARLINGTON HEIGHTS, IL 60005

Invoice

Date	Invoice #
11/30/2007	20072087-2

Bill To	Job Location
LUTHERAN HOME & SERVICES VIA EMAIL TO: lutheranlife@easyaccessap.com PO BOX 4276 SOUTH BEND, IN 46634-4276	SAME 847/253-3710

P.O. No.	Terms	Due Date	Rep	Service Date	Project
	Due on receipt	11/30/2007	MRW	11/30/2007	

Description	Qty	Rate		Amount
EMERGENCY SERVICE - JETTED SANITARY MAIN FROM WEST SIDE OF KENNICOTT TO MANHOLE ON EAST SIDE OF KENNICOTT. WAS ABLE TO GET HOSE ALL THE WAY THROUGH THIS TIME. APPEARS SANITARY MAIN IS PARTIALLY COLLAPSED AT CENTER OF KENNICOTT. RECOMMEND EXCAVATING A ND REPAIRING SANITARY MAIN TO AVOID FUTURE PROBLEMS.				
SERVICE CALL		85.00		85.00
EQUIPMENT - SPARTAN JETTER		325.00		325.00
HOURLY RATE FOR PLUMBER	2	125.00		250.00

Total	$660.00
Balance Due	$0.00

ATTACHMENT 28

DAHME MECHANICAL INDUSTRIES

610 S. ARTHUR AVENUE
ARLINGTON HEIGHTS, IL 60005

Invoice

Date	Invoice #
11/24/2007	20072045-5

Bill To
LUTHERAN HOME & SERVICES VIA EMAIL TO: lutheranlife@easyaccessap.com PO BOX 4276 SOUTH BEND, IN 46634-4276

Job Location
EMERGENCY CALL SAME 847/253-3710

P.O. No.	Terms	Due Date	Rep	Service Date	Project
	Due on receipt	11/24/2007	MRW	11/24/2007	

Description	Qty	Rate		Amount
JET SANITARY MAIN FROM MANHOLE ON EAST SIDE OF KENNICOTT TO CITY MAIN ON WEST SIDE OF STREET. THERE IS AN OBSTRUCTION IN THE MIDDLE OF THE STREET CAN'T GET JETTER HOSE THROUGH, BUT GOT SEWER TO FLOW.				
SERVICE CALL		85.00		85.00
EQUIPMENT - SPARTAN 758 JETTER		275.00		275.00
HOURLY RATE FOR PLUMBER	4	178.00		712.00

Total	$1,072.00
Balance Due	$0.00

ATTACHMENT 28

DAHME MECHANICAL INDUSTRIES

610 S. ARTHUR AVENUE
ARLINGTON HEIGHTS, IL 60005

Invoice

Date	Invoice #
10/27/2007	20071878-1

Bill To
LUTHERAN HOME & SERVICES VIA EMAIL TO: lutheranlife@easyaccessap.com PO BOX 4276 SOUTH BEND, IN 46634-4276

Job Location
EMERGENCY CALL SAME SEE JOHN LACO 847/253-3710

P.O. No.	Terms	Due Date	Rep	Service Date	Project
	Due on receipt	10/27/2007	DJH	10/27/2007	

Description	Qty	Rate		Amount
EMERGENCY CALL - FOUND SANITARY HAD BACKED UP BOTH EAST AND WEST 1ST FLOOR WINGS, LAUNDRY AND KITCHEN. FOUND CLEAN-OUT AT END OF HALLWAY (NORTH EAST) CHECKED MANHOLE OUTSIDE - OK. COULD NOT ROD FROM CLEAN-OUT NORTH IN HALLWAY. FOUND CLEAN-OUT UNDER COUCH UNDER CARPET. SOUTH END OF HALLWAY WHERE HALLWAYS TEE INTERSECT. RODDED FLOOR DRAIN IN LAUNDRY ROOM 45' GOING PAST CLEAN-OUT IN HALLWAY. RODDED FROM HALLWAY 135' NORTH WITH 3" CUTTER. RESTRICTIONS AR CLEAN-OUT (DOUBLE 'Y' COMBO OR TEE AT THIS POINT AND MOST OF THE WAY DOWN THE HALLWAY). PULLED BACK CLOTH. REPLACED CLEAN-OUT PLUG.				
SERVICE CALL		85.00		85.00
ROD CHARGE		85.00		85.00
HOURLY RATE FOR PLUMBER - OVERTIME	4.5	176.00		792.00

Total	$962.00
Balance Due	$0.00

ATTACHMENT 28

DAHME MECHANICAL INDUSTRIES

610 S. ARTHUR AVENUE
ARLINGTON HEIGHTS, IL 60005

Invoice

Date	Invoice #
9/18/2007	20071659

Bill To	Job Location
LUTHERAN HOME & SERVICES VIA EMAIL TO: lutheranlife@easyaccessap.com PO BOX 4276 SOUTH BEND, IN 46634-4276	SAME SEE JOHN LACO 847/253-3710

P.O. No.	Terms	Due Date	Rep	Service Date	Project
	Due on receipt	9/18/2007	DJH	9/18/2007	

Description	Qty	Rate		Amount
4" CLEAN OUT ON STACK IN KITCHEN AT HAND SINK - BROKE OPEN WALL. FOUND CLEAN-OUT TEE. REMOVED PLUG AND RODDED 45'. USED 3 1/2" CUTTER AND 4" - 2 BLADE CUTTER. HARD TO GET THROUGH WITH 4" CUTTER. A LOT OF BUILD-UP ON WALLS OF PIPE. WAS ABLE TO GO 45'. INSTALLED NEW CLEAN-OUT PLUG. TAPPED PLUG AND INSTALLED WALL PLATE AND SCREW.				
SERVICE CALL		85.00		85.00
MATERIAL		63.50		63.50
EQUIPMENT - HILTI		45.00		45.00
HOURLY RATE FOR PLUMBER	4	125.00		500.00

Total	$693.50
Balance Due	$0.00

000137

ATTACHMENT 28

DAHME MECHANICAL INDUSTRIES

610 S. ARTHUR AVENUE
ARLINGTON HEIGHTS, IL 60005

Invoice

Date	Invoice #
4/27/2007	20070705

Bill To	Job Location
LUTHERAN HOME & SERVICES VIA EMAIL TO: lutheranlife@easyaccessap.com PO BOX 4276 SOUTH BEND, IN 46634-4276	SAME SEE JOHN LACO 847/253-3710

P.O. No.	Terms	Due Date	Rep	Service Date	Project
	Due on receipt	4/27/2007	MS	4/27/2007	

Description	Qty	Rate		Amount
REPAIRED 1 1/2" DOMESTIC WATER LINE				
SERVICE CALL		85.00		85.00
MATERIAL		292.00		292.00
HOURLY RATE FOR PLUMBER	7	119.00		833.00

Total	$1,210.00
Balance Due	$0.00

ATTACHMENT 28

DAHME MECHANICAL INDUSTRIES

610 S. ARTHUR AVENUE
ARLINGTON HEIGHTS, IL 60005

Invoice

Date	Invoice #
3/26/2007	20070527

Bill To	Job Location
LUTHERAN HOME & SERVICES VIA EMAIL TO: lutheranlife@easyaccessap.com PO BOX 4276 SOUTH BEND, IN 46634-4276	SAME SEE JOHN LACO 847/253-3710

P.O. No.	Terms	Due Date	Rep	Service Date	Project
	Due on receipt	3/26/2007	MS	3/26/2007	

Description	Qty	Rate		Amount
REVIEW JOB - 2" GALVANIZED DOMESTIC WATER PIPE LEAKING - REMOVED INSULATION FROM 2", 1 1/2" AND 3/4" GALVANIZED WATER PIPING IN HALLWAY CEILING BY INFECTION CONTROL/DIET OFFICE. INSTALLED TEMP CLAMP ON 1 1/2" GALVANIZED WATER PIPING TO STOP LEAK FOR NOW. TOOK MATERIAL LIST - WILL CALL WITH PROPOSAL.				
SERVICE CALL		85.00		85.00
MATERIAL		38.75		38.75
HOURLY RATE FOR PLUMBER	3	119.00		357.00

Total	$480.75
Balance Due	$0.00

ATTACHMENT 28

DAHME MECHANICAL INDUSTRIES

610 S. ARTHUR AVENUE
ARLINGTON HEIGHTS, IL 60005

Invoice

Date	Invoice #
6/7/2006	20061047

Bill To	Job Location
LUTHERAN HOME & SERVICES VIA EMAIL TO: lutheranlife@easyaccessap.com PO BOX 4276 SOUTH BEND, IN 46634-4276	SAME SEE JIM SKOUFES PAGER 847/206-8280 847/368-7441

P.O. No.	Terms	Due Date	Rep	Service Date	Project
50410	Due on receipt	6/7/2006	MRW	6/7/2006	

Description	Qty	Rate		Amount
LABOR AND MATERIAL PER PROPOSAL DATED 02/28/06		9,875.00		9,875.00
EMERGENCY/ REPLACE 8 FOOT SECTION MAIN SEWER LINE UNDER KITCHEN FLOOR				

Total	$9,875.00
Balance Due	$0.00

ATTACHMENT 28

DAHME MECHANICAL INDUSTRIES

610 S. ARTHUR AVENUE
ARLINGTON HEIGHTS, IL 60005

Invoice

Date	Invoice #
10/30/2005	20052095

Bill To	Job Location
LUTHERAN HOME & SERVICES VIA EMAIL TO: lutheranlife@easyaccessap.com PO BOX 4276 SOUTH BEND, IN 46634-4276	SAME SEE JIM SKOUFES PAGER 847/206-8280 847/368-7441

P.O. No.	Terms	Due Date	Rep	Service Date	Project
	Due on receipt	10/30/2005	MRW	10/30/2005	

Description	Qty	Rate		Amount
EMERGENCY CALL - RESPONDED TO COMPLAINT OF WATER BACKING UP IN KITCHEN. WATER WAS NOT BACKING UP ON ARRIVAL, JETTED FROM CLEAN-OUT NEAR DISHWASHER TO MIDDLE OF KITCHEN BY DESK AND FROM CLEAN-OUT BY DESK TO SANITARY MANHOLE OUTSIDE. WEST END OF BUILDING, RAN LARGE AMOUNTS OF WATER THROUGH DISHWASHER AND TWO DISPOSALS TO TEST, DRAIN WELL AT THIS TIME. CALLED BACK AT 2:00 PM, NOW WATER IS BACKING UP IN FLOOR SINKS AND CLEAN-OUTS IN DISHWASHER AREA. JETTED THROUGH TWO DIFFERENT CLEAN-OUTS AT LEAST 20 TIMES BUT WATER WILL NOT GO DOWN. TRIED RODDING FROM FLOOR SINK NEAR KITCHEN DESK, ROD ONLY WENT IN FIVE FEET OR SO AND CAME OUT VERY SHINY AND FULL OF GRAVEL INDICATING FLOOR DRAIN TRAP HAS ROTTED AWAY AND ROD WENT OUT OF PIPE. RODDED FROM CLEAN-OUT BY DISPOSERS HIT STOPPAGE APPROXIMATELY 70 FEET OUT AND WATER WENT DOWN. RAN DISHWASHER AND BOTH DISPOSALS FOR APPROXIMATELY 10 MINUTES, WATER DRAIN WELL. REMOVE NO DEBRIS ON ROD CABLE.				
SERVICE CALL		85.00		85.00
ROD CHARGE		80.00		80.00
SPARTAN 758 JETTER		275.00		275.00
HOURLY RATE FOR PLUMBER	6	164.00		984.00

Total	$1,424.00
Balance Due	$0.00

ATTACHMENT 28

DAHME MECHANICAL INDUSTRIES

610 S. ARTHUR AVENUE
ARLINGTON HEIGHTS, IL 60005

Invoice

Date	Invoice #
6/6/2005	20051108

Bill To
LUTHERAN HOME & SERVICES VIA EMAIL TO: lutheranlife@easyaccessap.com PO BOX 4276 SOUTH BEND, IN 46634-4276

Job Location
SEE JIM SKOUFES 847/368-7441 SAME

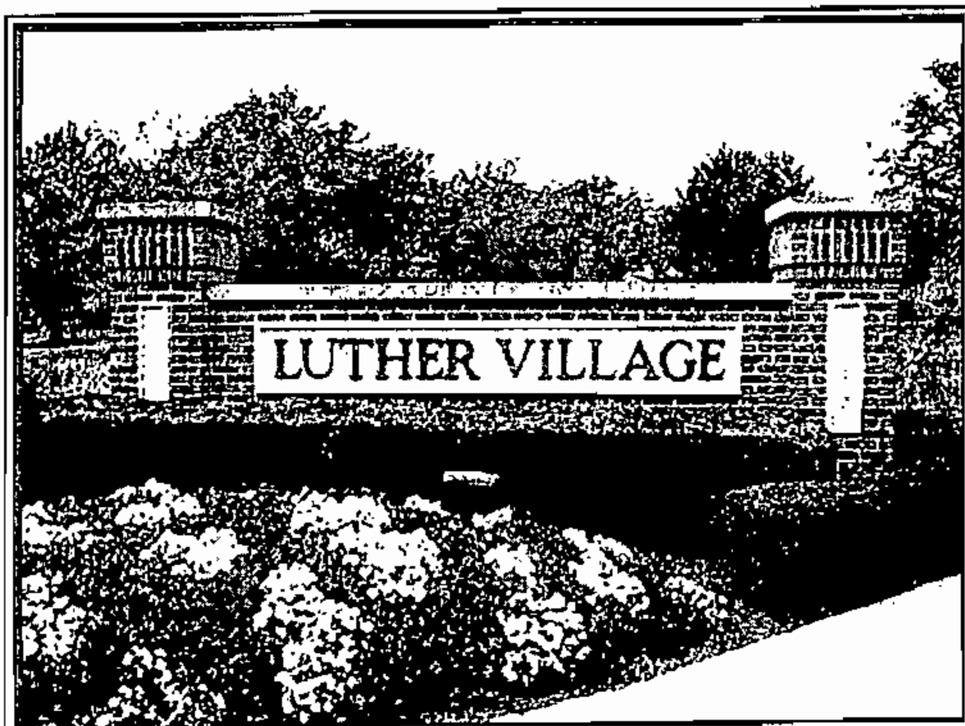
P.O. No.	Terms	Due Date	Rep	Service Date	Project
20644	Due on receipt	6/6/2005	DOS	6/6/2005	

Description	Qty	Rate		Amount
LABOR AND MATERIAL PER PROPOSAL		1,250.00		1,250.00

Total	$1,250.00
Balance Due	$0.00

ATTACHMENT 28

Precision 20/20
Full Reserve Study
for
Lutheran Home and Services
Arlington Heights, Illinois
September 10, 2009



RESERVE ADVISORS

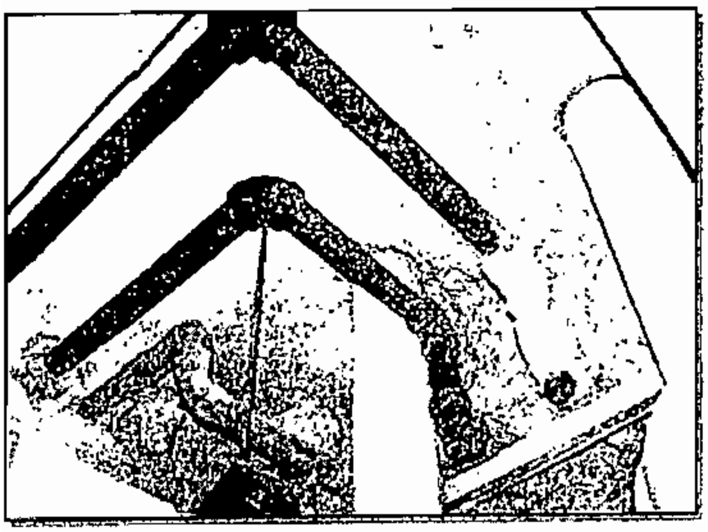
Long-term thinking. Everyday commitment.

ATTACHMENT 28

Piping, Domestic Water, Olson - The galvanized steel domestic water piping in Olson is in poor condition at an age of up to 40 years. The Facility Manager reports significant interior and exterior rust, and reduced water flow. Page 28 of **Exhibit A** ***Photographs*** depicts this condition. The exact locations and conditions of the pipes were not ascertained due to the nature of their location and the non-invasive nature of our inspection.

The useful life of galvanized domestic plumbing pipes is up to 75 years. Although the rate of build-up varies based on flow rates, minerals in the water, temperature, etc., occlusions from deposits eventually develop that can clog pipes and greatly reduce water pressure. The first piping system usually to experience problems is domestic water. Galvanized pipe is zinc coated steel which slows oxidation or rusting. The galvanized pipe provides a surface texture for minerals such as calcium and magnesium (water hardness minerals) to adhere. These minerals build-up at a faster rate on galvanized piping when compared to copper piping. Also, corrosion of these pipes will eventually result in pitting of the interior surface and pinhole leaks. We recommend the property budget funds to replace this galvanized water piping with copper piping. Copper piping is the predominant type of pipe used in new construction for domestic water piping.

Due to the condition, the Facility Manager anticipates a phased replacement of the domestic water piping in Olson beginning by 2012 and concluding by 2014. We depict this information on Line Item 436 of **Exhibit B** ***Reserve Expenditures***.



Domestic water piping in Olson

Fire Suppression System, Olson, Improvement - The facility manager informs us that the fire suppression system in Olson requires an upgrade to include all interior areas by 2012. We base our cost on Line Item 427 of **Exhibit B** ***Reserve Expenditures*** on a budgetary cost provided by the facility manager.

Roofs, Flat - Lutheran Home maintains 55 squares of flat roofs at the Chapel, 460 squares at Neighborhoods, 340 squares at Olson and 70 squares at Shepherd's Flock. These flat roof areas include both vinyl, EPDM and modified bitumen.

The remaining roofs are in good to fair condition at ages of up to 13 years with a limited history of leaks and areas of standing water. Pages 5 and 6 of **Exhibit A** ***Photographs*** depict these conditions. The useful life of a flat roof is from 15- to 20-years.

The time or need to replace roofs becomes apparent with multiple or recurring leaks. Lutheran Home should determine whether the origin of the leaks is from the membrane or flashings. Lutheran Home may incur less cost by repairs to the flashings than replacement of an

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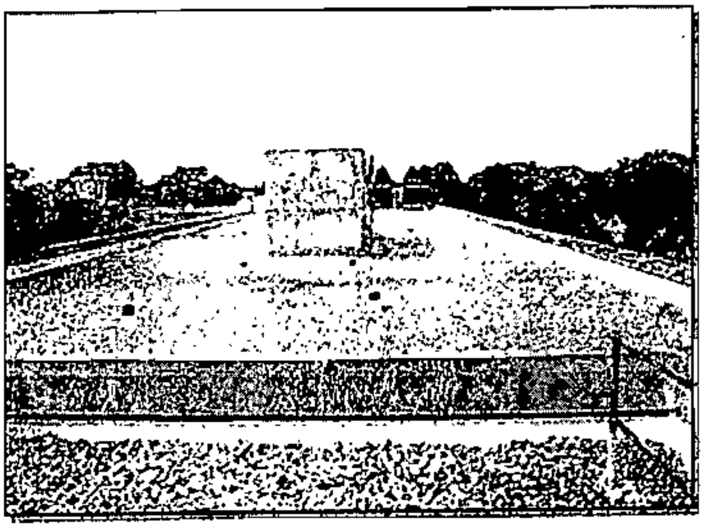
[6] We quantify the roof area in *squares* where one square is equal to 100 square feet of surface area.

entire roof. One disadvantage of a stone ballasted roof system is the difficulty in finding the source of leaks. Water travels to the lowest point and opening in the roof structure, sometimes finding its way dozens of feet from the origin of the leak in the membrane. The stone ballast, membrane and insulation impede the process of finding a break in the membrane. Therefore, because the difficulty in finding several or many breaks in a membrane, replacement eventually becomes the more economical option rather than repair.

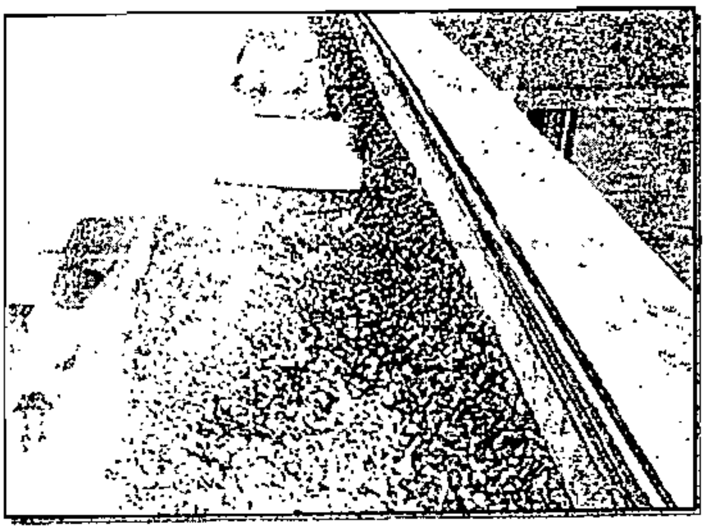
Lutheran Home should budget for a phased replacement of

the Olson roofs beginning by 2017 and concluding by 2018. We recommend the property replace the existing roofs with the most economical type of flat roof with consideration given to competitive bids and proposals from several roofing contractors. We depict this information on Line Items 105 through 108 of **Exhibit B** ***Reserve Expenditures***.

[7] The terms sealant and caulk are used interchangeably throughout this text and throughout the industry.

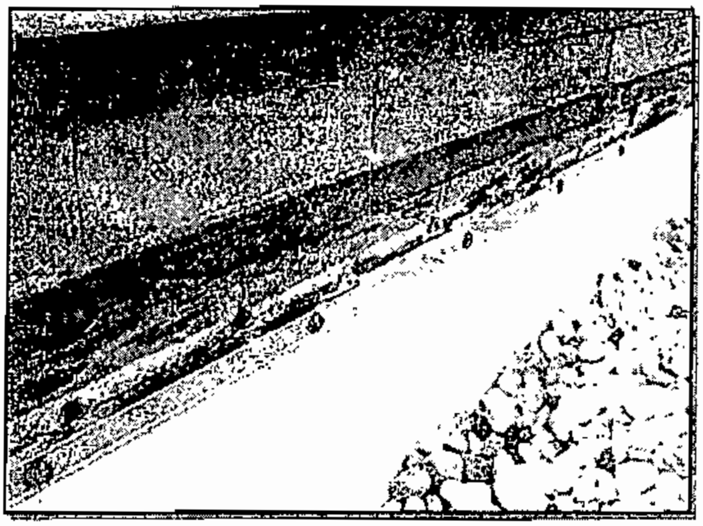


Flat roof at Building A. Olson



Flat roof at Building A. Olson - note ponded water

ATTACHMENT 28



Flat roof at Building A, Olson - note sealant deterioration at flashing

Windows and Doors - Lutheran Home maintains approximately

10,700 square feet of aluminum and vinyl frame windows at Olson,

These quantities include any related panels. We were informed that the windows, doors and panels at Olson date back to 1971 and 1977.

. We anticipate a useful life of up to 45 years for aluminum frame windows and a useful life of up to 35 years for vinyl frame windows. The useful life of the windows and doors is dependent on the occurrence of water infiltration, thermal inefficiencies compared to present technology, type of frame, availability of replacement parts and aesthetics.

ATTACHMENT 28

Properly designed window and door assemblies anticipate the penetration of some storm water beyond the gaskets. This infiltrated water collects in an internal drainage system and drains, or exits, the frames through *weep holes*. Occasionally these weep holes become clogged with dirt or are improperly diagnosed as a source of water infiltration and purposely, but inappropriately, sealed. We recommend Lutheran Home periodically verify all weep holes are unobstructed and fund this expense through the operating budget. However, as window frames, gaskets and sealants deteriorate, leaks become more frequent. The windows and doors will eventually need replacement or major capital repairs to prevent water infiltration and damage from wind driven rain.

The thermal efficiencies of the window and door assemblies are affected by their design and construction components. These components include glazings, thickness of air space between glazings, low-conductivity gas, tinted coatings, low-e coatings and thermal barriers. We discuss each component of an effective design below.

Glazing - Glazing is the glass surface, or pane, in the assembly. An increase in the number of glazings results in an increase in thermal efficiency. Dual glazing insulates nearly twice as well as single glazing. Adding a third or fourth layer of glazing results in further improvement but also increases the cost of the system. We recommend the use of dual glazing (dual pane windows) as the most cost effective and thermal efficient replacement system.

Thickness of Air Space - As the thickness of the air space between dual panes increases, the thermal efficiency of the system also increases. The ideal air space thickness is about one-half inch or more. However, if the air space is too wide a convection loop between the layers of glazing occurs. An air space thickness beyond approximately one inch *does not* result in an increased energy performance.

Low Conductivity Gas - The use of a denser, lower conductivity gas, such as argon, in the space between dual panes results in an increase in thermal efficiency. Argon is the most cost effective type of low conductivity gas. Argon is inexpensive, nontoxic, nonreactive, clear and odorless. Krypton is also a low conductivity gas occasionally used in window and door assemblies. Krypton is more thermally efficient. However, it is also more expensive to produce.

Tinted Glass Coatings - Tinted glass coatings reduce solar heat gain without reducing visibility. These coatings are typically used in climates with a need for building cooling.

Low-e Coatings - The use of thin, transparent coatings of silver or tin oxide permit visible light to pass through the glazings and reflect infrared heat radiation back into the building. A variety of types of low-e (low emissivity) glass are available to suit different climate zones. Low-e glass with high solar heat gain coefficients are appropriate for northern climates while low-e glass with low solar heat gain coefficients are appropriate for southern climates.

Thermal Barriers - Thermal barriers are typically comprised of rigid polyurethane, silicone foam or butyl rubber. Conductivity is a primary concern with aluminum frame windows. Aluminum has extremely high conductivity and therefore provides a *thermal bridge* for the exchange of heated or cooled air between the inside and outside temperatures. Thermal barriers interrupt this thermal bridge and improve the thermal efficiency of the aluminum assembly.

A combination of the above design and construction components will greatly increase the thermal efficiency of the assembly. Lutheran Home should thoroughly investigate these component options at the time of replacement. Some manufacturers may include these components as part of the *standard product* and other manufacturers may consider these components as *options* for an additional cost. Lutheran Home should review the specifications provided by the manufacturers to understand the thermal design and construction components of the proposed assemblies. For reserve budgetary purposes, we use a unit cost for replacements with typical thermal efficiencies and quality of construction to achieve their estimated useful lives.

The frames of windows and doors are typically constructed of wood, vinyl, aluminum and fiberglass. We discuss the advantages and disadvantages of these frame types in the following narrative.

Wood - Wood is the traditional frame material because of its availability and ease of milling into complex shapes. Wood is typically preferred in wood frame, low rise residential applications because of its appearance and traditional place in home design. Wood frame assemblies offer good thermal qualities but require periodic paint applications to maximize their useful life. Vinyl or aluminum *cladding*, or coverings, can be applied to the exterior of the wood frame to minimize maintenance.

Vinyl - Vinyl, or polyvinyl chloride (PVC), frames have good insulating values. Vinyl frames are resistant to moisture and are maintenance free. Normal deterioration mainly relates to discoloration of the exterior finish from exposure to sunlight, weathering and air pollutants. Vinyl frames are also susceptible to damage, primarily as the frames age and become brittle.

Aluminum - Aluminum frames are light, strong, durable and can be extruded into complex shapes. These frames are available in anodized and factory-baked enamel finishes that are durable and low-maintenance. However, these types of frames do not offer good thermal qualities due to aluminum's high conductivity. Thermal barriers within the frames increase the thermal efficiencies of the system as discussed in a previous narrative.

Fiberglass - Fiberglass frames are the most energy efficient frames available. Fiberglass frames are resistant to moisture, are maintenance free and can also be painted. In addition, fiberglass frames expand and contract at nearly the same rate as the glass, minimizing seal failures. However, fiberglass frames are relatively new, are not yet widely available, their long term performance is unknown and they are more expensive than the previously listed frames.

Aesthetics can be the primary reason for replacement of windows and doors. The windows and doors will eventually appear outdated and worn. The frame finish will eventually deteriorate, resulting in an unpleasant appearance. This discretionary time of replacement can have a significant impact on the remaining useful life.

Based on the above factors, we recommend the property budget for replacement of the aluminum frame windows and doors . Olson by 2016.

Sealant at Building B. Olson - note deterioration

Energy Management System - The building includes an energy management system for the monitoring of the HVAC (heating, ventilating and air conditioning) systems. The system is in fair condition and offers only limited monitoring of certain equipment. We anticipate a useful life of up to 20 years of this system and recommend the property budget for replacement in 2011. We depict this information on Line Item 426 of **Exhibit B** ***Reserve Expenditures***. Lutheran Home should fund upgrades to the system and replacement of the sensors through the operating budget.

Lutheran Life Communities

Dale Galassie
Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Lutheran Home CON Application

Dear Chairman Galassie:

As Senior Vice President, Corporate Finance/Chief Financial Officer for Lutheran Life Communities, I wish to document the Availability of Funds for the Project for purposes of the § 1125.800(c) review criterion. The availability of our debt financing is evidenced by the attached letter of Ziegler, our Financial Advisor on this project. Ziegler has also previously advised us in several previous issuances of tax-exempt revenue bonds.

As to the cash and securities portion of the financing, I draw to your attention our balance sheet in the attached audited financial statements as of June 30, 2011.

This balance sheet shows funds that are available within the Assets lines. There is cash available from Lutheran Life Communities of approximately $9.2 million, Board Designated Investments of approximately $6.6 million and Investments of approximately $9.3 million.

Sincerely,

LUTHERAN LIFE COMMUNITIES

By: Carl Moellenkamp
Carl W. Moellenkamp
Senior VP, Corporate Finance/CFO

Vibrant, grace-filled living across all generations

3150 Salt Creek Lane · Arlington Heights, IL 60005
(847) 368-7400 · fax (847) 368-7320
www.LutheranLifeCommunities.org

ATTACHMENT 39

Ziegler

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Chicago, IL 60606
Phone: 312-263-0110
Toll-free: 800-366-8899
Fax: 312-263-5217
www.ziegler.com

March 6, 2012

Stephen W. Johnson
Managing Director
Senior Living Finance

Dale Galassie
Chair
Health Facilities and Services Review Board
Illinois Department of Public Health
525 West Jefferson Street
Second Floor
Springfield, IL 62761

Dear Chairman Galassie:

This letter is to advise you that Ziegler is currently engaged as underwriter by Lutheran Home for the Aged, Inc. The proceeds from the proposed bond issue will be utilized to finance the redevelopment of portions of its existing campus located in Arlington Heights, Illinois.

Lutheran Home for the Aged, Inc., Lutheran Home and Services for the Aged, Inc. and Lutheran Foundation for the Aged, Inc. form the obligated group under their existing Master Indenture through which they borrow the proceeds of tax exempt bonds (the "Borrowers"). Ziegler is in the process of developing with the Borrowers a plan for the issuance of Revenue Bonds for the purposes of funding the campus redevelopment. It is contemplated that the Financing will be structured principally with the tax exempt bonds and is currently expected to include fixed rate, tax exempt bonds. It is anticipated that the fixed rate, tax exempt bonds will be unrated and unenhanced. Although we do not anticipate using variable rate debt, if a portion of the debt is variable rate, it will be backed by a letter of credit. Financing proceeds are expected to be in the range of $74 million. We anticipate the interest rate of the fixed rate bonds to be in the range of 7% to 9%, and that the interest rate for any variable rate bonds would be in the range of 4% to 5%. The par amount of the bonds issued under the Financing, bond maturity, as well as other structural features of the Financing, will be agreed upon as other material details of the Financing are established.

The market for non-rated senior living credits continues to be very efficient and access to capital in the non-rated markets very strong. Ziegler maintains substantial relationships with high-yield bond investors.
Please feel free to contact us with any questions, or if you should require further information.

Sincerely,

Stephen W. Johnson
Managing Director - Senior Living Finance

cc: Daniel J. Hermann

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Financial Statements and Schedules

June 30, 2009 and 2008

(With Independent Auditors' Report Thereon)

ATTACHMENT 39

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Table of Contents

ATTACHMENT 39

KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report

The Boards of Directors
Lutheran Life Communities and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Lutheran Life Communities and Subsidiaries (the Corporations) as of June 30, 2009 and 2008, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporations' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporations' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Corporations as of June 30, 2009 and 2008, and the results of their operations, changes in net assets, and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

As described in note 2 to the consolidated financial statements, the Corporations adopted the provisions of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, and Financial Accounting Standards Board Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, as of July 1, 2008.

KPMG

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information included in schedules 1 through 4 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual corporations. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

KPMG LLP

October 27, 2009

ATTACHMENT 39

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2009 and 2008

Assets		2009	2008
Current assets:			
Cash and cash equivalents	$	4,758,664	4,857,171
Assets whose use is limited or restricted – required for current liabilities		11,866,593	12,011,999
Resident accounts receivable, net of allowance for doubtful accounts of $672,300 and $607,700 in 2009 and 2008, respectively		8,100,446	7,033,554
Other receivables		1,002,265	642,255
Inventory of supplies and other		737,758	982,601
Total current assets		26,465,726	25,527,580
Assets whose use is limited or restricted, net of amounts required for current liabilities:			
Held by trustee under bond indenture agreement		6,057,047	7,821,673
Donor restricted investments		7,221,427	3,085,537
Total noncurrent assets whose use is limited or restricted		13,278,474	10,907,210
Land, buildings, and equipment, net of accumulated depreciation and amortization		107,737,576	87,661,811
Costs to acquire initial continuing care contracts		3,374,761	2,854,338
Investments		7,058,776	13,678,100
Agency funds		60,131	60,342
Deferred financing costs, net		1,572,898	1,673,394
Other assets		1,847,248	1,408,732
Total assets	$	161,395,590	143,771,507

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets	2009	2008
Current liabilities:		
Current installments of long-term debt	$ 1,386,235	1,268,736
Long-term debt subject to short-term remarketing arrangements	10,480,358	10,617,614
Line of credit	4,503,905	2,100,000
Current portion of obligations under capital leases	294,160	170,888
Accounts payable	4,492,540	4,279,184
Accrued interest payable	1,731,263	600,754
Accrued compensation and other liabilities	5,208,297	5,117,384
Total current liabilities	28,096,758	24,154,560
Long-term debt, excluding current installments and unamortized bond discount and premium	74,477,612	56,986,614
Obligations under capital leases, net of current portion	283,826	174,364
Deferred revenue from nonrefundable entrance fees	751,715	642,436
Residents' custodial assets	345,933	339,901
Resident entrance fees	15,158,089	13,209,495
Reserve for funeral expenses	27,300	36,270
Resident deposits	2,116,512	2,075,327
Charitable gift annuity contracts	531,122	559,197
Agency funds	60,131	60,342
Fair value of interest rate swap agreements	812,735	385,073
Total liabilities	122,661,733	98,623,579
Net assets:		
Unrestricted	29,743,283	41,747,913
Temporarily restricted	4,957,625	153,067
Permanently restricted	4,032,949	3,246,948
Total net assets	38,733,857	45,147,928
Total liabilities and net assets	$ 161,395,590	143,771,507

ATTACHMENT 39

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended June 30, 2009 and 2008

		2009	2008
Operating revenue:			
Net resident service revenue	$	71,628,057	65,536,638
Other revenue		7,349,043	8,300,862
Net assets released from restrictions used for operations		631,601	79,268
Total operating revenue		79,608,701	73,916,768
Operating expenses:			
Salaries and wages		41,951,187	39,017,071
Employee benefits		10,471,777	9,914,268
Support services		10,856,803	10,447,743
Dietary services		3,846,026	3,776,685
Program services		4,689,787	3,698,254
Administrative services		5,719,308	5,497,438
Community services		1,490,158	1,846,361
Fund-raising		197,585	279,950
Interest		3,483,503	2,781,942
Depreciation and amortization		5,997,481	4,605,498
Provision for bad debts		473,209	205,702
Total operating expenses		89,176,824	82,070,912
Loss from operations		(9,568,123)	(8,154,144)
Nonoperating gains and losses:			
Investment income		425,907	2,048,627
Unrestricted contributions		564,836	585,143
Bequests and legacies		360,000	3,165,381
Change in net unrealized gains and losses on trading securities		(4,053,919)	(2,214,052)
Change in fair value of derivative instruments		(427,662)	—
Other, net		694,331	1,577,301
Total nonoperating (losses) gains, net		(2,436,507)	5,162,400
Revenue and gains deficient of expenses and losses		(12,004,630)	(2,991,744)
Other changes in unrestricted net assets:			
Change in fair value of derivative instruments		—	(544,703)
Net assets released from restriction for land, buildings, and equipment acquisitions		—	34,839
Decrease in unrestricted net assets	$	(12,004,630)	(3,501,608)

See accompanying notes to consolidated financial statements.

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2009 and 2008

	2009	2008
Decrease in unrestricted net assets	$ (12,004,630)	(3,501,608)
Temporarily restricted net assets:		
Net contributions for specific purposes	5,436,159	—
Release of restricted net assets for operations	(631,601)	(79,268)
Net assets released from restriction for land, building, and equipment acquisitions	—	(34,839)
Increase (decrease) in temporarily restricted net assets	4,804,558	(114,107)
Permanently restricted net assets:		
Contributions	786,001	98,645
Change in net assets	(6,414,071)	(3,517,070)
Net assets at beginning of year	45,147,928	48,664,998
Net assets at end of year	$ 38,733,857	45,147,928

See accompanying notes to consolidated financial statements.

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2009 and 2008

		2009	2008
Cash flows from operating activities and gains:			
Change in net assets	$	(6,414,071)	(3,517,070)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities and gains:			
Depreciation and amortization		5,997,481	4,605,498
Amortization of entrance fees and refundable deposits		(168,329)	(104,505)
Provision for bad debts		473,209	205,702
Change in fair value of derivative instruments		427,662	544,703
Change in net unrealized gains and losses		4,053,919	2,214,052
Change in actuarial value of gift annuity obligations		94,781	46,076
Contributions of permanently restricted net assets		(786,001)	(98,645)
Changes in assets and liabilities:			
Resident accounts receivable		(1,540,101)	(2,003,947)
Other receivables		(360,010)	68,160
Inventory of supplies and other		245,054	(1,969,520)
Other assets		(438,516)	—
Accounts payable		213,356	1,100,147
Accrued interest payable		1,130,509	(32,886)
Accrued compensation and other liabilities		87,764	(2,202,057)
Deferred occupancy and care revenue and refundable deposits		321,584	945,098
Net cash provided by (used in) operating activities and gains		3,338,291	(199,194)
Cash flows from investing activities:			
Net (purchases) sales of assets whose use is limited or restricted		(440,232)	4,967,939
Net sales of investments		779,779	389,641
Acquisition of land, buildings, and equipment, net		(26,073,246)	(10,926,010)
Costs to acquire initial continuing care contracts		(520,423)	(1,234,236)
Increase (decrease) in resident deposits		41,185	(1,100,791)
Net cash used in investing activities		(26,212,937)	(7,903,457)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt		20,420,000	—
Repayment of long-term debt		(2,948,759)	(3,227,604)
Net repayment of obligations under capital leases		232,734	(37,331)
Proceeds from entrance fees and refundable deposits		2,898,739	9,442,934
Refunds paid on entrance fees and refundable deposits		(994,121)	(506,110)
Payments for deferred financing costs		100,496	15,128
Net draws on line of credit		2,403,905	2,100,000
Contributions of permanently restricted net assets		786,001	98,645
Net repayments of charitable gift annuity contracts		(122,856)	(85,932)
Net cash provided by financing activities		22,776,139	7,799,730
Net decrease in cash and cash equivalents		(98,507)	(302,921)
Cash and cash equivalents at beginning of year		4,857,171	5,160,092
Cash and cash equivalents at end of year	$	4,758,664	4,857,171
Supplemental disclosure of cash flow information:			
Cash paid for interest, net of amounts capitalized	$	1,824,391	2,263,495
Supplemental disclosure of noncash transactions:			
Assets acquired under capital lease	$	584,561	250,959

See accompanying notes to consolidated financial statements.

ATTACHMENT 39

(1) Organization and Purpose

Lutheran Life Communities (the Parent) and its subsidiaries were established through a common religious heritage with the Lutheran Church-Missouri Synod to provide nursing and residential living arrangements for the aged. Lutheran Life Communities is affiliated with both the Lutheran Church-Missouri Synod and the Evangelical Lutheran Church in America. The Parent and its subsidiaries also sponsor programs and activities that provide counseling, education, outreach, home care, day care, and other support services to the community. The affiliated organizations (collectively with the Parent to be referred to as the Corporations) are under the common control of the Parent, and include the following entities:

- Lutheran Life Communities (LLC) is an Illinois not-for-profit corporation formed in 2005 for the purpose of developing new and innovative services for seniors, establishing a senior living system, and providing day-to-day supervision and management to the facilities.
- Lutheran Life Communities Foundation (LLC Foundation) coordinates fund-raising activities that support the benevolent care and other programs at Lutheran Life Communities and all of its subsidiaries. The LLC Foundation was formerly known as St. Pauls House Foundation.
- Lutheran Home and Services for the Aged, Inc. (LHSA) provides management services to its consolidated affiliates and other affiliated entities in Illinois and also operates a 100 unit senior congregate housing facility.
- Lutheran Home for the Aged, Inc. (the Home), located in Arlington Heights, Illinois, is comprised of 262 skilled and 60 intermediate licensed nursing care beds, as well as 70 licensed sheltered care units, providing nursing and other services associated with daily living to residents of the Home.
- Lutheran Foundation for the Aged, Inc. (the LFA Foundation) coordinates fund-raising activities that support the benevolent care and other programs at the Home.
- Lutheran Community Services for the Aged, Inc. (LCSA) offers family support services, child care services, home health services, and counseling to residents of the Home, their families, staff, and the surrounding community.
- Wittenberg Lutheran Village, Inc. (WLV), located in Crown Point, Indiana, is comprised of 155 skilled nursing care beds providing nursing and other services to its residents.
- Wittenberg Lutheran Village Endowment Corporation (WLVEC), located in Crown Point, Indiana, is comprised of a 60 cottage retirement community and a 32 unit assisted living facility providing senior living and community based services to its residents.
- Pleasant View Luther Home, Inc. (Pleasant View) became affiliated with Lutheran Life Communities in 2005 and operates a retirement facility in Ottawa, Illinois, comprised of 36 independent living units and a 132 bed skilled nursing facility.
- The Arlington of Naples was incorporated in 2008. Effective July 18, 2008, this corporation purchased a parcel of land to develop a new facility in Naples, Florida for $17,800,000. The debt to purchase the land is funded by the Lutheran Church Extension Fund and amounts to $19,489,579 as of June 30, 2009.

- Luther Oaks, Inc., (Luther Oaks) located in Bloomington, Illinois, is a continuing care retirement community (CCRC) comprised of 90 independent living units and 58 assisted living units.
- St Pauls House and Health Care Center (St Pauls) became affiliated with Lutheran Life Communities in 2006 and operates a retirement facility in Chicago, Illinois, comprised of 68 assisted living beds and a 110 bed skilled nursing facility.
- Lutheran Management Services, Inc. is a for-profit corporation, which was incorporated in 2006. VeriSpring, Inc. is a not-for-profit corporation, which was incorporated in 2007. The purpose of both corporations was to develop new innovation in senior care that meets the desires of seniors wanting to remain in their homes as they age and helping them to maintain their independence while improving their well-being. In fiscal year 2008, the operations of VeriSpring, Inc. were combined with the operations of LCSA. Lutheran Management Services, Inc. has had no activity since incorporation and both corporations are currently dormant.

All significant intercompany transactions and balances have been eliminated in the accompanying consolidated financial statements.

(2) Summary of Significant Accounting Policies

The following significant accounting policies of the Corporations are utilized in presenting the consolidated financial statements:

(a) *Revenue and Gains Deficient of Expenses and Losses*

The consolidated statements of operations include revenue and gains deficient of expenses and losses. Transactions deemed by management to be ongoing, major, or central to the provision of resident care and community support services are reported as revenue and expenses. Transactions incidental to the provision of resident care and community support services are reported as nonoperating gains and losses. Changes in unrestricted net assets excluded from revenue and gains deficient of expenses and losses, consistent with industry practice, include change in fair value of derivative instruments that are highly effective and are designated and qualify as hedging instruments, changes in unrealized gains (losses) on other-than-trading securities, transfers of assets among affiliated not-for-profit entities for other than goods or services, and contributions of long-lived assets (including assets acquired using contributions, which by donor restrictions were to be used for the purpose of acquiring such assets).

(b) *Donor Restrictions*

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Unrestricted contributions, bequests, and legacies are recorded as other revenue of the Home and LCSA and as nonoperating gains of the LFA Foundation, LLC Foundation, and WLVEC. Contributions are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restriction. Net assets released from restriction for operating purposes are included with other revenue. The receipt of gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net assets. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

(c) ***Restricted Net Assets***

Temporarily restricted net assets are those whose use has been limited by donors for a specific time period or purpose. Permanently restricted net assets are those whose use has been restricted by donors in perpetuity. Temporarily restricted net assets at June 30, 2009 and 2008 principally represent amounts restricted for the purpose of acquiring long-lived assets or for specific operating purposes. Permanently restricted net assets represent investments to be held in perpetuity, the income from which is unrestricted and is expendable to support operations.

In August 2008, the Financial Accounting Standards Board (FASB) issued Staff Position No. 117-1, Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act *(UPMIFA), and* Enhanced Disclosures for All Endowment Funds *(FSP 117-1). FSP 117-1 provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization and requires additional disclosure about endowment funds (both donor restricted and board designated). The Corporations have adopted FSP 117-1 as of July 1, 2008.*

Effective June 30, 2009, the State of Illinois adopted UPMIFA, which establishes guidelines for the prudent spending and preservation of endowment funds through the establishment of a UPMIFA compliant endowment spending policy.

The Corporations classify as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Investment returns in excess of spending are classified as increases in temporarily restricted net assets until appropriated for expenditure by the Corporations.

Endowment funds are commingled with the pooled investment fund administered by the Corporations. The Corporations rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Corporations target a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

(d) ***Charity Care***

The Corporations provide charity care to residents who meet certain criteria under their benevolent care policies without charge or at amounts less than their established rates. Because the Corporations do not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues.

(e) ***Investments***

Investment income, realized gains (losses), and unrealized gains and losses on trading securities classified as unrestricted investments are recorded as nonoperating gains (losses) of the Corporations. Investment income and realized gains (losses) from temporarily restricted investments are recorded as other revenue of the Corporations. Investment income and realized gains (losses) from permanently restricted investments are recorded as nonoperating gains (losses) since such income (loss) is unrestricted by the donors. Changes in net unrealized gains and losses on other-than-trading investments are excluded from revenue and gains deficient of expenses and losses in the accompanying consolidated statements of operations. All of the Corporations' investments are classified as trading securities.

(f) ***Assets Whose Use is Limited or Restricted***

Assets whose use is limited or restricted include: assets assigned to the Corporations by residents to cover the cost of their future care and services, including assets held by a trustee under bond indenture agreements and all donor restricted assets.

(g) ***Cash and Cash Equivalents***

For purposes of presentation in the consolidated statements of cash flows, cash and cash equivalents include cash on hand, demand deposits, and money market funds.

(h) ***Land, Buildings, and Equipment***

Land, buildings, and equipment are stated at cost, or if donated, at fair value at date of donation, less accumulated depreciation. Assets acquired under capital lease are recorded at the net present value of minimum lease payments. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Amortization of assets under capital lease is provided over the lesser of the estimated useful life of the asset or the respective lease term.

(i) ***Inventory***

Inventory of supplies is reported at the lower of cost (first-in, first-out) or market.

(j) ***Costs to Acquire Initial Continuing Care Contracts***

Costs to acquire initial continuing care contracts (the Costs) consist principally of marketing and advertising costs incurred directly in relation to the initial acquisition of continuing care contracts related to the new CCRC being developed through The Arlington of Naples, Luther Oaks and the CCRC expansion at WLV. These entities capitalize costs incurred in connection with direct response advertising whose primary purpose is to secure deposits from residents who are shown to have responded specifically to the advertising. Such advertising costs include newspaper, magazine, television, radio, brochures, and other costs. The Costs are amortized using the straight-line method over the expected stay at the CCRC of the first resident group, beginning in the first period in which revenues associated with the Costs are earned. Upon occupancy of the first resident group, additional Costs are expensed as incurred.

(k) ***Entrance Fees***

Entrance fees, which are nonrefundable, are reported as deferred revenue from nonrefundable entrance fees and included in long term liabilities. These fees are amortized over the life expectancy of the residents. Entrance fees received by Pleasant View and Luther Oaks under residency contracts are refundable at various amounts in accordance with the terms of the individual contracts. Pleasant

View and Luther Oaks are required to repay the refundable entrance fee less amounts owed by the resident following certain timeframes after the termination of occupancy under the residency contract.

(l) Deferred Financing Costs

Deferred financing costs represent issuance costs for outstanding long-term debt. Deferred financing costs and bond discounts and premiums are amortized on the straight-line basis over the life of the respective bonds, which approximates the effective interest method. Deferred financing costs and bond discounts and premiums for the Corporations' variable rate demand revenue bonds with put options are amortized over the terms of the letter of credit agreement for each respective bond series.

(m) Derivatives and Hedging Activities

The Corporations record derivatives and hedging activities at their respective fair values in the consolidated balance sheets. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash-flow hedge are recorded directly to unrestricted net assets to the extent that the derivative is effective as a hedge. Any ineffective portion of the change in fair value of a derivative instrument that qualifies as a cash-flow hedge is reported as a component of interest expense in the consolidated statements of operations. Changes in the fair value of a derivative that is not designated as a cash-flow hedge are recorded directly to nonoperating gains and losses.

(n) Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(o) Fair Value of Financial Instruments

On July 1, 2008, the Corporations adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Starting July 1, 2008, the Corporations are required to apply the provisions of SFAS No. 157 to fair value measurements of nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis.

Effective July 1, 2008, the Corporations also adopted the provisions of SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS No. 159 gives the Corporations the irrevocable option to report most financial assets and financial liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. The Corporations' management did not elect to measure any additional eligible financial assets or financial liabilities at fair value and as a result, adoption of SFAS No. 159 did not have an effect on the results of operations or financial position of the Corporations.

(p) ***Tax Status***

The Corporations, other than Lutheran Management Services, Inc., qualify as not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code (Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code, except the Foundation, which is exempt from taxes under Section 509(a)(1) of the Code.

(q) ***Reclassifications***

Certain 2008 amounts have been reclassified to conform to the 2009 consolidated financial statement presentation.

(3) Investments

The Corporations report investments in equity securities with readily determinable fair values and all investments in debt securities at fair value. Fair value is determined primarily on the basis of quoted market prices. A summary of the composition of the Corporations' investment portfolio at June 30, 2009 and 2008 follows:

	2009	2008
Cash and cash equivalents	$ 7,288,828	9,722,985
Common stocks and mutual funds	12,527,164	16,778,523
Corporate bonds and notes	9,729,516	9,923,529
U.S. government agency securities	2,704,966	213,114
Cash surrender value of life insurance policies	13,500	19,500
	$ 32,263,974	36,657,651

Investments are reported in the accompanying consolidated balance sheets as follows:

	June 30	
	2009	2008
Assets whose use is limited or restricted – required for current liabilities	$ 11,866,593	12,011,999
Assets whose use is limited or restricted, net of amounts required for current liabilities	13,278,474	10,907,210
Investments	7,058,776	13,678,100
Agency funds	60,131	60,342
	$ 32,263,974	36,657,651

The composition of investment return on the Corporations' investment portfolio for the years ended June 30, 2009 and 2008 is as follows:

		2009	2008
Interest and dividend income	$	238,438	1,030,772
Net realized gains on sale of investments		155,392	1,247,664
Realized gains on redemption of insurance policies		9,062	12,373
Changes in net unrealized losses on trading securities		(4,053,919)	(2,214,052)
	$	(3,651,027)	76,757

Investment returns are included in the accompanying consolidated statements of operations for the years ended June 30, 2009 and 2008 as follows:

		2009	2008
Other revenue	$	(23,015)	170,548
Investment income		425,907	2,048,627
Net unrealized losses on trading securities		(4,053,919)	(2,214,052)
Interest income offset against capitalized interest expense		—	71,634
	$	(3,651,027)	76,757

(4) Fair Value Measurement

(a) Fair Value of Financial Instruments

The following methods and assumptions were used by the Corporations in estimating the fair value of its financial instruments:

- The carrying amount reported in the consolidated balance sheets approximates fair value because of the short maturities of these instruments for the following: cash and cash equivalents, accounts payable, accrued compensation and other liabilities, and estimated payables under third-party reimbursement programs.
- Fair values of the Corporations' investments held as assets limited as to use or restricted assets, investments, and agency funds are estimated based on prices provided by its investment managers and its custodian bank. Fair value for cash and cash equivalents, common stock and mutual funds, corporate bonds and notes, U.S. government agency securities, and the cash surrender value of life insurance policies are measured using quoted market prices at the reporting date multiplied by the quantity held.
- Fair value of fixed rate long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Corporations for debt of the same remaining maturities. For variable rate debt, carrying amounts approximate fair value. Fair value was estimated

using quoted market prices based upon the Corporations' current borrowing rates for similar types of long-term debt securities.

- Fair value of interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and the Corporations.

The following table presents the carrying amounts and estimated fair values of the Corporations' financial instruments not carried at fair value at June 30, 2009 and 2008.

	2009		2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Fixed rate long-term debt	$ 32,516,414	28,411,108	31,815,725	28,848,737

(b) Fair Value Hierarchy

The Corporations adopted SFAS No. 157 on July 1, 2008 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporations have the ability to access at the measurement date.
- Level 2 are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 inputs are unobservable inputs for the asset or liability.

ATTACHMENT 39

The following table presents the Corporations' fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2009:

		Fair value measurements at June 30 using		
	Fair value	Level 1	Level 2	Level 3
Assets:				
Investments:				
Cash and cash equivalents	$ 7,288,828	7,288,828	—	—
Common stocks and mutual funds	12,527,164	12,527,164	—	—
Corporate bonds, notes, and fixed income mutual funds	9,729,516	7,480,534	2,248,982	—
U.S. government agency securities	2,704,966	—	2,704,966	—
Cash surrender value of life insurance policies	13,500	13,500	—	—
Total	$ 32,263,974	27,310,026	4,953,948	—
Liabilities:				
Interest rate swaps	812,735	—	812,735	—
Total	$ 812,735	—	812,735	—

(5) Concentration of Credit Risk

The Corporations grant credit to its self-pay residents as well as those that are insured under third-party payor agreements. The mix of receivables from residents and third-party payors as of June 30, 2009 and 2008 is as follows:

	2009	2008
Medicare	20%	15%
Medicaid	23	29
Self pay and commercial insurance	57	56
	100%	100%

(6) Land, Buildings, and Equipment

A summary of land, buildings, and equipment at June 30, 2009 and 2008 is as follows:

	2009		2008	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land and land improvements	$ 23,037,190	1,368,424	5,198,121	1,193,602
Buildings	115,291,734	44,470,454	110,479,203	41,123,395
Furniture, fixtures, and equipment	26,950,371	18,817,682	28,730,186	16,668,375
Construction in progress	7,114,841	—	2,239,673	—
	$ 172,394,136	64,656,560	146,647,183	58,985,372

Construction in progress primarily consists of costs incurred by The Arlington of Naples, Pleasant View, and WLV as they prepare for expansions and renovations. At June 30, 2009, there are no additional contractual amounts for any of these projects. Interest cost is capitalized as a component cost of significant capital projects to the extent that such interest expense exceeds interest income earned on any project specific borrowed funds. The Corporations' capitalized interest cost of $1,198,308 offset by capitalized interest income by $0 at June 30, 2009 and capitalized interest cost of $804,503 offset by capitalized interest income of $71,634 at June 30, 2008.

(7) Refundable Deposits, Entrance Fees, and Deferred Revenue

Residents moving into certain facilities of the Corporations in the past were able to elect to assign their assets to an irrevocable trust maintained by an independent third party. The Corporations may draw against the assets of the trust to pay for the cost of care provided to the residents. When a resident expires, the remaining assets in the trust, if any, are distributed in accordance with the resident's agreement. These assets are not reflected in the accompanying consolidated financial statements as they are not under the control of the Corporations.

Refundable deposits represent amounts that residents place with the Corporations to secure services and a living arrangement in one of the Corporations' facilities. Entrance fees are deposited with subsidiaries, which provide independent living units to residents. Entrance fee contracts provide for various refundable and nonrefundable amounts. Deferred revenues include both nonrefundable entrance fees and amounts billed in advance of the service being provided or performed.

(8) Net Resident Service Revenue

The Corporations have agreements with third-party payors that provide for reimbursement at amounts different from their established rates. Estimated contractual adjustments arising under third-party reimbursement programs represent the differences between the Corporations' billings at established rates and the amounts reimbursed by third-party payors, principally Medicaid and Medicare. They also include any differences between estimated retroactive third-party reimbursement settlements for prior years and subsequent final settlements.

The Corporations have obtained Medicaid certification for a portion of their nursing beds and receive all-inclusive per diem rates for Medicaid-eligible residents. To the extent that charges or related costs incurred for services rendered to Medicaid beneficiaries exceed the per diem rates, they are not recoverable from the Medicaid program or its beneficiaries. Medicaid reimbursement methodologies and payment rates are subject to change based on the amount of funding available to the States of Illinois and Indiana Medicaid programs, and any such changes could have a significant effect on the Corporations' revenues.

The Corporations have also obtained Medicare certification for a portion of their nursing beds. The Corporations are reimbursed by Medicare under a prospective payment system based primarily upon a clinical classification system for Medicare residents. To the extent that charges or related costs incurred for services rendered to Medicare beneficiaries exceed the per diem rates, they are not recoverable from the Medicare program or its beneficiaries.

A summary of gross and net resident service revenue for the years ended June 30, 2009 and 2008 follows:

		2009	2008
Gross resident service revenue	$	88,791,928	81,228,838
Less provisions for:			
Estimated contractual adjustments arising under third-party reimbursement programs		15,494,934	14,311,591
Charity care charges foregone		1,668,937	1,380,609
Net resident service revenue	$	71,628,057	65,536,638

(9) Long-term Debt

A summary of long-term debt at June 30, 2009 and 2008 is as follows:

Bond series		June 30, 2009 balance	June 30, 2008 balance	Interest type	Due dates	2009 effective interest rate	2008 effective interest rate
Economic Development Commission Bonds, Series 1997	$	803,190	1,025,647	Variable interest rate of 70% of the prime rate	Monthly principal and interest payments of $20,000 through January 15, 2014	3.25%	4.94%
Economic Development Commission Bonds, Series 1998		562,643	764,474	Variable interest rate of 70% of the prime rate	Monthly principal and interest payments of $18,000 through January 15, 2015	2.86	4.97
Illinois Health Facilities Authority Weekly Adjustable Rate Revenue Bonds, Series 2001		12,505,000	12,635,000	Interest at the lesser of 15% or a tax exempt variable rate determined weekly	Maturing through August 15, 2031	1.62	3.08
Illinois Health Facilities Authority Variable Rate Demand Revenue Refunding Bonds, Series 2003		12,635,000	13,000,000	Interest at the lesser of 15% or a tax exempt variable rate determined weekly	Maturing through November 1, 2033	2.28	3.19
Illinois Finance Authority Revenue Bonds, Series 2006A		23,460,000	23,460,000	Varying fixed interest rates	Maturing through 2040	5.20% to 5.75%	5.20% to 5.75%
Illinois Finance Authority Extendible Rate Adjustable Securities Revenue Bonds, Series 2006B		500,000	500,000	Fixed rate	August 15, 2039	4.80	4.80
Illinois Finance Authority Variable Rate Demand Revenue Bonds, Series 2006C		2,900,000	4,500,000	Variable interest rate	August 15, 2039	2.17	3.32
Illinois Finance Authority Variable Rate Demand Revenue Bonds, Series 1995		4,725,000	4,915,000	Variable interest rate	February 1, 2025	1.46	2.98
Mortgage loan, WLV		2,292,535	2,365,812	Fixed interest rate	July 1, 2026	6.375	6.375
Mortgage loan, PVLH		2,391,924	2,470,304	Fixed interest rate	July 1, 2026	5.875	5.875
Mortgage loan, AON Land		19,489,579	—	Variable interest rate	July 18, 2013	6.375	—
Mortgage loan, AON Office Bldg		910,986	—	Fixed interest rate	April 5, 2024	6.125	—
Mortgage loan, Parent		2,960,969	3,019,609	Fixed interest rate	December 31, 2031	6.25	6.25
		86,136,826	68,655,846				
Less current installments of long-term debt		1,386,235	1,268,736				
Less long-term debt subject to short-term remarketing arrangements		10,480,358	10,617,614				
Unamortized bond discount and premium		207,379	217,118				
Long-term debt net of current installments and unamortized bond discount and premium	$	75,863,847	58,255,350				

During December 1997 and January 1998, WLV and WLVEC entered into an Economic Development Commission loan for a total commitment of $4,800,000. Under the Series 1997 and 1998 bond indentures, WLV and WLVEC are required to maintain certain reserve funds with their bond trustee. The Series 1997 and 1998 bonds are secured by certain property and real estate of WLV and WLVEC.

ATTACHMENT 39

On September 12, 2001, Series 2001 bonds were issued in the amount of $13,200,000 on behalf of LHSA, the Home, LCSA, and the LFA Foundation (collectively, the LHSA Obligated Group) pursuant to a Master Trust Indenture. As of December 1, 2007, LCSA withdrew from the LHSA Obligated Group in accordance with the provisions of the Master Trust Indenture. The LHSA Obligated Group has obtained a letter of credit, which expires on August 15, 2010 as collateral for the Series 2001 bonds.

On November 10, 2003, the Illinois Health Facilities Authority issued variable rate demand revenue refunding bonds, Series 2003, in the amount of $14,350,000 on behalf of the LHSA Obligated Group. The Series 2003 bonds were issued pursuant to the Master Trust Indenture. Principal payments are due each November 1, and interest is payable monthly. The Series 2003 bonds were issued principally to advance refund the then-outstanding Series 1996A bonds. The LHSA Obligated Group has obtained a letter of credit, which expires on November 15, 2012 as collateral for the Series 2003 bonds.

Certain assets of the LHSA Obligated Group are pledged as collateral for the bonds and the letter of credit. Holders of the Series 2001 and Series 2003 bonds have a put option that allows them to redeem the bonds prior to maturity. The LHSA Obligated Group has an agreement with an underwriter to remarket any bonds redeemed through the exercise of put options. The Series 2001 and Series 2003 bonds are accelerable in the event the LHSA Obligated Group is unable to extend or replace the letter of credit securitizing the bonds.

For bonds issued under the Master Trust Indenture, the LHSA Obligated Group is required to maintain certain reserves and sinking funds with its bond trustee. The LHSA Obligated Group is also required to be in compliance with specified debt covenants and financial ratios. Bonds issued under the Master Trust Indenture are also secured by the unrestricted receivables of the LHSA Obligated Group as well as certain real property of the Home. Management believes the LHSA Obligated Group is compliant with the specified debt covenants and financial ratios.

On April 19, 2006, Luther Oaks entered into a Master Trust Indenture under which Luther Oaks is the only Obligated Group member (the Luther Oaks Obligated Group). The purpose of the Master Trust Indenture is to provide a mechanism for the efficient and economical issuance of notes by the Luther Oaks Obligated Group member. The Master Trust Indenture requires the member of the Luther Oaks Obligated Group to make principal and interest payments on notes issued for its benefit and to pay such amounts as are otherwise necessary to enable the Luther Oaks Obligated Group to satisfy all obligations issued under the Master Trust Indenture.

On April 19, 2006, Series 2006A Fixed Rate Revenue Bonds, Series 2006B Extendable Rate Adjustable Securities Revenue Bonds, and Series 2006C Variable Rate Demand Revenue Bonds (collectively referred to as the Series 2006 bonds) were issued pursuant to a Master Trust Indenture in the aggregate amount of $30,460,000 on behalf of the Luther Oaks Obligated Group. The Series 2006 bonds are secured by a leasehold mortgage in the property, the new CCRC building and equipment, and future revenue streams to be provided by the CCRC. The Series 2006C bonds are also secured by an irrevocable transferable letter of credit issued by a commercial bank, in an amount equal to the principal amount of the bonds and accrued interest on such principal. Holders of the Series 2006 bonds have a put option that allows them to redeem the bonds prior to maturity. The Luther Oaks Obligated Group member has an agreement with an underwriter to remarket any bonds redeemed through the exercise of put options. The loan agreements currently contain quarterly covenants related to the number of presales and occupied units. The loan agreements also contain financial covenants, which are initially effective the earlier of the first full year after stabilized occupancy is obtained for the new CCRC or 2011.

In March 1995, St Pauls issued $6,500,000 of Variable Rate Demand Revenue Bonds (the 1995 Bonds) under the provisions of a Bond Trust Indenture (St Pauls Indenture). Interest is set at a weekly rate as defined by the agreement. The 1995 Bonds are secured by a transferable irrevocable direct pay letter of credit, which expires in February 2012, and is required to be replaced with another letter of credit upon expiration. The letter of credit is secured by the real and personal property of St Pauls. St Pauls is required to be in compliance with specified debt covenants and financial ratios based on the 1995 bond agreement.

WLV maintained a $2,800,000 revolving line of credit and permanent loan agreement with the Lutheran Church Extension Fund-Missouri Synod, which was to expire on July 1, 2006. On July 1, 2006, the then-outstanding principal balance converted to a 20-year term loan with monthly payments of principal and interest at the lender's cost of capital plus 2%, which was 6.375%. The loan agreement is secured by certain WLV real estate.

In July 2006, Pleasant View entered into a 20 year promissory note agreement for $2,600,000 with the Mission Investment Fund of The Evangelical Lutheran Church in America. The promissory note is secured by certain property and real estate related to the nursing facility on the Pleasant View campus. The Evangelical Lutheran Church in America has the right to review and adjust the interest rate on July 1, 2011, July 1, 2016, and July 1, 2021.

In November 2006, LLC entered into a 25 year promissory note agreement for $3,100,000 with the Mission Investment Fund of The Evangelical Lutheran Church in America. The Evangelical Lutheran Church in America has the right to review and adjust the interest rate on December 1, 2011, December 1, 2016, December 1, 2021, and December 1, 2026. The note is guaranteed by LHSA.

In July 2008, The Arlington of Naples, Inc. entered into a five year promissory note agreement for $19,500,000 with the Lutheran Church Extension Fund (LCEF.) The promissory note is secured by approximately 39 acres of land in Naples, Florida. The LCEF has the right to review and adjust the interest rate each month. Two million dollars of the note is guaranteed by LLC.

In March 2009, The Arlington of Naples, Inc. entered into a 15 year promissory note agreement for $920,000 with MainSource Bank. The note is secured by an office building in Naples, Florida. MainSource Bank has the right to review and adjust the interest rate on March 10, 2014 and every 60 months thereafter. The note is guaranteed by Lutheran Life Communities.

The Corporations have variable rate demand notes that have put options available to the creditor. If the put option is exercised, the bonds are presented to the bank, which in turn draws on the underlying letter of credit. The series and the underlying credit facility terms are described as follows:

Series	Letter of Credit Reimbursement Terms
Revenue Bonds, Series 2001	Equal quarterly installments over the terms of the letter of credit through August 2010, starting with the first day of the first calendar quarter that the term loan is given.
Revenue Refunding Bonds, Series 2003	Equal monthly installments over twenty-four months through November 2012, starting 367 days from the date that the term loan is given.
Illinois Finance Authority Bonds, Series 1995	Payment is due on the expiration date stated on the letter of credit agreement of February 2012.
Illinois Finance Authority Variable Rate Demand Revenue Bonds, Series 2006	Equal monthly installments starting on July 1, immediately following the liquidity drawing and ending on the first day of the month preceding the term date of June 2011.

Scheduled principal repayments on long-term debt based on the variable rate demand notes being put back to the Corporations and a corresponding draw being made on the underlying letter of credit facility are as follows:

Year ending June 30:		
2010	$	11,866,593
2011		11,396,283
2012		7,016,984
2013		5,519,871
2014		20,176,238
Thereafter		30,160,857
	$	86,136,826

Scheduled principal repayments on the long-term debt based on the scheduled redemptions according to the underlying Master Trust Indentures are as follows

Year:		
2010	$	1,386,235
2011		1,464,676
2012		1,484,484
2013		1,614,871
2014		21,036,238
Thereafter		59,150,322
	$	86,136,826

The LHSA Obligated Group and the Luther Oaks Obligated Group (collectively, the Obligated Groups) have interest rate related derivative instruments to manage their exposure on their variable rate Series 2003 debt and variable rate Series 2006C bonds. By using derivative financial instruments to hedge exposures to changes in interest rates, the Obligated Groups expose themselves to credit risk and market risk. Credit risk is the failure of the counterparties to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparties owe the Obligated Groups, which creates credit risk for the Obligated Groups. When the fair value of a derivative contract is negative, the Obligated Groups owe the counterparty, and therefore, it does not possess credit risk. The Obligated Groups minimize the credit risk in derivative instruments by entering into transactions with high-quality counterparties. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates.

The Obligated Groups entered into interest rate swap agreements in November 2003 and April 2006 to manage fluctuations in cash flows resulting from interest rate risk on its variable rate Series 2003 and Series 2006C debt, respectively. The swap agreements change the variable rate cash flow exposure on the Series 2003 and Series 2006C debt to fixed cash flows. Under the terms of the interest rate swap agreements, the Corporations receive variable interest rate payments and make fixed interest rate payments, thereby creating the equivalent of fixed-rate debt. A summary of outstanding positions under the floating to fixed rate swap agreements for the Corporations at June 30, 2009 follows:

Notional amount	Maturity date	Rate received	Rate paid
$ 12,635,000	November 2013	BMA Index, reset monthly	3.385%

Payments equal to the differential to be paid or (received) under the interest rate swap agreements are included in interest expense in 2008, recognized monthly and amounted to approximately $102,000. As of June 30, 2009, the interest rate swap agreement for the Luther Oaks Obligated Group came to maturity and was not replaced. The fair value of the Series 2003 Bonds interest rate swap agreement of $(812,735) and $(385,073) is included in fair value of interest rate swap agreements in long-term liabilities at June 30, 2009 and 2008, respectively. During the first quarter of 2009, the swap on the Series 2003 Bonds was deemed to be ineffective. The change in fair value of the interest rate swap agreement of $(427,662) is recorded in nonoperating gains and losses in 2009. In 2008, $(544,703) has been recognized as a direct reduction of unrestricted net assets.

(10) Lines of Credit

St Pauls has access to a line of credit through a revolving note with Bank of America in the amount of $750,000. The balance at June 30, 2009 was $100,000. Payments of interest are payable at prime plus 2% or the London Interbank Offered Rate (LIBOR). The line of credit matures in February 2012 and is secured by the same assets as the 1995 Bonds. The line of credit availability was reduced to $500,000 as of August 12, 2009, through an amendment to the revolving note.

In 2008, WLV entered into an agreement for a line of credit through a revolving note with First Midwest Bank in the amount of $2,000,000. Borrowings on the line of credit are being used to pay for developmental costs for the expansion of independent living units at WLV. In 2009, the line of credit was increased to $2,500,000 and the maturity date was extended from August 8, 2009 to December 31, 2009. The balance at June 30, 2009 was $2,000,000. Interest is set at LIBOR plus 1.75%.

In January 2008, the LHSA Obligated Group entered into an agreement for a line of credit through a revolving note with Fifth Third Bank in the amount of $2,000,000. The balance at June 30, 2009 was $1,200,000. Interest is set at either a Base Rate or a LIBOR Rate depending on the advance taken by the LHSA Obligated Group. The Base Rate is the lender's prime rate less 1.50%. The LIBOR Rate is set at LIBOR. The line of credit matures in January 2010.

In January 2009, the Foundation entered into an agreement for a margin loan through Landmark Capital in the amount of $1,203,905, which equaled the outstanding balance at June 30, 2009. Interest is set on a formula based on the rate of brokers' call money.

(11) Capital Leases

The Corporations lease certain equipment under capital leases. Included with land, buildings, and equipment are $1,618,490 and $1,033,929 at June 30, 2009 and 2008, respectively, of assets held under capital leases and $687,014 and $407,811 of related accumulated amortization at June 30, 2009 and 2008, respectively. A summary of future minimum lease payments and the present value of future minimum lease payments related to capital leases at June 30, 2008 are as follows:

		Amount
Year:		
2010	$	322,886
2011		238,869
2012		58,921
Total future minimum lease payments		620,676
Less amount representing interest at rates ranging from 0% to 10.00%		42,690
Present value of future minimum lease payments		577,986
Less current portion of obligations under capital leases		294,160
Obligations under capital leases, excluding current portion	$	283,826

(12) Employees' Pension Plans

LHSA, the Home, LCSA, and the Foundation participated in a multi-employer noncontributory defined benefit pension plan (the Plan) sponsored by the Lutheran Church Missouri Synod, which provides retirement and disability benefits to substantially all qualifying full-time employees. Contributions are based on a percentage of each eligible participant's gross salary and are submitted to the Plan quarterly. Expense recognized under the terms of the Plan amounted to $725,348 for the year ended June 30, 2008. The entities withdrew from the Plan as of December 31, 2007. All participants at December 31, 2007, were immediately vested in the Plan. The Plan will pay retirement benefits to each participant as he or she retires. The benefits to be paid will be based on the Plan's funding formulas in effect at December 31, 2007.

WLV and WLVEC sponsor a noncontributory profit sharing plan covering substantially all full time employees. Employer contributions to the profit sharing plan are discretionary. The employers did not elect to make any contributions for the years ended June 30, 2009 or 2008. WLV and WLVEC terminated this plan as of December 31, 2007. All vested balances of the participants were transferred to the LLC Plan as described below.

Pleasant View sponsors a noncontributory profit sharing plan covering substantially all full time employees. Employer contributions to the profit sharing plan are discretionary. Pleasant View terminated this plan as of December 31, 2007.

St Pauls sponsors a contributory profit sharing plan (money purchase plan) covering substantially all full time employees. St Pauls is required to contribute 2% of the eligible compensation of all covered employees to the profit sharing plan. In addition, each participant can elect salary reduction under a tax deferred annuity plan from 1% to 5% of eligible compensation. St Pauls will then match from 0% to 100% of that amount based on participant's years of service (from 0 to 10 years or more). Expense recognized under the terms of the profit sharing plan amounted to $0 and $59,291 for the years ended June 30, 2009 and 2008, respectively. St Pauls froze this plan as of December 31, 2007.

As of January 1, 2008, Lutheran Life Communities began sponsoring a new contributory profit sharing plan (the LLC Plan). The LLC Plan covers substantially all full time employees of all subsidiaries of LLC. Employer contributions to the LLC Plan are discretionary. In addition, each participant can elect salary reduction under the 403(b) plan. LLC can elect each year to match a portion of these salary deferrals. Expense recognized under the terms of the LLC Plan at all entities amounted to $713,110 and $680,619 for the years ended June 30, 2009 and 2008, respectively.

(13) Luther Village Limited Partnership

LHSA has a land lease agreement with Luther Village Limited Partnership (the Partnership), an unrelated party, for a term of 99 years with an option to renew for a second term of 99 years. The Partnership has constructed a number of cooperative apartment and townhome units that may be purchased by individuals at least 55 years of age. Owners pay a monthly ground rent to the Partnership in addition to the initial cost of their unit.

In exchange for the land lease, the Partnership makes the following payments to the Home:

- 0.5% of the sales price of units purchased by initial buyers; and
- The entire amount of the monthly ground rent submitted to the Partnership.

The fees earned by the Home related to the land lease totaled $1,045,000 for each of the years ended June 30, 2009 and 2008, and are included with other nonoperating gains and losses in the accompanying consolidated statements of operations.

In addition, the Home performs certain medical and other support services for the Partnership in exchange for service fees. The service fees earned related to the provision of such services amounted to $137,748 and $131,773 for the years ended June 30, 2009 and 2008, respectively, and have been reflected as other revenue in the accompanying consolidated statements of operations.

(14) Joint Ventures

Joint ventures accounted for using the equity method of accounting represented $1,847,248 and $1,408,732 of other assets in the accompanying consolidated balance sheets at June 30, 2009 and 2008, respectively. The most significant of these investments include:

- Health Resources Alliance, Inc., the parent company of Midwest Senior Care Network (MSCN) for which the Home has provided a $190,000 letter of credit, draws on which are guaranteed by LHSA. No amounts have been accrued or paid pursuant to this agreement as of June 30, 2009.

The Home and St Pauls each have a 1/15th equity interest in MSCN. The investment in MSCN is included in other assets in the accompanying consolidated balance sheets and is being accounted for using the equity method because of the significant influence the Corporations have over MSCN. The Corporations have included their proportionate shares of MSCN net income of $531,268 and $364,687 as other nonoperating gains and losses in the accompanying consolidated statements of operations for 2009 and 2008, respectively.

- Caring Communities Insurance Company (Caring Communities) for which the capital investment is being accounted for using the equity method and included in other assets in the accompanying consolidated balance sheets. Accordingly, the Corporations have included their proportionate share of Caring Communities net income (loss) in the amounts of $(22,915) and $28,450 as other nonoperating gains and losses in the accompanying 2009 and 2008 consolidated statements of operations, respectively.

For the years ended June 30, 2009 and 2008, the Corporations recognized income of $508,353 and $393,137, respectively, in investments in affiliated companies. This activity is included as a component of other nonoperating gains and losses in the accompanying consolidated statements of operations.

(15) Charitable Gift Annuities

The Corporations are the recipient of various charitable gift annuities. Such gifts are recognized as contribution revenue in the period received, net of any estimated liability for amounts payable to the annuitant in future periods pursuant to the terms of the respective charitable gift annuity contract.

(16) Permanently Restricted Assets

Endowment fund activity for the years ended June 30, 2009 and 2008 is as follows:

		2009	2008
Permanently restricted net assets, December 31, 2008	$	3,246,948	3,148,303
Current year contributions		786,001	98,645
Permanently restricted net assets, December 31, 2009	$	4,032,949	3,246,948

(17) Commitments and Contingencies

Professional and General Liability Self-Insurance

Through December 31, 2001, the Corporations maintained professional liability coverage through commercial insurance carriers. Effective January 1, 2002, the Corporations entered into a contractual agreement to form Caring Communities, a self-insurance administrator, which provides the Corporations with insurance coverage for professional and comprehensive general liability exposure. Insurance expense under the Caring Communities program amounted to $716,419 and $568,935 in 2009 and 2008, respectively. Caring Communities may retroactively assess participants for up to twice their annual premium per coverage year based on adverse participant-specific claims experience as defined in the policy. Based on the Corporations' historical claims experience and exposure to date, no reserves were established at June 30, 2009 or 2008 for either retroactive premium assessments or tail exposures.

Workers' Compensation

The Corporations' workers' compensation program includes various levels of per claim self-insured retentions and excess commercial insurance coverages. Included in operating expenses are $654,955 in 2009 and $876,992 in 2008 for the ultimate cost of reported self insured workers' compensation claims, as well as estimates of incurred but not reported claims.

Effective April 1, 2008, the Corporations entered into a contractual agreement to join Summit Insurance Group, Ltd (Summit), a self-insurance administrator which, through its risk-sharing provisions, provides the Corporations with insurance coverage for workers' compensation coverage. Summit is a multi-organization insurance company incorporated under the laws of the Cayman Islands. As a self-insurance administrator, Summit enables risk sharing among participating organizations. The Corporations are required to pay assessed premiums and are subject to a per claim self-insured retention.

The capital investment in Summit is being accounted for using the equity method and is included in investments in the accompanying consolidated balance sheets (note 3). At this time, the Corporations are not entitled to include a share of Summit's net income in the consolidated statements of operations.

Medicare Reimbursement Changes

Medicare reimburses providers of long-term care services at a prospective payment system for skilled nursing services and imposes a consolidated billing requirement. Changes in Medicare reimbursement as a result of the Centers for Medicare and Medicaid Services' interpretations and applications of these and other provisions of Medicare legislation may have an adverse effect on the Corporations' net resident service revenue.

Litigation

The Corporations are involved in litigation arising in the normal course of business. In consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Corporations' financial position or results of operations.

Regulatory Investigations

The U.S. Department of Justice and other federal agencies routinely conduct regulatory investigations and compliance audits of healthcare providers. The Corporations are subject to these regulatory efforts. Management is currently unaware of any regulatory matters, which may have a material adverse effect on the Corporations' financial position or results from operations.

Ground Lease

During 2006, Luther Oaks entered into a 99-year ground lease agreement with Trinity Lutheran Church (Lessor). The lease calls for annual rent to be based on 10% of the appraised land value, which will be reset every five years. The lease commencement date was set as the beginning of the month in which the first resident moves into the facility, which occurred in the fall of 2007. In September 2007, Luther Oaks also funded a $120,000 deposit account for the benefit of the Lessor as required by the ground lease agreement.

(18) Subsequent Events

In connection with the preparation of the financial statements and in accordance with the recently issued SFAS No. 165, *Subsequent Events*, the Corporations evaluated subsequent events after the consolidated balance sheet date of June 30, 2009 through October 27, 2009, which was the date the financial statements were issued.

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2009

Assets	Lutheran Home and Services for the Aged, Inc.	Lutheran Home for the Aged, Inc.	Lutheran Foundation for the Aged, Inc.	Eliminations	LHSA Obligated Group Members
Current assets:					
Cash and cash equivalents	$	2,867,391	29,160		2,896,551
Assets whose use is limited or restricted – required for current liabilities	6,012	2,064,951	6,658,107	-	8,729,070
Resident accounts receivable net of allowance for doubtful accounts of $672,300	68,081	3,758,495	-	-	3,826,576
Other receivables		659,557			659,557
Inventory of supplies and other		492,902			492,902
Due from affiliates	25,324,507	3,226,429	4,314,069	14,109,969	18,755,036
Total current assets	25,398,600	13,069,725	11,001,336	14,109,969	35,359,692
Assets whose use is limited or restricted, net of amounts required for current liabilities:					
Held by trustee under bond indenture agreement		709,298	-		709,298
Donor restricted investments			3,206,820		3,206,820
Total noncurrent assets whose use is limited or restricted		709,298	3,206,820		3,916,118
Land, buildings, and equipment, net of accumulated depreciation and amortization		31,059,691			31,059,691
Costs to acquire initial continuing care contracts		-			
Investments	29,988	1,439,988	4,644,943		6,114,919
Agency funds		60,131			60,131
Deferred financing costs, net		509,063			509,063
Other assets		953,019			953,019
Total assets	$ 25,428,588	47,800,915	18,853,099	14,109,969	77,972,633

ATTACHMENT 39

Lutheran Community Services for the Aged, Inc.	Wittenberg Lutheran Village, Inc. and Endowment Corp. Inc.	Pleasant View Luther Home, Inc.	The Arlington of Naples	Luther Oaks, Inc.	Lutheran Life Communities Foundation	St Pauls House and Health Care Centers	Lutheran Life Communities	Eliminations	Consolidated
-	463,177	203,125	165,000	106,388	536,045	428,424	19,754	-	4,758,664
149,685	1,153,206	25,912	19,817	3,437,083		351,820		-	11,866,593
-	2,457,229	932,660	-	34,106		849,875			8,100,446
371,499			-	670,982	-		-	899,743	1,002,265
8,163	62,445	31,694		13,026		60,818	67,710	-	737,758
4,540,124				-	2,858,977		1,439,891	27,594,228	
5,209,661	4,136,057	1,194,391	124,817	2,261,585	3,395,022	1,491,137	1,527,355	28,493,991	26,465,726
	91,801			5,255,946					6,057,847
					4,014,607				7,221,427
	91,801			5,355,946	4,014,607				13,279,474
	10,216,341	5,243,293	22,266,922	27,172,549		6,847,619	4,931,171		107,737,376
	1,285,756	144,291	82,577	1,862,137					3,374,761
83,300				-		840,657			7,058,776
									60,131
	33,669			826,507		203,639			1,572,808
				-		894,229			1,847,248
5,353,961	15,763,626	6,581,965	22,474,316	37,378,724	7,409,629	10,497,301	6,458,526	28,493,991	161,395,590

ATTACHMENT 39

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2009

Liabilities and Net Assets		Lutheran Home and Services for the Aged, Inc.	Lutheran Home for the Aged, Inc.	Lutheran Foundation for the Aged, Inc.	Elimination	LHSA Obligated Group Members
Current liabilities:						
Current installments of long-term debt	$	-	520,000			520,000
Long-term debt subject to short-term remarketing arrangements		-	8,823,215			8,823,215
Line of credit		-	1,200,000	-		1,200,000
Current portion of obligations under capital leases			91,655			91,655
Accounts payable		36,883	1,483,757	-		1,520,640
Accrued interest payable			67,142			67,142
Accrued compensation and other liabilities		202,633	2,313,770	900		2,517,303
Refundable deposits and entrance fee		-				
Estimated payables under third-party reimbursement programs				-		
Due to affiliates			14,109,969	-	14,109,969	-
Total current liabilities		239,516	28,609,508	900	14,109,969	14,739,955
Long-term debt, excluding current installments and unamortized bond discount			15,590,528			15,590,528
Obligations under capital leases, net of current portion			7,638			7,638
Deferred revenue from nonrefundable entrance fees			-			
Residents' custodial funds		-	97,846			97,846
Resident entrance fees		-	-			
Reserve for funeral expense			27,300	-		27,300
Resident deposits			1,557,921			1,557,921
Charitable gift annuity contracts				531,122		531,122
Agency funds			60,131			60,131
Fair value of interest rate swap agreements			812,735			812,735
Total liabilities		239,516	46,763,607	532,022	14,109,969	33,425,176
Net assets (deficit):						
Unrestricted		25,189,072	1,001,673	15,114,257		41,305,002
Temporarily restricted		-		250		250
Permanently restricted				3,206,570		3,206,570
Total net assets (deficit)		25,189,072	1,001,673	18,321,077		44,511,822
Total liabilities and net assets	$	25,428,588	47,765,280	18,853,099	14,109,969	77,936,998

See accompanying independent auditors' report.

ATTACHMENT 39

Lutheran Community Services for the Aged, Inc.	Wittenberg Lutheran Village, Inc. and Endowment Corp. Inc.	Pleasant View Luther Home, Inc.	The Arlington of Naples	Luther Oaks, Inc.	Lutheran Life Communities Foundation	St Pauls Home and Health Care Center	Lutheran Life Communities	Eliminations	Consolidated
	485,407	43,207	35,535			200,000	62,086		1,386,235
	-	-		1,057,143					10,480,358
	2,000,000				1,203,905	100,000			4,503,905
	-	-					202,505		294,100
74,344	953,842	585,184	317,571	285,928	42,029	464,112	230,870		4,492,540
	-	11,557	1,117,824	530,829		3,811			1,731,263
157,939	531,793	587,386	86,736	253,855	45,755	272,190	253,341		5,308,297
	-	-							
10,724,480	6,257,393	2,252,196	531,518	455,893		734,072	2,018,439	28,493,991	
10,956,763	10,228,434	4,017,330	2,089,284	3,185,648	1,291,689	1,794,205	8,287,241	28,493,991	28,096,758
	3,172,861	2,308,718	20,400,567	25,580,955		4,525,000	2,898,883		74,477,612
-							276,180		283,826
				751,715					751,715
-	39,685	23,458				[illegible]			345,933
	2,287,286	2,150,342	20,000	10,700,461					15,158,089
-			-						27,200
132,995	22,746	25,700		377,160					2,114,512
	-								531,122
									60,131
	-		-						812,735
11,080,748	15,751,107	8,525,755	22,509,851	40,595,939	1,291,689	6,508,149	11,462,312	28,493,991	122,661,713
(5,736,787)	12,519	(1,982,457)		(3,217,215)	382,464	3,983,541	(5,003,786)		29,747,293
		38,669			4,909,097	9,609			4,957,625
					826,379				4,032,949
(5,736,787)	12,519	(1,943,788)		(3,217,215)	6,117,940	3,993,152	(5,003,786)		38,737,837
5,352,961	15,763,626	6,581,965	22,509,851	37,378,724	7,409,629	10,493,301	6,458,526	28,493,991	161,395,590

ATTACHMENT 39

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidating Statement of Operations Information

Year ended June 30, 2009

		Lutheran Home and Services for the Aged, Inc.	Lutheran Home for the Aged, Inc.	Lutheran Foundation for the Aged, Inc.	LHSA Obligated Group Members
Operating revenue:					
Net resident service revenue	$	5,479,769	35,281,734		40,761,503
Other revenue (loss)		(21,229)	888,585		867,364
Net assets released from restrictions used for operations			53,465	27,846	81,311
Total operating revenue		5,458,540	36,223,784	27,846	41,710,178
Operating expenses:					
Salaries and wages		1,976,879	17,703,058		19,681,937
Employee benefits		248,359	4,782,804		5,031,163
Support services		833,110	4,464,073		5,297,183
Dietary services		508,440	1,439,645		2,008,084
Program services		80,414	8,788,719		8,869,133
Administrative services		213,749	2,100,003		2,313,752
Community services					
Fund-raising				18,634	18,634
Interest		364,200	671,935		976,135
Depreciation and amortization		813,960	1,826,720		2,640,680
Provision for bad debts			104,882		104,882
Total operating expenses		5,031,111	34,881,842	18,634	39,931,587
Income (loss) from operations		427,437	1,341,942	9,212	1,778,591
Investment income			13,736	177,003	190,739
Unrestricted contributions				44,156	44,156
Bequests and legacies					
Net change in unrealized gains and losses on trading securities			(715,694)	(2,979,502)	(3,705,196)
Change in fair value of derivative instruments			(476,133)		(476,133)
Other, net			1,436,438	(117,669)	1,048,749
Total nonoperating gains (losses), net			255,397	(3,153,012)	(2,897,635)
Revenue and gains in excess (deficiency) of expenses and losses		427,437	1,597,339	(3,143,820)	(1,119,044)
Other changes in unrestricted net assets:					
Transfers between affiliates					
Net assets released from restriction for land, building, and equipment acquisitions			9,500		9,500
Increase (decrease) in unrestricted net assets	$	427,437	1,606,839	(3,143,820)	(1,109,544)

See accompanying independent auditors' report

ATTACHMENT 39

Lutheran Community Services for the Aged, Inc.	Wittenberg Lutheran Village, Inc. and Endowment Corp., Inc.	Pleasant View Luther Home, Inc.	Luther Oaks, Inc.	Lutheran Life Communities Foundation	St Pauls House and Health Care Center	Lutheran Life Communities	Consolidated
--	11,186,639	9,249,465	3,197,476		7,103,263	129,709	71,628,057
4,347,334	1,671,433	296,239	136,421		29,952	300	7,349,043
	9,824			524,318	6,148	10,000	631,601
4,347,334	12,867,896	9,545,704	3,333,899	524,318	7,139,363	140,009	79,608,701
1,140,538	6,564,720	4,402,177	2,119,920	710,536	3,397,903	1,733,496	41,951,187
1,024,315	1,617,002	1,294,265	408,099	247,251	751,143	96,539	10,471,777
285,504	2,428,033	1,029,661	815,099	6,636	835,028	149,419	10,856,803
--	528,118	463,924	280,462		563,034		3,846,026
	123,567	1,675,056	13,453		1,008,578	--	4,689,787
333,280	516,798	373,511	565,344	77,406	538,205	960,512	5,719,308
1,490,158							1,490,158
				175,142	3,809		197,585
98,480	221,514	166,551	1,632,267	--	167,008	221,548	3,453,503
263,520	549,724	420,855	1,247,531		616,159	258,912	5,997,481
5,402	240,544	39,209			63,072		473,209
6,681,197	12,790,060	10,089,409	7,083,075	1,216,971	7,963,899	3,420,626	89,176,824
(2,333,863)	77,836	(543,705)	(3,749,176)	(692,653)	(824,536)	(3,280,617)	(9,568,123)
	5,231	108,886	129,473	(197,203)	65,976	34,355	425,907
	720	21,943	--	161,395	330,372		564,836
	300,000			30,000	30,000		360,000
			8,302	(43,624)	(312,401)		(4,053,919)
			48,471				(427,662)
	39,539		-	(675,048)	283,091	(2,000)	694,333
	345,540	130,829	236,246	(727,280)	403,038	72,755	(2,436,507)
(2,333,863)	423,376	(412,876)	(3,512,930)	(1,419,933)	(421,498)	(3,207,862)	(12,004,630)
100,000				(100,000)			
				(9,500)			
(2,233,863)	423,376	(412,876)	(3,512,930)	(1,529,433)	(421,498)	(3,207,862)	(12,004,630)

ATTACHMENT 39

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2001

Assets		Lutheran Home and Services for the Aged, Inc.	Lutheran Home for the Aged, Inc.	Lutheran Foundation for the Aged, Inc.	Eliminations	LHSA Obligated Group Members
Current assets:						
Cash and cash equivalents	$		1,655,185	652,853		2,308,038
Assets whose use is limited or restricted – required for current liabilities			1,637,587	6,520,779		8,158,366
Resident accounts receivable net of allowance for doubtful accounts of $607,700		(671)	3,330,849	-		3,330,178
Other receivables			908,120	5,235		913,355
Inventory of supplies and other			385,966			385,966
Due from affiliates		25,203,644	1,120,015	3,533,106	15,797,549	14,364,216
Total current assets		25,202,973	9,029,722	10,911,973	15,797,549	29,352,119
Assets whose use is limited or restricted, net of amounts required for current liabilities:						
Held by trustee under bond indenture agreement			677,384			677,384
Donor restricted investment				3,065,537		3,065,537
Total noncurrent assets whose use is limited or restricted			677,384	3,065,537		3,742,921
Land, buildings, and equipment, net of accumulated depreciation and amortization			33,022,126			33,022,126
Costs to acquire initial continuing care contracts		-				-
Investments		36,000	2,686,431	8,190,144		10,912,575
Agency funds			60,342			60,342
Deferred financing costs, net			330,682			330,682
Other assets			780,137		-	780,137
Total assets	$	25,241,973	46,786,824	22,167,654	15,797,549	78,420,902

ATTACHMENT 39

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2008

Liabilities and Net Assets	Lutheran Home and Services for the Aged, Inc.	Lutheran Home for the Aged, Inc.	Lutheran Foundation for the Aged, Inc.	Eliminations	LHSA Obligated Group Members
Current liabilities:					
Current installments of long-term debt	$ -	495,000			495,000
Long-term debt subject to short-term remarketing arrangements		8,981,250		-	8,981,250
Line of credit		600,000			600,000
Current portion of obligations under capital leases	-	64,656			64,656
Accounts payable	106,921	941,812	878	-	1,049,611
Accrued interest payable		51,522	-		51,522
Accrued compensation and other liabilities	375,417	2,331,996	38,519		2,745,932
Due to affiliates		15,797,549		15,797,549	
Total current liabilities	482,338	29,263,785	39,397	15,797,549	13,987,971
Long-term debt, excluding current installments and unamortized bond discount		15,980,702			15,980,702
Obligations under capital leases, net of current portion		-			
Deferred revenue from nonrefundable entrance fees		112,972			112,972
Residents' custodial assets					
Resident entrance fees		36,270			36,270
Reserve for funeral expenses		1,601,317			1,601,317
Resident deposits			559,197		559,197
Charitable gift annuity contracts		60,342		-	60,342
Agency funds		336,602			336,602
Fair value of interest rate swap agreements					
Total liabilities	482,338	47,391,990	598,594	15,797,549	32,675,373
Net assets (deficit):					
Unrestricted	24,761,635	(605,166)	18,258,077		42,414,546
Temporarily restricted			84,035		84,035
Permanently restricted			3,246,948		3,246,948
Total net assets (deficit)	24,761,635	(605,166)	21,589,060		45,745,529
Total liabilities and net assets	$ 25,243,973	46,786,824	22,187,654	15,797,549	78,420,902

See accompanying independent auditors' report

Lutheran Community Services for the Aged, Inc.	Wittenberg Lutheran Village, Inc. and Endowment Corp, Inc.	Pleasant View Luther Home, Inc.	The Arlington of Naples	Luther Oaks, Inc.	Lutheran Life Communities Foundation	St Pauls House and Health Care Center	Lutheran Life Communities	Eliminations	Consolidated
.	447,627	78,395	.			190,000	58,314	.	1,264,736
--	.	–	.	1,636,364			.	-	10,617,614
	1,300,000					200,000		.	2,100,000
.	34,865						71,367		170,888
65,387	752,212	512,539	77,392	1,096,359		496,334	229,350	.	4,279,184
..		12,890	-	528,603		7,739			600,754
197,463	874,516	779,610		118,574		353,140	248,149		5,117,384
7,683,394	5,083,552	1,341,624	692,978	320,147		392,248	5,561,242	21,077,685	
7,948,244	8,292,172	2,725,058	770,370	3,700,047		1,439,461	6,168,922	21,077,685	24,154,560
	3,708,901	2,391,909	--	27,218,803		4,725,000	2,961,293		50,986,614
							174,364		174,364
.				642,436			–		642,436
	49,142	17,384				160,403			739,801
	2,031,683	2,076,332	.	9,101,200					13,209,495
									36,270
136,229	23,635	34,000		280,146					3,075,327
			-						559,197
			.						60,342
				48,471					385,073
8,084,473	14,105,539	7,244,883	770,370	40,991,181		6,524,864	9,304,581	21,077,685	98,623,579
(3,502,924)	(410,857)	(1,569,581)	-	295,715	1,911,897	4,405,041	(1,795,924)		41,747,913
	3,910	38,669			10,696	15,757			153,067
-									3,246,948
(3,502,924)	(406,947)	(1,530,912)		295,715	1,922,593	4,420,798	(1,795,924)	.	45,147,928
4,581,549	13,698,592	5,713,971	770,370	41,286,896	1,922,593	10,945,662	7,508,657	21,077,685	143,771,507

ATTACHMENT 39

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidating Statement of Operations Information

Year ended June 30, 2006

	Lutheran Home and Services for the Aged, Inc.	Lutheran Home for the Aged, Inc.	Lutheran Foundation for the Aged, Inc.	LHSA Obligated Group Members
Operating revenue				
Net resident service revenue	$ 4,287,960	33,727,664		38,015,624
Other revenue	29,333	890,643		919,976
Net assets released from restrictions used for operations				
Total operating revenue	4,317,293	34,618,307		38,935,600
Operating expenses				
Salaries and wages	320,198	18,376,727	691,269	19,387,194
Employee benefits	243,479	4,699,224	239,278	5,181,981
Support services		5,362,063		5,362,063
Dietary services		1,941,713		1,941,713
Program services	45,595	1,462,568		1,508,163
Administrative services	605,691	2,106,762	102,237	2,814,690
Community services				
Fund-raising			266,676	266,676
Interest		1,117,477		1,117,477
Depreciation and amortization		2,873,364		2,873,364
Provision for bad debts		99,990		99,990
Total operating expenses	1,214,963	37,841,888	1,299,460	40,356,311
Income (loss) from operations	3,102,330	(3,223,581)	(1,299,460)	(1,420,711)
Nonoperating gains and losses:				
Investment income		553,792	1,149,966	1,703,758
Unrestricted contributions	-		512,045	512,045
Bequests and legacies			370,579	370,579
Net change in unrealized gains and losses on trading securities		(566,973)	(1,609,082)	(2,176,055)
Other, net		1,377,173	(43,515)	1,333,658
Total nonoperating gains, net		1,361,992	381,993	1,743,985
Revenue and gains in excess (deficiency) of expenses and losses	3,102,330	(1,861,589)	(917,467)	323,274
Other changes in unrestricted net assets:				
Change in fair value of derivative instruments		(496,232)		(496,232)
Transfers between affiliates			(120,000)	(120,000)
Net assets released from restriction for land, building, and equipment acquisition		19,839		19,839
Increase (decrease) in unrestricted net assets	$ 3,102,330	(2,337,982)	(1,037,467)	(273,119)

See accompanying independent auditors' report

ATTACHMENT 39

	Lutheran Community Services for the Aged, Inc.	Wittenberg Lutheran Village, Inc. and Endowment Corp, Inc.	Pleasant View Luther Home, Inc.	The Arlington of Naples	Luther Oaks, Inc.	Lutheran Life Communities Foundation	St Pauls House and Health Care Center	Lutheran Life Communities	Consolidated
		10,633,243	8,605,648		1,501,069		6,781,054		65,536,638
	4,884,942	1,564,171	290,812		45,258		12,951	542,752	8,310,862
		46,389	21,759				11,120		79,268
	4,884,942	12,243,803	8,918,219		1,546,327		6,805,125	542,752	73,916,768
	3,214,545	6,213,482	4,473,788		1,168,337	(1)	3,304,671	1,245,055	39,017,071
	1,023,272	1,456,729	1,279,005		202,739		718,644	51,398	9,914,208
		2,271,947	1,145,189		431,328		988,462	248,756	10,447,743
		519,962	519,094		196,632		599,284		3,776,685
		102,889	1,111,338		27,651		953,213		3,698,254
	426,421	519,580	296,567		533,662		568,687	496,611	5,497,438
	1,846,361	-	-					-	1,846,361
							13,274		279,950
		286,695	183,105	-	734,907		263,299	192,459	2,781,942
		539,987	340,649		106,542		597,463	145,593	4,605,498
	18,275	123,179	(10,616)				(16,126)		205,702
	6,579,374	12,034,550	9,329,119	-	3,400,798	(1)	7,990,869	2,379,892	82,070,912
	(1,694,432)	209,253	(410,900)		(1,854,471)	1	(1,185,744)	(1,837,140)	(8,154,144)
	774	665	17,016		40,955	7,924	191,701	85,834	2,048,627
		9,287	25,536			30,482	7,793		585,143
		644,016	16,985			2,125,878	9,923	-	3,165,381
		-			(13,605)	(50,296)	25,904		(2,214,052)
		38,048	500			(92)	495,187	(290,000)	1,577,301
	774	692,016	60,037		27,350	2,113,496	730,508	(204,166)	5,162,400
	(1,693,658)	901,269	(350,863)		(1,767,121)	2,111,897	(455,236)	(2,041,306)	(2,991,744)
					(48,471)				(564,703)
					120,000	(200,000)	200,000		
			15,000						34,839
	(1,693,658)	901,269	(335,863)		(1,715,592)	1,911,897	(255,236)	(2,041,306)	(3,501,608)

ATTACHMENT 39

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LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Financial Statements and Schedules

June 30, 2010 and 2009

(With Independent Auditors' Report Thereon)

ATTACHMENT 39

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Table of Contents

KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report

The Boards of Directors
Lutheran Life Communities and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Lutheran Life Communities and Subsidiaries (the Corporations) as of June 30, 2010 and 2009, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporations' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporations' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Corporations as of June 30, 2010 and 2009, and the results of their operations, changes in net assets, and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information included in schedules 1 through 4 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual corporations. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

KPMG LLP

October 26, 2010

ATTACHMENT 39

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2010 and 2009

Assets	2010	2009
Current assets:		
Cash and cash equivalents	$ 5,240,955	4,758,664
Assets whose use is limited or restricted	1,152,701	1,937,238
Resident accounts receivable, net of allowance for doubtful accounts of $739,500 and $672,300 in 2010 and 2009, respectively	11,223,611	8,100,446
Other receivables	1,594,152	1,002,265
Inventory of supplies and other	1,445,855	737,758
Total current assets	20,657,274	16,536,371
Assets whose use is limited or restricted, net of amounts required for current liabilities:		
Board designated for endowment	6,062,524	5,726,743
Resident deposits for future funeral, occupancy, and care costs	3,907,046	4,202,612
Held by trustee under bond indenture agreement	24,937,787	6,057,047
Donor restricted investments	8,552,873	7,221,427
Total noncurrent assets whose use is limited or restricted	43,460,230	23,207,829
Land, buildings, and equipment, net of accumulated depreciation and amortization	117,840,648	107,737,576
Costs to acquire initial continuing care contracts	4,542,947	3,374,761
Investments	6,467,013	7,058,776
Agency funds	64,236	60,131
Deferred financing costs, net	2,881,145	1,572,898
Other assets	2,125,762	1,847,248
Total assets	$ 198,039,255	161,395,590

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets	2010	2009
Current liabilities:		
Current installments of long-term debt	$ 1,977,832	1,386,235
Line of credit	6,270,347	4,503,905
Current portion of obligations under capital leases	225,698	294,160
Accounts payable	5,078,213	4,492,540
Accrued interest payable	3,175,128	1,731,263
Accrued compensation and other liabilities	4,222,020	5,208,297
Total current liabilities	20,949,238	17,616,400
Long-term debt, excluding current installments and unamortized bond discount and premium	114,848,011	84,957,970
Obligations under capital leases, net of current portion	58,128	283,826
Deferred revenue from nonrefundable entrance fees	729,728	751,715
Residents' custodial assets	403,187	345,933
Resident entrance fees	17,401,931	15,158,089
Reserve for funeral expenses	24,100	27,300
Resident deposits	1,934,997	2,116,512
Charitable gift annuity contracts	477,812	531,122
Agency funds	64,236	60,131
Other long-term liabilities	1,231,537	812,735
Total liabilities	158,122,905	122,661,733
Net assets:		
Unrestricted	27,825,761	29,743,283
Temporarily restricted	7,832,943	4,957,625
Permanently restricted	4,257,646	4,032,949
Total net assets	39,916,350	38,733,857
Total liabilities and net assets	$ 198,039,255	161,395,590

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended June 30, 2010 and 2009

		2010	2009
Operating revenue:			
Net resident service revenue	$	75,078,332	71,628,057
Other revenue		8,962,920	7,349,043
Net assets released from restrictions used for operations		476,060	631,601
Total operating revenue		84,517,312	79,608,701
Operating expenses:			
Salaries and wages		43,273,766	41,951,187
Employee benefits		10,574,875	10,471,777
Support services		10,006,680	10,856,803
Dietary services		3,593,279	3,846,026
Program services		5,255,335	4,689,787
Administrative services		6,296,770	5,719,308
Community services		1,932,163	1,490,158
Fund-raising		225,502	197,585
Interest		3,227,159	3,483,503
Depreciation and amortization		6,088,894	5,997,481
Provision for bad debts		383,942	473,209
Total operating expenses		90,858,365	89,176,824
Loss from operations		(6,341,053)	(9,568,123)
Nonoperating gains and losses:			
Investment income		538,565	425,907
Unrestricted contributions		457,413	564,836
Bequests and legacies		209,300	360,000
Change in net unrealized gains and losses on trading securities		2,458,774	(4,053,919)
Change in fair value of derivative instruments		(137,207)	(427,662)
Other, net		896,686	694,331
Total nonoperating gains (losses), net		4,423,531	(2,436,507)
Revenue and gains deficient of expenses and losses	$	(1,917,522)	(12,004,630)

See accompanying notes to consolidated financial statements.

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2010 and 2009

		2010	2009
Decrease in unrestricted net assets	$	(1,917,522)	(12,004,630)
Temporarily restricted net assets:			
Net contributions for specific purposes		3,351,378	5,436,159
Release of restricted net assets for operations		(476,060)	(631,601)
Increase in temporarily restricted net assets		2,875,318	4,804,558
Permanently restricted net assets:			
Contributions		224,697	786,001
Change in net assets		1,182,493	(6,414,071)
Net assets at beginning of year		38,733,857	45,147,928
Net assets at end of year	$	39,916,350	38,733,857

See accompanying notes to consolidated financial statements.

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities and gains:		
Change in net assets	$ 1,182,493	(6,414,071)
Adjustments to reconcile change in net assets to net cash provided by operating activities and gains:		
Depreciation and amortization	6,088,894	5,997,481
Amortization of entrance fees and refundable deposits	(241,534)	(168,329)
Amortization of deferred finance costs	114,420	100,496
Provision for bad debts	383,942	473,209
Change in fair value of derivative instruments	137,207	427,662
Change in net unrealized gains and losses	(2,458,774)	4,053,919
Change in actuarial value of gift annuity obligations	79,016	94,781
Contributions of permanently restricted net assets	(224,697)	(786,001)
Changes in assets and liabilities:		
Resident accounts receivable	(3,507,107)	(1,540,101)
Other receivables	(591,887)	(360,010)
Inventory of supplies and other	(708,097)	245,054
Other assets	(282,619)	(438,516)
Accounts payable	585,673	213,356
Accrued interest payable	1,443,865	1,130,509
Accrued compensation and other liabilities	(646,523)	87,764
Deferred occupancy and care revenue and refundable deposits	(397,782)	321,584
Net cash provided by operating activities and gains	956,490	3,438,787
Cash flows from investing activities:		
Net purchases of assets whose use is limited or restricted	(19,467,864)	(440,232)
Net sales of investments	3,050,537	779,779
Acquisition of land, buildings, and equipment, net	(16,191,966)	(26,073,246)
Costs to acquire initial continuing care contracts	(1,168,186)	(520,423)
Increase (decrease) in resident deposits	(181,515)	41,185
Net cash used in investing activities	(33,958,994)	(26,212,937)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	37,953,029	20,420,000
Repayment of long-term debt	(7,471,391)	(2,948,759)
Net repayment of obligations under capital leases	(294,160)	232,734
Proceeds from entrance fees and refundable deposits	3,848,297	2,898,739
Refunds paid on entrance fees and refundable deposits	(987,126)	(994,121)
Payments for deferred financing costs	(1,422,667)	—
Proceeds from draw on line of credit	6,216,442	3,203,905
Repayment of line of credit	(4,450,000)	(800,000)
Contributions of permanently restricted net assets	224,697	786,001
Net repayments of charitable gift annuity contracts	(132,326)	(122,856)
Net cash provided by financing activities	33,484,795	22,675,643
Net increase (decrease) in cash and cash equivalents	482,291	(98,507)
Cash and cash equivalents at beginning of year	4,758,664	4,857,171
Cash and cash equivalents at end of year	$ 5,240,955	4,758,664
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	$ 1,783,294	1,824,391
Supplemental disclosure of noncash transactions:		
Assets acquired under capital lease	$ —	584,561

See accompanying notes to consolidated financial statements.

ATTACHMENT 39

(1) Organization and Purpose

Lutheran Life Communities (the Parent) and its subsidiaries were established through a common religious heritage with the Lutheran Church-Missouri Synod and the Evangelical Lutheran Church In America to provide nursing and residential living arrangements for the aged. The Parent and its subsidiaries also sponsor programs and activities that provide hospice services, counseling, education, outreach, home care, day care, and other support services to the community. The affiliated organizations (collectively with the Parent to be referred to as the Corporations) are under the common control of the Parent, and include the following entities:

- Lutheran Life Communities (LLC) is an Illinois not-for-profit corporation formed in 2005 for the purpose of developing new and innovative services for seniors, establishing a senior living system, and providing supervision and management to the facilities.
- Lutheran Life Communities Foundation (LLC Foundation) coordinates fund-raising activities that support the benevolent care and other programs at LLC and all of its subsidiaries. The LLC Foundation was formerly known as St. Pauls House Foundation.
- Lutheran Home and Services for the Aged, Inc. (LHSA) provides management services to its consolidated affiliates and other affiliated entities in Illinois and also operates a 100-unit assisted living facility.
- Lutheran Home for the Aged, Inc. (the Home), located in Arlington Heights, Illinois, is comprised of 274 skilled and 60 intermediate licensed nursing care beds, as well as 58 licensed sheltered care units, providing nursing and other services associated with daily living to residents of the Home.
- Lutheran Community Services for the Aged, Inc. (LCSA) offers family support services, child care services, home health services, and counseling to residents of the Home, their families, staff, and the surrounding community.
- Lutheran Foundation for the Aged, Inc. (the LFA Foundation) coordinates fund-raising activities that support the benevolent care and other programs at the Home.
- Wittenberg Lutheran Village, Inc. (WLV), located in Crown Point, Indiana, is comprised of 155 skilled nursing care beds providing nursing and other services to its residents.
- Wittenberg Lutheran Village Endowment Corporation (WLVEC), located in Crown Point, Indiana, is a continuing care retirement community (CCRC) comprised of a 32-cottage retirement community and a 32-unit assisted living facility providing senior living and community based services to its residents. An expansion project is currently in progress which will add 77 new units of independent living.
- Pleasant View Luther Home, Inc. (Pleasant View) became affiliated with LLC in 2005 and operates a CCRC in Ottawa, Illinois, comprised of 36 independent living units and a 132-bed skilled nursing facility. A repositioning project is currently in progress, which will add 24 units of assisted living and will reduce 42 skilled nursing beds.
- Luther Oaks, Inc., (Luther Oaks) located in Bloomington, Illinois, is CCRC comprised of 90 independent living units and 58 assisted living units.

- St Pauls House and Health Care Center (St Pauls) became affiliated with LLC in 2006 and operates a retirement facility in Chicago, Illinois, comprised of 68 assisted living beds and a 96-bed skilled nursing facility.
- The Arlington of Naples was incorporated in 2008. Effective July 18, 2008, this corporation purchased a parcel of land to develop a new facility in Naples, Florida for $17,800,000. The debt to purchase the land is funded by the Lutheran Church Extension Fund, an unrelated party, and amounts to $19,489,579 as of June 30, 2010.

All significant intercompany transactions and balances have been eliminated in the accompanying consolidated financial statements.

(2) Summary of Significant Accounting Policies

The following significant accounting policies of the Corporations are utilized in presenting the consolidated financial statements:

(a) FASB Codification

In June 2009, the Financial Accounting Standards Board (FASB) issued an accounting standard, which established the Codification to become the single source of authoritative accounting principles. The standard also provides the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are represented in conformity with generally accepted accounting principles in the United States. All guidance contained in the Codification carries an equal level of authority. The Codification is not intended to change generally accepted accounting principles, but is expected to simplify accounting research by reorganizing current generally accepted accounting principles into specific accounting topics. The Corporations adopted this accounting standard in the first quarter of 2010. The adoption of this accounting standard, which was subsequently codified in Accounting Standards Codification (ASC) Topic 105, *Generally Accepted Accounting Principles*, had no impact on the Corporations' results of operations, financial position, and liquidity.

(b) Revenue and Gains Deficient of Expenses and Losses

The consolidated statements of operations include revenue and gains deficient of expenses and losses. Transactions deemed by management to be ongoing, major, or central to the provision of resident care and community support services are reported as revenue and expenses. Transactions incidental to the provision of resident care and community support services are reported as nonoperating gains and losses. Changes in unrestricted net assets excluded from revenue and gains deficient of expenses and losses, consistent with industry practice, include transfers of assets among affiliated not-for-profit entities for other than goods or services and contributions of long-lived assets (including assets acquired using contributions, which by donor restrictions were to be used for the purpose of acquiring such assets).

(c) ***Donor Restrictions***

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Unrestricted contributions, bequests, and legacies are recorded as other revenue of the Home and LCSA and as nonoperating gains of the LFA Foundation, LLC Foundation, and WLVEC. Contributions are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restriction. The receipt of gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net assets. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

(d) ***Restricted Net Assets***

Temporarily restricted net assets are those whose use has been limited by donors for a specific time period or purpose. Permanently restricted net assets are those whose use has been restricted by donors in perpetuity. Temporarily restricted net assets at June 30, 2010 and 2009 principally represent amounts restricted for a specific affiliated organization based on the donor's intent. Permanently restricted net assets represent investments to be held in perpetuity, the income from which is unrestricted and is primarily expendable to support operations.

The Corporations classify as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Investment returns in excess of spending are classified as increases in temporarily restricted net assets until appropriated for expenditure by the Corporations.

Endowment funds are commingled with the pooled investment fund administered by the Corporations. The Corporations rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Corporations target a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

(e) ***Charity Care***

The Corporations provide charity care to residents who meet certain criteria under their benevolent care policies without charge or at amounts less than their established rates. Because the Corporations do not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues.

(f) ***Investments***

Investment income, realized gains (losses), and unrealized gains and losses on trading securities classified as unrestricted investments are recorded as nonoperating gains (losses) of the Corporations. Investment income and realized gains (losses) from temporarily restricted investments are recorded as other revenue of the Corporations. Investment income and realized gains (losses) from permanently restricted investments are recorded as nonoperating gains (losses) since such income (loss) is unrestricted by the donors. Changes in net unrealized gains and losses on other-than-trading investments are excluded from revenue and gains deficient of expenses and losses in the accompanying consolidated statements of operations. All of the Corporations' investments are classified as trading securities.

(g) ***Assets Whose Use is Limited or Restricted***

Assets whose use is limited or restricted include: assets assigned to the Corporations by residents to cover the cost of their future care and services, including assets held by a trustee under bond indenture agreements and all donor restricted assets. Assets whose use is limited or restricted as are classified as current assets to the extent they are required to satisfy obligations classified as current liabilities in the accompanying consolidated balance sheets or if the assets are held in cash and cash equivalents for any current or long term liability.

(h) ***Cash and Cash Equivalents***

For purposes of presentation in the consolidated statements of cash flows, cash and cash equivalents include cash on hand, demand deposits, and money market accounts excluding amounts held as investments and assets whose use is limited or restricted.

(i) ***Land, Buildings, and Equipment***

Land, buildings, and equipment are stated at cost, or if donated, at fair value at date of donation, less accumulated depreciation. Assets acquired under capital lease are recorded at the net present value of minimum lease payments. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Amortization of assets under capital lease is provided over the lesser of the estimated useful life of the asset or the respective lease term.

(j) ***Inventory***

Inventory of supplies is reported at the lower of cost (first-in, first-out) or market.

(k) ***Costs to Acquire Initial Continuing Care Contracts***

Costs to acquire initial continuing care contracts (the Costs) consist principally of marketing and advertising costs incurred directly in relation to the initial acquisition of continuing care contracts related to the new CCRC being developed through The Arlington of Naples, Luther Oaks, and the CCRC expansion at WLV. These entities capitalize costs incurred in connection with direct response advertising whose primary purpose is to secure deposits from residents who are shown to have responded specifically to the advertising. Such advertising costs include newspaper, magazine, television, radio, brochures, and other costs. The Costs are amortized using the straight-line method over the expected stay at the CCRC of the first resident group, beginning in the first period in which revenues associated with the Costs are earned. Upon occupancy of the first resident group, additional Costs are expensed as incurred.

(l) ***Entrance Fees***

Entrance fees, which are nonrefundable, are reported as deferred revenue from nonrefundable entrance fees and included in long term liabilities. These fees are amortized over the life expectancy of the residents. Entrance fees received by Pleasant View and Luther Oaks under residency contracts are refundable at various amounts in accordance with the terms of the individual contracts. Pleasant View and Luther Oaks are required to repay the refundable entrance fee less amounts owed by the resident following certain timeframes after the termination of occupancy under the residency contract.

(m) ***Deferred Financing Costs***

Deferred financing costs represent issuance costs for outstanding long-term debt. Deferred financing costs and bond discounts and premiums are amortized on the straight-line basis over the life of the respective bonds, which approximates the effective interest method. Deferred financing costs and bond discounts and premiums for the Corporations' variable rate demand revenue bonds with put options are amortized over the terms of the letter of credit agreement for each respective bond series.

(n) ***Derivatives and Hedging Activities***

The Corporations account for derivatives and hedging activities in accordance with ASC Topic 815, *Derivatives and Hedging*, which requires that all derivative instruments be recorded on the consolidated balance sheets at fair values. The Corporations are involved in an interest rate swap program. The fair value of the interest rate swap program is included as a component of other long-term liabilities in the accompanying consolidated balance sheets. For the Corporations', the derivative is not designated as a hedge instrument, and therefore, the change in fair value of the interest rate swap program is recognized in the consolidated statements of operations as a component of change in fair value of derivative instruments in the period of change.

(o) ***Estimates and Assumptions***

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(p) ***Fair Value of Financial Instruments***

On July 1, 2008, the Corporations adopted the provisions of FASB Statement No. 157, *Fair Value Measurements*, included in ASC Topic 820, *Fair Value Measurements and Disclosures*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Starting July 1, 2008, the Corporations are required to apply the provisions of ASC Topic 820 to fair value measurements of nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis.

Effective July 1, 2008, the Corporations also adopted the Fair Value Option provisions of the Subsections of ASC Subtopic 825-10, *Financial Instruments – Overall*, included in FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. ASC Subtopic 825-10 gives the Corporations the irrevocable option to report most financial assets and financial liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. The Corporations' management did not elect to measure any additional eligible financial assets or financial liabilities at fair value, and as a result, adoption of ASC Subtopic 825-10 did not have an effect on the results of operations or financial position of the Corporations.

(q) Tax Status

The Corporations qualify as not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code (Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code, except the LLC, which is exempt from taxes under Section 509(a)(2) of the Code.

(r) Reclassifications

Certain 2009 amounts have been reclassified to conform to the 2010 consolidated financial statement presentation.

(3) Investments

The Corporations report investments in equity securities with readily determinable fair values and all investments in debt securities at fair value. Fair value is determined primarily on the basis of quoted market prices. A summary of the composition of the Corporations' investment portfolio at June 30, 2010 and 2009 follows:

	2010	2009
Cash and cash equivalents	$ 10,806,717	7,288,828
Common stocks and mutual funds	17,104,771	12,527,164
Corporate bonds and notes	18,742,680	9,729,516
U.S. government agency securities	4,478,012	2,704,966
Cash surrender value of life insurance policies	12,000	13,500
	$ 51,144,180	32,263,974

ATTACHMENT 39

000216

Investments are reported in the accompanying consolidated balance sheets as follows:

		June 30	
		2010	2009
Assets whose use is limited or restricted – current assets or held for current liabilities	$	1,152,701	1,937,238
Assets whose use is limited or restricted, net of amounts in current assets		43,460,230	23,207,829
Investments		6,467,013	7,058,776
Agency funds		64,236	60,131
	$	51,144,180	32,263,974

The composition of investment return on the Corporations' investment portfolio for the years ended June 30, 2010 and 2009 is as follows:

		2010	2009
Interest and dividend income	$	386,081	238,438
Net realized gains on sale of investments		206,594	155,392
Realized gains on redemption of insurance policies		1,714	9,062
Changes in net unrealized gains and losses on trading securities		2,458,774	(4,053,919)
	$	3,053,163	(3,651,027)

Investment returns are included in the accompanying consolidated statements of operations for the years ended June 30, 2010 and 2009 as follows:

		2010	2009
Other revenue	$	15,742	(23,015)
Investment income		520,915	425,907
Change in unrealized gains and losses on trading securities		2,458,774	(4,053,919)
Interest income offset against capitalized interest expense		57,732	—
	$	3,053,163	(3,651,027)

ATTACHMENT 39

(4) Fair Value Measurement

(a) *Fair Value of Financial Instruments*

The following methods and assumptions were used by the Corporations in estimating the fair value of its financial instruments:

- The carrying amount reported in the consolidated balance sheets approximates fair value because of the short maturities of these instruments for the following: cash and cash equivalents, resident accounts receivable, other receivables, accounts payable accrued compensation and other liabilities, and estimated payables under third-party reimbursement programs.
- Fair values of the Corporations' investments held as assets limited as to use or restricted assets, investments, and agency funds are estimated based on prices provided by its investment managers and its custodian bank. Fair value for cash and cash equivalents, common stock and mutual funds, quoted corporate bonds and notes, and the U.S. government agency securities, are measured using quoted market prices at the reporting date multiplied by the quantity held.
- Fair value of fixed rate long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Corporations for debt of the same remaining maturities. For variable rate debt, carrying amounts approximate fair value. Fair value was estimated using quoted market prices based upon the Corporations' current borrowing rates for similar types of long-term debt securities.
- Fair value of interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and the Corporations.

The following table presents the carrying amounts and estimated fair values of the Corporations' financial instruments not carried at fair value at June 30, 2010 and 2009.

	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Fixed rate long-term debt	$ 67,753,022	64,409,986	32,516,414	28,411,108

(b) *Fair Value Hierarchy*

The Corporations adopted ASC Topic 820 on July 1, 2008 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporations have the ability to access at the measurement date.
- Level 2 are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 inputs are unobservable inputs for the asset or liability.

The following table presents the Corporations' fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2010:

	Fair value	Fair value measurements at June 30 using Level 1	Level 2	Level 3
Assets:				
Investments excluding cash surrender value of life insurance policies of $12,000:				
Cash and cash equivalents	$ 10,806,717	10,806,717	—	—
Common stocks and mutual funds	17,104,771	17,104,771	—	—
Corporate bonds and notes	18,742,680	—	18,742,680	—
U.S. government agency securities	4,478,012	—	4,478,012	—
Total	$ 51,132,180	27,911,488	23,220,692	—
Liabilities:				
Interest rate swaps	$ 949,942	—	949,942	—
Total	$ 949,942	—	949,942	—

ATTACHMENT 39

The following table presents the Corporations' fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2009:

		Fair value	Fair value measurements at June 30 using		
			Level 1	Level 2	Level 3
Assets:					
Investments excluding cash surrender value of life insurance policies of $13,500:					
Cash and cash equivalents	$	7,288,828	7,288,828	—	—
Common stocks and mutual funds		12,527,164	12,527,164	—	—
Corporate bonds, notes, and fixed income mutual funds		9,729,486	7,480,504	2,248,982	—
U.S. government agency securities		2,704,996	—	2,704,996	—
Total	$	32,250,474	27,296,496	4,953,978	—
Liabilities:					
Interest rate swaps	$	812,735	—	812,735	—
Total	$	812,735	—	812,735	—

(5) Concentration of Credit Risk

The Corporations grant credit to its self-pay residents as well as those that are insured under third-party payor agreements. The mix of receivables from residents and third-party payors as of June 30, 2010 and 2009 is as follows:

	2010	2009
Medicare	14%	20%
Medicaid	22	23
Self pay and commercial insurance	64	57
	100%	100%

(6) Land, Buildings, and Equipment

A summary of land, buildings, and equipment at June 30, 2010 and 2009 is as follows:

	2010		2009	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land and land improvements	$ 23,381,286	1,525,934	23,037,190	1,368,424
Buildings	116,392,763	47,865,881	115,291,734	44,470,454
Furniture, fixtures, and equipment	28,345,288	20,983,702	26,950,371	18,817,682
Construction in progress	20,096,828	—	7,114,841	—
	$ 188,216,165	70,375,517	172,394,136	64,656,560

Construction in progress primarily consists of costs incurred by The Arlington of Naples, Pleasant View, and WLVEC as they prepare for expansions and renovations. At June 30, 2010, the remaining estimated cost associated with the completion of the Pleasant View and WLVEC projects is $25,226,564. There are no additional contractual amounts for The Arlington of Naples project at June 30, 2010. Interest cost is capitalized as a component cost of significant capital projects to the extent that such interest expense exceeds interest income earned on any project specific borrowed funds. The Corporations' capitalized interest cost of $2,647,092 offset by capitalized interest income of $57,732 at June 30, 2010 and capitalized interest cost of $1,198,308 offset by capitalized interest income of $0 at June 30, 2009.

(7) Refundable Deposits, Entrance Fees, and Deferred Revenue

Residents moving into certain facilities of the Corporations in the past were able to elect to assign their assets to an irrevocable trust maintained by an independent third party. The Corporations may draw against the assets of the trust to pay for the cost of care provided to the residents. When a resident expires, the remaining assets in the trust, if any, are distributed in accordance with the resident's agreement. These assets are not reflected in the accompanying consolidated financial statements as they are not under the control of the Corporations.

Refundable deposits represent amounts that residents place with the Corporations to secure services and a living arrangement in one of the Corporations' facilities. Entrance fees are deposited with subsidiaries, which provide independent living units to residents. Entrance fee contracts provide for various refundable and nonrefundable amounts. Deferred revenues include both nonrefundable entrance fees and amounts billed in advance of the service being provided or performed.

(8) Net Resident Service Revenue

The Corporations have agreements with third-party payors that provide for reimbursement at amounts different from their established rates. Estimated contractual adjustments arising under third-party reimbursement programs represent the differences between the Corporations' billings at established rates and the amounts reimbursed by third-party payors, principally Medicaid and Medicare. They also include any differences between estimated retroactive third-party reimbursement settlements for prior years and subsequent final settlements.

The Corporations have obtained Medicaid certification for a portion of their nursing beds and receive all-inclusive per diem rates for Medicaid-eligible residents. To the extent that charges or related costs incurred for services rendered to Medicaid beneficiaries exceed the per diem rates, they are not recoverable from the Medicaid program or its beneficiaries. Medicaid reimbursement methodologies and payment rates are subject to change based on the amount of funding available to the States of Illinois and Indiana Medicaid programs, and any such changes could have a significant effect on the Corporations' revenues.

The Corporations have also obtained Medicare certification for a portion of their nursing beds. The Corporations are reimbursed by Medicare under a prospective payment system based primarily upon a clinical classification system for Medicare residents. To the extent that charges or related costs incurred for services rendered to Medicare beneficiaries exceed the per diem rates, they are not recoverable from the Medicare program or its beneficiaries.

A summary of gross and net resident service revenue for the years ended June 30, 2010 and 2009 follows:

	2010	2009
Gross resident service revenue	$ 93,122,518	88,791,928
Less provisions for:		
Estimated contractual adjustments arising under third-party reimbursement programs	16,870,301	15,494,934
Charity care charges foregone	1,173,885	1,668,937
Net resident service revenue	$ 75,078,332	71,628,057

(9) Long-term Debt

A summary of long-term debt at June 30, 2010 and 2009 is as follows:

Bond series	June 30, 2010 balance	June 30, 2009 balance	Interest type	Due dates	2010 effective interest rate	2009 effective interest rate
Economic Development Commission Bonds, Series 1997	$ —	803,190	Variable interest rate of 70% of the prime rate	Refunded in 2010	2.64%	3.250%
Economic Development Commission Bonds, Series 1998	—	562,643	Variable interest rate of 70% of the prime rate	Refunded in 2010	2.54	2.860
Economic Development Commission Bonds, Series 2009	37,710,000	—	Fixed interest rate	Maturing through November 15, 2039	6.5% to 8.0%	—
Illinois Health Facilities Authority Weekly Adjustable Rate Revenue Bonds, Series 2001	12,365,000	12,505,000	Interest at the lesser of 15% or a tax exempt variable rate determined weekly	Maturing through August 15, 2031	3.22	1.620
Illinois Health Facilities Authority Variable Rate Demand Revenue Refunding Bonds, Series 2003	12,255,000	12,635,000	Interest at the lesser of 15% or a tax exempt variable rate determined weekly	Maturing through November 1, 2033	1.20	2.280
Illinois Finance Authority Revenue Bonds, Series 2006A	23,460,000	23,460,000	Fixed interest rate	Maturing through 2040	5.20% to 5.75%	5.20% to 5.75%
Illinois Finance Authority Extendable Rate Adjustable Securities Revenue Bonds, Series 2006B	500,000	500,000	Fixed interest rate	August 15, 2019	4.80	4.800
Illinois Finance Authority Variable Rate Demand Revenue Bonds, Series 2006C	—	2,900,000	Variable interest rate	August 15, 2039	2.17	2.170
Illinois Finance Authority Variable Rate Demand Revenue Bonds, Series 1995	4,525,000	4,725,000	Variable interest rate	February 1, 2025	0.44	1.460
Construction Loan, SPH	717,833	—	Variable interest rate	August, 2012	5.75	—
Mortgage loan, WLV	—	2,292,535	Fixed interest rate	Retired in 2010	6.375	6.375
Mortgage loan, PVLH	2,309,072	2,391,924	Fixed interest rate	September 1, 2026	5.875	5.875
Mortgage loan, AON Land	19,489,579	19,489,579	Variable interest rate	July 18, 2013	6.375	6.375
Mortgage loan, AON Office Bldg	875,090	910,986	Fixed interest rate	April 5, 2024	6.125	6.125
Mortgage loan, Parent	2,898,860	2,960,969	Fixed interest rate	December 31, 2031	6.25	6.250
	117,105,434	86,136,826				
Less current installments of long-term debt	1,977,832	1,386,235				
Unamortized bond discount and premium	(279,591)	207,379				
Long-term debt net of current installments and unamortized bond discount and premium	$ 114,848,011	84,957,970				

During December 1997 and January 1998, WLV and WLVEC entered into an Economic Development Commission loan for a total commitment of $4,800,000. The Series 1997 and 1998 bonds were refunded in December, 2009 through the issuance of the WLV and WLVEC Series 2009 Bonds.

On December 30, 2009, Series 2009A, 2009B, and 2009C Fixed Rate Revenue Bonds were issued pursuant to a Master Trust Indenture in the aggregate amount of $37,710,000 on behalf of WLV and WLVEC, together the WLV Obligated Group. The proceeds of the bond issue are being used to refund the 1997 and 1998 bond issues, to refund the mortgage loan for WLV as noted below, and to construct an additional 77 units of independent living along with various common areas and an underground parking garage. The Series 2009 bonds are secured by a mortgage in a majority of the real property owned by the WLV Obligated Group. The Master Indenture allows the WLV Obligated Group to incur additional indebtedness to construct up to 26 additional independent living units in the future. The WLV Obligated Group is required to maintain certain reserves and sinking funds with its bond trustee. The loan agreements currently contain quarterly covenants related to the number of presales and occupied units. The loan agreements also contain financial covenants, which are initially effective the earlier of the first full year after stabilized occupancy is obtained for the project or as of June 30, 2015. The Parent has entered into a Liquidity Support Agreement with the WLV Obligated Group and the bond trustee and has funded a Liquidity Support Fund of $1,000,000 with the bond trustee.

On September 12, 2001, Series 2001 bonds were issued in the amount of $13,200,000 on behalf of LHSA, the Home, LCSA, and the LFA Foundation (collectively, the LHSA Obligated Group) pursuant to a Master Trust Indenture. As of December 1, 2007, LCSA withdrew from the LHSA Obligated Group in accordance with the provisions of the Master Trust Indenture. The LHSA Obligated Group has obtained a letter of credit, which expires on August 15, 2013 as collateral for the Series 2001 bonds.

On November 10, 2003, the Illinois Health Facilities Authority issued variable rate demand revenue refunding bonds, Series 2003, in the amount of $14,350,000 on behalf of the LHSA Obligated Group. The Series 2003 bonds were issued pursuant to the Master Trust Indenture. Principal payments are due each November 1, and interest is payable monthly. The Series 2003 bonds were issued principally to advance refund the then-outstanding Series 1996A bonds. The LHSA Obligated Group has obtained a letter of credit, which expires on November 15, 2012 as collateral for the Series 2003 bonds.

Certain assets of the LHSA Obligated Group are pledged as collateral for the bonds and the letter of credit. Holders of the Series 2001 and Series 2003 bonds have a put option that allows them to redeem the bonds prior to maturity. The LHSA Obligated Group has an agreement with an underwriter to remarket any bonds redeemed through the exercise of put options. The Series 2001 and Series 2003 bonds are accelerable in the event the LHSA Obligated Group is unable to extend or replace the letter of credit securitizing the bonds.

For bonds issued under the Master Trust Indenture, the LHSA Obligated Group is required to maintain certain reserves and sinking funds with its bond trustee. The LHSA Obligated Group is also required to be in compliance with specified debt covenants and financial ratios. Bonds issued under the Master Trust Indenture are also secured by the unrestricted receivables of the LHSA Obligated Group as well as certain real property of the Home. Management believes the LHSA Obligated Group is compliant with the specified debt covenants and financial ratios.

On April 19, 2006, Luther Oaks entered into a Master Trust Indenture under which Luther Oaks is the only Obligated Group member (the Luther Oaks Obligated Group). The purpose of the Master Trust Indenture is to provide a mechanism for the efficient and economical issuance of notes by the Luther Oaks Obligated Group member. The Master Trust Indenture requires the member of the Luther Oaks Obligated Group to make principal and interest payments on notes issued for its benefit and to pay such amounts as are otherwise necessary to enable the Luther Oaks Obligated Group to satisfy all obligations issued under the Master Trust Indenture.

On April 19, 2006, Series 2006A Fixed Rate Revenue Bonds, Series 2006B Extendable Rate Adjustable Securities Revenue Bonds, and Series 2006C Variable Rate Demand Revenue Bonds (collectively referred to as the Series 2006 bonds) were issued pursuant to a Master Trust Indenture in the aggregate amount of $30,460,000 on behalf of the Luther Oaks Obligated Group. The Series 2006 bonds are secured by a leasehold mortgage in the property, the new CCRC building and equipment, and future revenue streams to be provided by the CCRC. The Series 2006C bonds are also secured, until fully redeemed, by an irrevocable transferable letter of credit issued by a commercial bank, in an amount equal to the principal amount of the bonds and accrued interest on such principal. Holders of the Series 2006 bonds have a put option that allows them to redeem the bonds prior to maturity. The Luther Oaks Obligated Group member has an agreement with an underwriter to remarket any bonds redeemed through the exercise of put options. The loan agreements currently contain quarterly covenants related to the number of presales and occupied units. The loan agreements also contain financial covenants, which are initially effective the earlier of the first full year after stabilized occupancy is obtained for the new CCRC or 2011. Luther Oaks redeemed the final amount of the 2006C Bonds in February 2010.

In March 1995, St Pauls issued $6,500,000 of Variable Rate Demand Revenue Bonds (the 1995 Bonds) under the provisions of a Bond Trust Indenture (St Pauls Indenture). Interest is set at a weekly rate as defined by the agreement. The 1995 Bonds are secured by a transferable irrevocable direct pay letter of credit, which expires in February 2013, and is required to be replaced with another letter of credit upon expiration. The letter of credit is secured by the real and personal property of St Pauls. St Pauls is required to be in compliance with specified debt covenants and financial ratios based on the 1995 bond agreement.

In August, 2009, St Pauls entered into a $730,000 Construction Loan Agreement with the Bank of America. The loan was drawn upon as needed to renovate a 24-unit wing of St Pauls House for short term stay Medicare residents. Interest is set at a certain LIBOR plus 2.75% and can be reset every one to three months at St Pauls' option. The interest rate is subject to a floor rate of 5.75%. The loan must be repaid in equal monthly installments beginning June 1, 2010, at 1/60th of the total amount outstanding as of that date. The loan matures on August 12, 2012.

WLV maintained a $2,800,000 revolving line of credit and permanent loan agreement with the Lutheran Church Extension Fund-Missouri Synod, which was to expire on July 1, 2006. On July 1, 2006, the then-outstanding principal balance converted to a 20-year term loan with monthly payments of principal and interest at the lender's cost of capital plus 2.000%, which was 6.375%. The loan agreement is secured by certain WLV real estate. This loan was retired on December 30, 2009, with proceeds from the WLV Obligated Group Series 2009 bond issue, as noted above.

In July 2006, Pleasant View entered into a 20-year promissory note agreement for $2,600,000 with the Mission Investment Fund of The Evangelical Lutheran Church in America. The promissory note is secured by certain property and real estate related to the nursing facility on the Pleasant View campus. The Evangelical Lutheran Church in America has the right to review and adjust the interest rate on July 1, 2011, July 1, 2016, and July 1, 2021.

In November 2006, LLC entered into a 25-year promissory note agreement for $3,100,000 with the Mission Investment Fund of The Evangelical Lutheran Church in America. The Evangelical Lutheran Church in America has the right to review and adjust the interest rate on December 1, 2011, December 1, 2016, December 1, 2021, and December 1, 2026. The note is guaranteed by LHSA.

In July 2008, The Arlington of Naples, Inc. entered into a five-year promissory note agreement for $19,500,000 with the Lutheran Church Extension Fund (LCEF.) The promissory note is secured by approximately 39 acres of land in Naples, Florida. The LCEF has the right to review and adjust the interest rate each month. Two million dollars of the note is guaranteed by LLC.

In March 2009, The Arlington of Naples, Inc. entered into a 15-year promissory note agreement for $920,000 with MainSource Bank. The note is secured by an office building in Naples, Florida. MainSource Bank has the right to review and adjust the interest rate on March 10, 2014 and every 60 months thereafter. The note is guaranteed by LLC.

The Corporations have variable rate demand notes that have put options available to the creditor. If the put option is exercised, the bonds are presented to the bank, which in turn draws on the underlying letter of credit. The series and the underlying credit facility terms are described as follows:

Series	Letter of Credit Reimbursement Terms
Revenue Bonds, Series 2001	Equal quarterly installments over the terms of the letter of credit through August 2013, starting with the first day of the second calendar quarter that the term loan is given.
Revenue Refunding Bonds, Series 2003	Equal monthly installments over 24 months through November 2012, starting 367 days from the date that the term loan is given.
Illinois Finance Authority Bonds, Series 1995	Payment is due on the expiration date stated on the letter of credit agreement of February 2013.
Illinois Finance Authority Variable Rate Demand Revenue Bonds, Series 2006	The letter of credit on these bonds was cancelled when the bonds were fully redeemed in February 2010.

Scheduled principal repayments on long-term debt based on the variable rate demand notes being put back to the Corporations and a corresponding draw being made on the underlying letter of credit facility are as follows:

Year ending June 30:		
2011	$	1,977,832
2012		11,226,406
2013		16,374,783
2014		28,230,297
2015		5,718,846
Thereafter		53,577,270
	$	117,105,434

Scheduled principal repayments on the long-term debt based on the scheduled redemptions according to the underlying Master Trust Indentures are as follows

Year:	
2011	$ 1,096,332
2012	1,137,906
2013	1,796,283
2014	27,853,797
2015	6,613,846
Thereafter	78,607,270
	$ 117,105,434

The LHSA Obligated Group and the Luther Oaks Obligated Group (collectively, the Obligated Groups) have interest rate related derivative instruments to manage their exposure on their variable rate Series 2003 debt and variable rate Series 2006C bonds. By using derivative financial instruments to hedge exposures to changes in interest rates, the Obligated Groups expose themselves to credit risk and market risk. Credit risk is the failure of the counterparties to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparties owe the Obligated Groups, which creates credit risk for the Obligated Groups. When the fair value of a derivative contract is negative, the Obligated Groups owe the counterparty, and therefore, it does not possess credit risk. The Obligated Groups minimize the credit risk in derivative instruments by entering into transactions with high-quality counterparties. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates.

The Obligated Groups entered into interest rate swap agreements in November 2003 and April 2006 to manage fluctuations in cash flows resulting from interest rate risk on its variable rate Series 2003 and Series 2006C debt, respectively. The swap agreements change the variable rate cash flow exposure on the Series 2003 and Series 2006C debt to fixed cash flows. The agreement related to the Series 2006C bonds expired on June 30, 2009. Under the terms of the interest rate swap agreements, the Corporations receive variable interest rate payments and make fixed interest rate payments, thereby creating the equivalent of fixed-rate debt. A summary of outstanding positions under the floating to fixed rate swap agreements for the Corporations at June 30, 2010 follows:

Notional amount	Maturity date	Rate received	Rate paid
$ 12,255,000	November 2013	BMA Index, reset monthly	3.385%

A summary of outstanding positions under the floating to fixed rate swap agreements for the Corporations at June 30, 2009 follows:

Notional amount	Maturity date	Rate received	Rate paid
$ 12,635,000	November 2013	BMA Index, reset monthly	3.385%

As of June 30, 2009, the interest rate swap agreement for the Luther Oaks Obligated Group came to maturity and was not replaced. The fair value of the Series 2003 Bonds interest rate swap agreement of \$(949,942) and \$(812,735) is included in fair value of interest rate swap agreements in long-term liabilities at June 30, 2010 and 2009, respectively. During the first quarter of 2009, the swap on the Series 2003 Bonds was deemed to be ineffective. The change in fair value of the interest rate swap agreement of \$(137,207) and \$(427,662) is recorded in nonoperating gains and losses at June 30, 2010 and 2009, respectively.

(10) Lines of Credit

St Pauls has access to a line of credit through a revolving note with Bank of America in the amount of \$500,000. The balance outstanding at June 30, 2010 was \$500,000. Payments of interest are payable at prime plus 2% or the London Interbank Offered Rate (LIBOR). The line of credit matures in February 2013 and is secured by the same assets as the 1995 Bonds.

In 2008, WLV entered into an agreement for a line of credit through a revolving note with First Midwest Bank in the amount of \$2,000,000. Borrowings on the line of credit were being used to pay for developmental costs for the expansion of independent living units at WLV. In 2009, the line of credit was increased to \$2,500,000 and the maturity date was extended from August 8, 2009 to December 31, 2009. Interest was set at LIBOR plus 1.75%. The balance at June 30, 2010 was \$0 as this line of credit was redeemed with the issuance of the proceeds from the WLV Obligated Group Series 2009 bonds.

In January 2008, the LHSA Obligated Group entered into an agreement for a line of credit through a revolving note with Fifth Third Bank in the amount of \$2,000,000. In December, 2009, this line of credit was increased to \$4,000,000. The balance outstanding at June 30, 2010 was \$2,860,000. Interest is set at either a Base Rate or a LIBOR Rate depending on the advance taken by the LHSA Obligated Group. The Base Rate is the lender's prime rate less 1.50%. The LIBOR Rate is set at LIBOR. The line of credit matures in January 2012.

In January 2009, the Foundation entered into an agreement for a margin loan through Landmark Capital in the amount of \$2,910,347, which equaled the outstanding balance at June 30, 2010. Interest is set on a formula based on the rate of brokers' call money.

(11) Capital Leases

The Corporations lease certain equipment under capital leases. Included with land, buildings, and equipment are $1,618,490 at both June 30, 2010 and 2009, of assets held under capital leases and $975,000 and $687,014 of related accumulated amortization at June 30, 2010 and 2009, respectively. A summary of future minimum lease payments and the present value of future minimum lease payments related to capital leases at June 30, 2010 is as follows:

		Amount
Year:		
2011	$	238,869
2012		58,921
2013		—
Total future minimum lease payments		297,790
Less amount representing interest at rates ranging from 0% to 10.00%		13,964
Present value of future minimum lease payments		283,826
Less current portion of obligations under capital leases		225,698
Obligations under capital leases, excluding current portion	$	58,128

(12) Employees' Pension Plans

St Pauls sponsored a contributory profit sharing plan (money purchase plan) covering substantially all full time employees. St Pauls froze this plan as of December 31, 2007, and it will be terminated once all participant balances are paid out. As of January 1, 2008, LLC began sponsoring a contributory profit sharing plan (the LLC Plan). The LLC Plan is designated as a church plan (403(b)(9)) under ERISA, which provides specific reporting and tax advantages and covers substantially all full time employees of all subsidiaries of LLC. Employer contributions to the LLC Plan are discretionary. In addition, each participant can elect salary reduction under the 403(b)(9) plan. LLC can elect each year to match a portion of these salary deferrals. Expense recognized under the terms of the LLC Plan at all entities amounted to $839,434 and $713,110 for the years ended June 30, 2010 and 2009, respectively.

(13) Luther Village Limited Partnership

LHSA is the lessor of a land lease agreement with Luther Village Limited Partnership (the Partnership), an unrelated party, for a term of 99 years with an option to renew for a second term of 99 years. The Partnership has constructed a number of cooperative apartment and townhome units that may be purchased by individuals at least 55 years of age. Owners pay a monthly ground rent to the Partnership in addition to the initial cost of their unit. A new lease rate for rent to be paid is renegotiated every 10 years. On November 8, 2009, LHSA agreed to a new lease rate of $1,090,000 per year to be received from the Partnership for the next 10 years. The lease amount is based on a formula which is calculated every 10 years. The lease amount will be recalculated as of November 8, 2019, and in each succeeding 10-year period through November 8, 2079.

ATTACHMENT 39

In exchange for the land lease and in addition to the annual lease payments, the Partnership makes the following payments to the Home:

- 0.5% of the sales price of units purchased by initial buyers; and
- The entire amount of the monthly ground rent submitted to the Partnership.

The fees earned by the Home related to the land lease totaled $1,074,998 and $1,045,000 for each of the years ended June 30, 2010 and 2009, respectively, and are included with other nonoperating gains and losses in the accompanying consolidated statements of operations.

In addition, the Home performs certain medical and other support services for the Partnership in exchange for service fees. The service fees earned related to the provision of such services amounted to $145,249 and $137,748 for the years ended June 30, 2010 and 2009, respectively, and have been reflected as other revenue in the accompanying consolidated statements of operations.

(14) Equity Investments

Equity investments accounted for using the equity method of accounting represented $2,125,762 and $1,847,248 of other assets in the accompanying consolidated balance sheets at June 30, 2010 and 2009, respectively. The most significant of these investments include:

Health Resources Alliance, Inc., the parent company of Midwest Senior Care Network (MSCN), for which the Home has provided a $190,000 letter of credit, draws on which are guaranteed by LHSA. No amounts have been accrued or paid pursuant to this agreement as of June 30, 2010.

The Home and St Pauls each have a 1/15th equity interest in MSCN. The investment in MSCN is included in other assets in the accompanying consolidated balance sheets and is being accounted for using the equity method because of the significant influence the Corporations have over MSCN. The Corporations have included their proportionate shares of MSCN net income of $481,178 and $531,268 as other nonoperating gains and losses in the accompanying consolidated statements of operations for 2010 and 2009, respectively.

Caring Communities Insurance Company (Caring Communities) for which the capital investment is being accounted for using the equity method and included in other assets in the accompanying consolidated balance sheets. Accordingly, the Corporations have included their proportionate share of Caring Communities net income (loss) in the amounts of $3,668 and $(22,915) as other nonoperating gains and losses in the accompanying 2010 and 2009 consolidated statements of operations, respectively.

Effective April 1, 2008, the Corporations entered into a contractual agreement to join Summit Insurance Group, Ltd (Summit), a self-insurance administrator which, through its risk-sharing provisions, provides the Corporations with insurance coverage for workers' compensation coverage. Summit is a multiorganization insurance company incorporated under the laws of the Cayman Islands. As a self-insurance administrator, Summit enables risk sharing among participating organizations. The Corporations are required to pay assessed premiums and are subject to a per claim self-insured retention.

The Corporations' workers' compensation program includes various levels of per claim self-insured retentions and excess commercial insurance coverages. Included in operating expenses are $846,756 in 2010 and $654,955 in 2009 for the ultimate cost of reported self insured workers' compensation claims, as well as estimates of incurred but not reported claims.

The capital investment in Summit is being accounted for using the equity method and is included in other assets in the accompanying consolidated balance sheets. At this time, the Corporations are not entitled to receive a distribution of Summit's net income.

For the years ended June 30, 2010 and 2009, the Corporations recognized income of $484,846 and $508,353, respectively, in investments in affiliated companies. This activity is included as a component of other nonoperating gains and losses in the accompanying consolidated statements of operations.

(15) Charitable Gift Annuities

The Corporations are the recipient of various charitable gift annuities. Such gifts are recognized as contribution revenue in the period received, net of any estimated liability for amounts payable to the annuitant in future periods pursuant to the terms of the respective charitable gift annuity contract.

(16) Permanently Restricted Assets

Endowment fund activity for the years ended June 30, 2010 and 2009 is as follows:

		2010	2009
Permanently restricted net assets, December 31, 2009	$	4,032,949	3,246,948
Current year contributions		224,697	786,001
Permanently restricted net assets, December 31, 2010	$	4,257,646	4,032,949

(17) Commitments and Contingencies

(a) Professional and General Liability Self-Insurance

Through December 31, 2001, the Corporations maintained professional liability coverage through commercial insurance carriers. Effective January 1, 2002, the Corporations entered into a contractual agreement to form Caring Communities, a self-insurance administrator, which provides the Corporations with insurance coverage for professional and comprehensive general liability exposure. Insurance expense under the Caring Communities program amounted to $737,681 and $716,419 in 2010 and 2009, respectively. Caring Communities may retroactively assess participants for up to twice their annual premium per coverage year based on adverse participant-specific claims experience as defined in the policy. Based on the Corporations' historical claims experience and exposure to date, no reserves were established at June 30, 2010 or 2009 for either retroactive premium assessments or tail exposures.

(b) Employee Health and Welfare Self-Insurance

Through July 31, 2009, the Corporations maintained professional liability coverage through commercial insurance carriers. Effective August 1, 2009, the Corporations entered into a contractual agreement with Benefits Administrative Systems, a self-insurance administrator, which provides the Corporations with insurance coverage for its employees who are eligible for health and welfare insurance. Insurance expense under the employee health and welfare insurance program amounted to $4,401,023 in 2010.

(c) Medicare Reimbursement Changes

Medicare reimburses providers of long-term care services at a prospective payment system for skilled nursing services and imposes a consolidated billing requirement. Changes in Medicare reimbursement as a result of the Centers for Medicare and Medicaid Services' interpretations and applications of these and other provisions of Medicare legislation may have an adverse effect on the Corporations' net resident service revenue.

(d) Litigation

The Corporations are involved in litigation arising in the normal course of business. In consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Corporations' financial position or results of operations.

(e) Regulatory Investigations

The U.S. Department of Justice and other federal agencies routinely conduct regulatory investigations and compliance audits of healthcare providers. The Corporations are subject to these regulatory efforts. Management is currently unaware of any regulatory matters, which may have a material adverse effect on the Corporations' financial position or results from operations.

(f) Ground Lease

During 2006, Luther Oaks entered into a 99-year ground lease agreement with Trinity Lutheran Church (Lessor). The lease calls for annual rent to be based on 10% of the appraised land value, which will be reset every five years. The lease commencement date was set as the beginning of the month in which the first resident moves into the facility, which occurred in the fall of 2007. In September 2007, Luther Oaks also funded a $120,000 deposit account for the benefit of the Lessor as required by the ground lease agreement.

(18) Subsequent Events

In connection with the preparation of the financial statements and in accordance with the recently issued ASC Topic 855, *Subsequent Events*, the Corporations evaluated subsequent events after the consolidated balance sheet date of June 30, 2010 through October 26, 2010, which was the date the financial statements were issued, and determined there are no other items to disclose.

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2018

Assets	Lutheran Home and Services for the Aged, Inc.	Lutheran Home for the Aged, Inc.	Lutheran Foundation for the Aged, Inc.	Eliminations	LHSA Obligated Group Members	Lutheran Community Services for the Aged, Inc.	Wittenberg Lutheran Village, Inc. and Endowment Corp. Inc.	Pleasant View Luther Home, Inc.	The Arlington of Naples	Luther Oaks, Inc.	Lutheran Life Communities Foundation	St Pauls House and Health Care Center	Lutheran Life Communities	Eliminations	Consolidated
Current assets:															
Cash and cash equivalents	$ —	2,945,133	33,829	—	2,979,147	—	1,112,954	407,640	185,522	172,551	31,094	227,408	240,912	—	5,249,955
Assets whose use is limited or restricted	—	—	—	—	—	—	—	25,927	—	126,714	—	—	1,000,000	—	1,152,731
Resident accounts receivable, net of allowance for doubtful accounts of $719,300	58,148	4,289,628	—	—	4,348,176	—	2,843,390	426,864	—	39,138	—	2,765,255	—	—	11,323,611
Other receivables	—	511,869	—	—	515,909	763,194	170,395	156,544	—	777,229	—	86,581	64,571	899,764	1,394,152
Inventory of supplies and other	—	1,066,125	—	—	1,066,125	8,163	92,825	68,259	—	15,444	59,272	70,408	67,921	—	1,445,955
Due from affiliates	25,799,795	5,772,911	7,814,416	10,340,478	28,346,552	2,901,814	—	—	—	—	5,174,490	—	1,444,784	18,470,908	—
Total current assets	25,857,943	14,585,656	7,847,489	10,340,478	35,249,669	4,276,571	6,245,994	1,025,136	185,522	1,131,344	5,299,816	3,053,055	2,921,678	19,370,704	20,653,776
Assets whose use is limited or restricted, net of amounts required for current liabilities:															
Board designated for endowment	—	—	6,062,524	—	6,062,524	—	—	—	—	—	—	—	—	—	6,062,524
Resident deposits for future (unearned) occupancy, and care costs	—	1,357,038	—		1,357,038	147,218	1,286,748	—	1,116,082	—	—	—	—		3,907,086
Held by trustee under bond indenture agreement	—	240,153	—	—	240,153	—	24,687,619	—	—	3,309,711	—	—	—	—	28,237,783
Donor restricted investments	—	—	5,171,820	—	5,171,820	—	—	—	—	—	5,181,853	—	—	—	8,553,673
Total noncurrent assets whose use is limited or restricted	—	1,597,495	11,234,344	—	12,831,839	147,218	25,974,367	—	1,116,082	3,309,711	5,181,853	—	—	—	46,760,230
Land, buildings, and equipment, net of accumulated depreciation and amortization	—	29,011,320	—	—	29,011,320	—	19,426,169	5,492,496	25,566,925	26,260,034	—	3,164,573	5,155,926	—	112,446,446
Costs to acquire initial continuing care contracts	—	—	—	—	—	—	1,065,526	(44,338)	1,083,472	1,629,744	—	—	—	—	4,592,947
Investments	—	3,830,864	9,083,139	—	3,113,794	—	—	—	—	—	—	3,335,219	—	—	6,447,013
Agency funds	—	64,236	—		64,236	—	—	—	—	—	—	—	—	—	64,236
Deferred financing costs, net	—	452,445	—	—	452,445	—	1,412,667	—	—	588,576	—	190,453	—	—	2,591,145
Other assets	36,400	910,374	—	—	946,774	96,130	—	—	—	—	—	1,084,818	—	—	2,325,362
Total assets	$ 25,893,343	49,253,310	19,465,491	10,340,478	84,531,427	4,517,799	45,950,118	7,485,364	27,951,962	33,331,380	10,540,869	12,831,166	2,925,604	19,370,704	188,079,335

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000233

ATTACHMENT 39

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2010

Liabilities and Net Assets	Lutheran Home and Services for the Aged, Inc.	Lutheran Home for the Aged, Inc.	Lutheran Foundation for the Aged, Inc.	Eliminations	LLCS Obligated Group Members	Lutheran Community Services for the Aged, Inc.	Wittenberg Lutheran Village, Inc. and Endowment Corp, Inc.	Pinecrest Village Luther Home, Inc.	The Arlington of Naples	Luther Oaks, Inc.	Lutheran Life Communities Foundation	St Pauls House and Health Care Center	Lutheran Life Communities	Eliminations	Consolidated
Current liabilities:															
Current maturities of long-term debt	$ —	1,636,500	—	—	1,636,500	—	—	87,990	41,265	—	—	146,000	46,081	—	3,977,432
Line of credit	—	3,360,000	—	—	2,860,000	—	—	—	—	—	2,950,347	300,000	—	—	6,270,347
Current portion of obligations under capital leases	—	7,634	—	—	7,634	—	—	—	—	—	—	—	215,846	—	223,480
Accounts payable	13,299	2,055,727	—	—	2,167,961	133,081	762,790	456,338	110,961	187,326	72,263	927,864	131,308	—	5,079,315
Accrued interest payable	—	62,984	—	—	62,984	—	359,956	11,116	2,303,401	538,329	—	6,882	—	—	3,375,126
Accrued compensation and other liabilities	294,292	1,359,442	—	—	1,554,844	287,063	292,189	477,332	92,500	296,497	48,118	435,893	479,494	—	4,223,820
Due to affiliates	—	10,240,670	—	93,245,430	—	12,325,247	5,295,834	1,466,097	4,016,693	1,277,319	—	911,287	12,096,415	39,376,304	—
Total current liabilities	316,461	14,313,734	—	10,349,690	8,199,323	12,644,653	6,713,044	4,636,993	6,512,100	2,299,939	3,020,721	2,917,342	15,033,528	39,376,304	20,995,250
Long-term debt, excluding current installments and unamortized bond discount	—	22,420,104	—	—	22,930,104	—	37,253,192	2,221,082	30,153,408	24,722,344	—	5,096,031	2,632,775	—	114,545,019
Obligations under capital leases, net of current portion	—	—	—	—	—	—	—	—	—	—	—	—	54,135	—	55,129
Deferred revenue from nonrefundable entrance fees	—	—	—	—	—	—	13,398	—	—	716,338	—	—	—	—	729,726
Residents' custodial accounts	—	119,346	—	—	119,346	—	16,257	17,310	—	—	—	229,440	—	—	393,187
Resident entrance fees	—	—	—	—	—	—	3,229,201	2,432,697	1,310,454	11,421,579	—	—	—	—	17,409,931
Reserve for funeral expenses	—	34,100	—	—	34,100	—	—	—	—	—	—	—	—	—	34,100
Resident deposits	—	1,332,934	—	—	1,332,934	147,218	20,948	21,300	—	413,295	—	—	—	—	1,934,997
Charitable gift annuity contracts	—	—	477,832	—	477,832	—	—	—	—	—	—	—	—	—	477,832
Agency funds	—	64,236	—	—	64,236	—	—	—	—	—	—	—	—	—	64,236
Other long-term liabilities	—	649,942	—	—	649,942	—	—	—	—	—	281,219	356	—	—	1,231,517
Total liabilities	316,461	43,224,842	477,832	10,349,690	61,976,649	12,811,851	40,243,444	9,169,796	37,975,962	39,363,519	3,300,966	8,243,993	16,424,433	39,376,304	150,127,995
Net assets (deficit):															
Unrestricted	25,676,562	5,724,368	15,505,459	—	46,911,879	(4,294,092)	2,207,874	(2,440,649)	—	(8,052,259)	(673,817)	4,577,546	(8,448,031)	—	27,825,791
Temporarily restricted	—	—	210,231	—	210,231	—	—	601,437	—	—	6,913,644	9,609	—	—	7,852,949
Permanently restricted	—	—	3,271,579	—	3,271,579	—	—	—	—	—	990,079	—	—	—	4,257,646
Total net assets (deficit)	25,676,562	5,724,368	18,987,262	—	50,393,873	(8,294,092)	2,207,874	(1,760,452)	—	(8,052,259)	7,230,905	4,587,155	(8,448,031)	—	39,916,350
Total liabilities and net assets	$ 25,993,023	49,253,410	19,465,094	10,349,690	44,271,437	4,517,759	42,450,318	7,463,344	37,975,962	31,311,260	10,540,869	12,831,148	7,975,404	39,376,304	190,044,355

See accompanying independent auditors' report.

ATTACHMENT 39

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidating Statement of Operations Information

Year ended June 30, 2010

	Lutheran Home and Services for the Aged, Inc.	Lutheran Home for the Aged, Inc.	Lutheran Foundation for the Aged, Inc.	LLCSA Obligated Group Members	Lutheran Community Services for the Aged, Inc.	Wittenberg Lutheran Village, Inc. and Endowment Corp., Inc.	Pleasant View Luther Home, Inc.	Luther Oaks, Inc.	Lutheran Life Communities Foundation	St. Pauls House and Health Care Center	Lutheran Life Communities	Eliminations	Consolidated
Operating revenue:													
Net resident service revenue	$ 5,800,614	16,129,511	-	21,930,125		11,674,091	8,526,179	4,156,048		1,664,670	127,309		75,928,332
Other income (loss)	(78,508)	921,950		843,442	5,710,021	1,771,424	283,236	179,185	-	192,421	60,984	(179,217)	8,962,920
Net assets released from restrictions used for operations			280,000	280,000	-		--	-	196,060				476,060
Total operating revenue	5,642,106	17,171,431	280,000	23,093,567	5,710,021	13,445,429	8,809,415	4,335,233	196,060	1,857,091	188,293	(179,217)	86,517,312
Operating expenses:													
Salaries and wages	2,015,741	16,797,360		18,813,141	2,314,183	6,241,136	4,776,533	2,264,494	523,488	4,095,303	3,925,465	(179,217)	43,273,766
Employee benefits	2,016,901	3,315,093		5,331,994	445,366	1,606,261	1,219,151	470,485	70,173	891,461	515,262		10,574,835
Support services	--	5,042,674		5,042,674		2,440,828	841,644	966,618	-	647,098	317,896		10,006,668
Dietary services		1,946,674		1,946,674		579,873	367,993	360,748	--	338,001	-		3,593,239
Program services	87,976	2,310,244		2,398,220	--	71,764	1,337,143	5,792	--	1,419,502			5,255,315
Administrative services	921,828	768,471		1,690,299	58,238	533,326	293,277	755,133		427,594	2,536,803		6,296,770
Community services	-	—	-	-	1,932,163		-	--	-	-	-	-	1,932,163
Fund raising	--	332	-	332	-	5,279	6,664		208,449	4,076			224,800
Interest	--	1,129,199	--	1,129,199		190,647	333,898	1,473,541		149,258	112,016		3,327,159
Depreciation and amortization	--	2,893,127		2,893,127		592,718	958,429	1,252,766	-	660,972	323,004		6,988,096
Provision for bad debts		7,550	--	7,691	3,034	251,030	30,075			101,153	-		363,942
Allocations, net	90,012	405,603		495,615	1,772,453	150,000	150,000		276,858	99,446	(3,034,906)	-	
Total operating expenses	5,154,596	14,616,629	-	19,771,225	6,965,273	12,633,718	9,576,797	7,252,005	1,008,808	1,814,346	4,954,310	(179,217)	95,858,365
Income (loss) from operations	487,510	2,554,802	280,000	3,322,342	(1,255,252)	811,711	(767,382)	(2,916,772)	(812,748)	42,745	(4,766,017)		(9,341,053)
Investment income (loss)		293,453	(221,388)	12,265	(2,053)	753	62,879	82,216	(28,260)	283,079	119,664		538,565
Unrestricted contributions		250,000	109,991	359,991		-	1,929	—	65,493	—	--	-	452,413
Bequests and legacies							209,500		-				209,500
Net change in unrealized gains and losses on trading securities	-	533,914	1,713,105	2,247,019		-		(5,208)	43,097	102,329	76,737	-	2,458,974
Change in fair value of derivative instruments	-	(137,207)	-	(137,207)						-			(137,207)
Other, net		1,261,085	(591,765)	932,118		82,091	24,962	4,820	(332,655)	165,450			899,086
Total nonoperating gains (losses), net		2,171,293	1,242,143	3,414,186	(2,053)	82,844	348,970	81,828	(243,535)	551,858	190,431		4,423,531
Revenue and gains in excess (deficiency) of expenses and losses	487,510	4,726,095	1,522,143	6,736,528	(1,257,305)	894,555	(418,412)	(2,835,044)	(1,056,283)	594,603	(4,575,586)		(4,917,522)
Other changes in unrestricted net assets: Transfers between affiliates			(1,130,541)	(1,130,541)	(1,300,000)	1,300,000				-	1,130,541	--	
Increase (decrease) in unrestricted net assets	$ 487,510	4,726,095	391,602	5,605,987	(2,557,305)	2,194,555	(418,412)	(2,835,044)	(1,056,283)	594,603	(3,445,045)	--	(4,917,522)

See accompanying independent auditors' report.

Schedule 3

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2009

Assets	Lutheran Home and Services for the Aged, Inc.	Lutheran Home for the Aged, Inc.	Lutheran Foundation for the Aged, Inc.	Eliminations	LHSA Obligated Group Members	Lutheran Community Services for the Aged, Inc.	Wittenberg Lutheran Village, Inc. and Endowment Corp, Inc.
Current assets:							
Cash and cash equivalents	$ —	2,467,391	29,160	—	2,496,551	—	463,177
Assets whose use is limited or restricted	6,012	479,790	931,366	—	1,417,168	16,700	—
Resident accounts receivable, net of allowance for doubtful accounts of $472,350	68,061	1,758,495	—	—	1,826,376	—	2,451,229
Other receivables	—	659,557	—	—	659,557	331,449	—
Inventory of supplies and other	—	492,902	—	—	492,902	8,165	62,445
Due from affiliates	25,324,907	4,326,479	4,314,009	14,109,909	16,755,336	4,540,524	—
Total current assets	25,398,980	11,464,504	5,274,593	14,109,909	28,042,728	5,136,678	2,982,851
Assets whose use is limited or restricted, net of amounts required for current liabilities:							
Board designated for endowment	—	—	1,734,743	—	5,326,745	—	—
Resident deposits for future funeral, occupancy, and care costs	—	1,383,224	—	—	1,383,224	132,985	1,133,296
Held by trustee under bond indenture agreement	—	109,298	—	—	909,298	—	91,800
Donor restricted investments	—	—	3,298,620	—	3,298,620	—	—
Total noncurrent assets whose use is limited or restricted	—	2,294,519	4,933,363	—	11,226,882	132,985	1,225,096
Land, buildings and equipment, net of accumulated depreciation and amortization	—	31,859,641	—	—	31,859,641	—	10,316,741
Costs to acquire initial continuing care contracts	—	—	—	—	—	—	(253,796)
Investments	29,985	1,424,928	4,644,943	—	6,114,819	63,370	—
Agency funds	—	40,131	—	—	40,131	—	—
Deferred financing costs, net	—	509,063	—	—	509,063	—	53,669
Other assets	—	953,019	—	—	953,019	—	—
Total assets	$ 25,428,905	47,800,915	18,853,899	14,109,909	77,972,333	5,332,961	15,763,426

Assets	Pioneer Vest Luther Home, Inc	The Arlington of Naples	Luther Oaks, Inc.	Lutheran Life Communities Foundation	St Pauls House and Health Care Center	Lutheran Life Communities	Eliminations	Consolidated
Current assets:								
Cash and cash equivalents	203,125	105,000	106,348	536,045	424,624	19,294	—	4,358,464
Assets whose use is limited or restricted	35,912	—	135,786	—	151,828	—	—	1,757,394
Resident accounts receivable, net of allowance for doubtful accounts of $472,350	932,860	—	34,184	—	349,879	—	—	8,170,446
Other receivables	—	—	670,982	—	—	—	899,761	1,002,265
Inventory of supplies and other	32,896	—	13,026	—	60,178	61,316	—	737,794
Due from affiliates	—	—	—	2,858,977	—	1,450,451	27,994,228	—
Total current assets	1,196,391	105,000	950,202	3,395,022	1,041,132	1,531,355	28,493,991	16,536,371
Assets whose use is limited or restricted, net of amounts required for current liabilities:								
Board designated for endowment	—	—	—	—	—	—	—	3,326,745
Resident deposits for future funeral, occupancy, and care costs	—	39,817	1,351,383	—	—	—	—	4,200,872
Held by trustee under bond indenture agreement	—	—	5,255,946	—	—	—	—	6,917,041
Donor restricted investments	—	—	—	4,014,607	—	—	—	7,131,421
Total noncurrent assets whose use is limited or restricted	—	39,817	6,567,329	4,014,607	—	—	—	23,207,829
Land, buildings and equipment, net of accumulated depreciation and amortization	3,243,763	22,269,923	23,172,549	—	6,847,419	4,951,173	—	107,331,574
Costs to acquire initial continuing care contracts	(44,291)	82,577	1,463,332	—	—	—	—	3,374,761
Investments	—	—	—	—	860,657	—	—	7,038,776
Agency funds	—	—	—	—	—	—	—	40,131
Deferred financing costs, net	—	—	926,505	—	203,659	—	—	1,572,894
Other assets	—	—	—	—	894,229	—	—	1,847,248
Total assets	4,581,965	22,474,316	33,578,724	7,409,629	10,493,301	6,438,526	28,493,991	151,395,998

(Continued)

ATTACHMENT 39

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2009

Liabilities and Net Assets		Lutheran Home and Services for the Aged, Inc.	Lutheran Home for the Aged, Inc.	Lutheran Foundation for the Aged, Inc.	Eliminations	LHSA Obligated Group Members	Lutheran Community Services for the Aged, Inc.	Wittenberg Lutheran Village, Inc. and Endowment Corp., Inc.	Pleasant View Luther Home, Inc.	The Arlington of Naples	Luther Oaks, Inc.	Lutheran Life Communities Foundation	St Pauls House and Health Care Center	Lutheran Life Communities	Eliminations	Consolidated
Current liabilities:																
Current installments of long-term debt	$	—	520,000	—	—	520,000	—	454,407	61,297	35,535	—	—	307,198	62,286	—	1,366,233
Line of credit		—	1,200,000	—	—	1,200,000	—	2,000,000	—	—	—	1,203,915	100,000	—	—	4,503,915
Current portion of obligations under capital leases		—	91,655	—	—	91,655	—	—	—	—	—	—	—	202,505	—	294,160
Accounts payable		16,683	1,483,757	—	—	1,500,440	20,344	453,942	583,184	117,571	345,978	42,029	456,112	330,030	—	4,492,540
Accrued interest payable		—	67,142	—	—	67,142	—	—	11,557	1,117,924	530,829	—	3,811	—	—	1,731,263
Accrued compensation and other liabilities		202,631	2,313,770	900	—	2,517,301	157,439	551,792	587,206	86,736	255,451	45,753	272,199	751,341	—	5,200,297
Refundable deposits and entrance fees		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Estimated payable for under third-party reimbursement programs		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Due to affiliates		—	14,109,960	—	14,109,960	—	10,724,400	6,257,393	2,712,196	551,515	435,893	—	314,872	7,054,439	28,493,991	—
Total current liabilities		219,316	19,786,293	900	14,109,960	5,916,249	10,956,263	10,324,430	4,017,530	2,008,284	1,520,505	1,291,659	1,754,301	8,297,301	28,493,991	17,610,899
Long-term debt, excluding current installments and unamortized bond discount		—	24,449,278	—	—	24,449,278	—	3,112,961	2,366,318	28,345,032	22,234,148	—	4,533,000	2,898,687	—	84,951,978
Obligations under capital leases, net of current portion		—	7,638	—	—	7,638	—	—	—	—	—	—	—	276,188	—	283,826
Deferred revenue from nonrefundable entrance fees		—	—	—	—	—	—	—	—	—	751,715	—	—	—	—	751,715
Residents' custodial assets		—	97,846	—	—	97,846	—	30,665	23,458	—	—	—	100,044	—	—	245,935
Resident entrance fees		—	—	—	—	—	—	2,307,281	2,150,347	30,000	10,700,461	—	—	—	—	15,158,589
Reserve for funeral expense		—	27,300	—	—	27,300	—	—	—	—	—	—	—	—	—	27,300
Resident deposits		—	1,557,921	—	—	1,557,921	112,902	22,746	25,705	—	372,144	—	—	—	—	2,116,512
Charitable gift annuity contracts		—	—	531,122	—	531,122	—	—	—	—	—	—	—	—	—	531,122
Agency funds		—	60,131	—	—	60,131	—	—	—	—	—	—	—	—	—	60,131
Other long-term liabilities		—	612,735	—	—	612,735	—	—	—	—	—	—	—	—	—	612,735
Total liabilities		219,316	46,709,142	532,022	14,109,960	35,660,712	11,008,248	15,751,189	8,522,753	32,474,316	40,595,939	1,291,659	6,506,349	11,462,332	28,493,991	122,661,271
Net assets (deficit):																
Unrestricted		25,199,872	1,091,673	15,114,255	—	41,305,962	(5,716,282)	12,519	(1,983,478)	—	(7,217,215)	382,464	3,903,541	(5,003,706)	—	29,743,293
Temporarily restricted		—	—	291	—	291	—	—	38,669	—	—	4,908,197	9,600	—	—	4,957,825
Permanently restricted		—	—	1,206,530	—	3,206,170	—	—	—	—	—	826,179	—	—	—	4,032,949
Total net assets (deficit)		25,199,872	1,091,673	16,321,077	—	44,611,833	(5,716,282)	12,519	(1,943,803)	—	(7,217,215)	6,117,840	3,913,141	(5,003,706)	—	58,733,067
Total liabilities and net assets	$	25,418,588	47,800,815	16,853,099	14,109,960	79,972,445	5,252,906	15,763,636	6,581,445	32,474,316	37,178,724	7,409,629	10,497,541	6,458,626	28,493,991	181,395,301

See accompanying independent auditors' report.

ATTACHMENT 39

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidating Statement of Operations Information

Year ended June 30, 2009

	Lutheran Home and Services for the Aged, Inc.	Lutheran Home for the Aged, Inc.	Lutheran Foundation for the Aged, Inc.	LHSA Obligated Group Members	Lutheran Community Services for the Aged, Inc.	Wittenberg Lutheran Village, Inc. and Cedarwood Corp., Inc.	Pleasant View Luther Home, Inc.	Luther Oaks, Inc.	Lutheran Life Communities Foundation	St Pauls House and Health Care Center	Lutheran Life Communities	Consolidated
Operating revenue:												
Net resident service revenue	$ 5,479,769	35,281,734		40,761,503	—	11,186,619	9,249,465	3,197,478		7,103,263	129,209	71,628,057
Other revenue (loss)	(21,221)	888,585		867,364	4,347,334	1,671,433	296,239	136,421		29,952	300	7,349,043
Net assets released from restrictions used for operations	—	53,465	27,846	81,311	—	9,824	-	—	524,318	6,148	10,000	631,601
Total operating revenue	5,458,548	36,223,384	27,846	41,710,178	4,347,334	12,867,896	9,545,704	3,333,899	524,318	7,139,363	140,009	79,608,701
Operating expenses:												
Salaries and wages	1,978,879	17,703,058		19,681,937	3,140,538	6,564,720	4,602,177	2,119,920	310,536	3,392,865	1,733,496	41,951,187
Employee benefits	248,359	4,782,804		5,031,163	1,024,315	1,617,002	1,296,265	408,099	247,251	751,143	96,538	10,471,777
Support services	823,110	4,464,073		5,287,183	265,504	2,428,073	1,029,661	815,099	6,636	855,028	149,619	10,856,803
Dietary services	568,440	1,439,648	-	2,008,088	—	538,118	465,924	290,882	-	583,034	—	3,846,076
Program services	80,414	1,788,719	-	1,869,133	—	123,563	1,675,056	13,433	—	1,008,578	—	4,689,767
Administrative services	213,349	2,100,403	—	2,313,752	373,250	516,798	373,531	565,844	72,496	538,205	960,512	5,719,308
Community services	—	—		-	1,490,358	—	—	—	—	—	—	1,490,358
Fundraising	—	—	18,634	18,634	—		-	—	175,142	3,809	-	197,585
Interest	304,200	671,935	—	976,135	91,480	221,514	166,551	1,632,263		167,008	221,348	3,481,503
Depreciation and amortization	813,960	1,826,720	—	2,640,680	263,520	549,724	420,955	1,247,531	—	616,139	238,912	5,997,481
Provision for bad debts	—	104,882	—	104,882	5,402	240,544	59,309	-		63,032	-	473,209
Total operating expenses	5,031,111	34,891,842	18,634	39,931,587	6,481,197	12,790,060	10,088,409	5,083,075	1,216,971	7,963,899	3,420,626	89,176,824
Income (loss) from operations	427,437	1,331,542	9,212	1,778,591	(2,133,863)	77,836	(541,205)	(1,749,176)	(692,653)	(824,536)	(3,280,617)	(9,568,123)
Investment income (loss)		10,786	(50,000)	190,759	-	5,231	103,886	179,473	(199,203)	65,976	74,755	425,907
Unrestricted contributions			44,156	44,156		770	21,943		161,595	336,172	—	564,836
Bequests and legacies						300,000			30,000	30,000		360,000
Net change in unrealized gains on losses on trading securities		(712,694)	(2,999,502)	(3,705,196)				8,302	(44,624)	(312,401)		(4,053,919)
Change in fair value of derivative instruments		(476,133)		(476,133)				45,471				(427,662)
Other, net		1,436,418	(387,689)	1,048,729		39,519			(675,045)	281,091	(2,000)	684,151
Total nonoperating gains (losses), net		255,397	(3,153,032)	(2,897,635)		345,520	130,829	234,246	(727,280)	403,038	72,755	(2,436,507)
Revenue and gains in excess (deficiency) of expenses and losses	427,437	1,597,339	(3,143,820)	(1,119,044)	(2,133,863)	423,376	(412,876)	(3,512,930)	(1,419,933)	(421,498)	(3,207,862)	(12,004,630)
Other changes in unrestricted net assets:												
Transfers between affiliates					100,000			-	(100,000)			
Net assets released from restrictions for land, building, and equipment acquisition		9,500		9,500					(9,500)			
Increase (decrease) in unrestricted net assets	$ 427,437	1,606,839	(3,143,820)	(1,109,544)	(2,213,863)	423,376	(412,876)	(3,512,930)	(1,529,433)	(421,498)	(3,207,862)	(12,004,630)

See accompanying independent auditors' report.

ATTACHMENT 39

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Financial Statements and Schedules

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

ATTACHMENT 39

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Table of Contents

KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report

The Boards of Directors
Lutheran Life Communities and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Lutheran Life Communities and Subsidiaries (the Corporations) as of June 30, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporations' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporations' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Corporations as of June 30, 2011 and 2010, and the results of their operations, changes in net assets, and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information included in schedules 1 through 5 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual corporations. The consolidating information, except for schedule 5 marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

KPMG LLP

October 27, 2011

ATTACHMENT 39

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2011 and 2010

Assets	2011	2010
Current assets:		
Cash and cash equivalents	$ 9,285,551	5,240,955
Assets whose use is limited or restricted	1,992,919	1,152,701
Resident accounts receivable, net of allowance for doubtful accounts of $672,347 and $739,500 in 2011 and 2010, respectively	11,427,913	11,223,611
Other receivables	2,553,772	1,594,152
Inventory of supplies and other	834,647	1,445,855
Total current assets	26,094,802	20,657,274
Assets whose use is limited or restricted, net of amounts required for current liabilities:		
Board designated	6,683,832	6,062,524
Resident deposits for future funeral, occupancy, and care costs	5,710,438	3,907,046
Held by trustee under bond indenture agreement	26,830,798	24,937,787
Donor-restricted investments	5,490,878	8,552,873
Total noncurrent assets whose use is limited or restricted	44,715,946	43,460,230
Land, buildings, and equipment, net of accumulated depreciation and amortization	147,633,071	117,840,648
Costs to acquire initial continuing care contracts	5,643,940	4,542,947
Investments	9,332,786	6,467,013
Agency funds	50,311	64,236
Deferred financing costs, net	3,832,517	2,881,145
Investments in joint ventures	2,304,568	2,125,762
Total assets	$ 239,607,941	198,039,255

See accompanying notes to consolidated financial statements.

ATTACHMENT 39

Liabilities and Net Assets	2011	2010
Current liabilities:		
Current installments of long-term debt	$ 3,111,884	1,977,832
Line of credit	5,808,471	6,270,347
Current portion of obligations under capital leases	318,545	225,698
Accounts payable	6,568,888	5,078,213
Accrued interest payable	4,342,447	3,175,128
Accrued compensation and other liabilities	5,458,949	4,222,020
Total current liabilities	25,609,184	20,949,238
Long-term debt, excluding current installments and unamortized bond discount and premium	137,705,476	114,848,011
Obligations under capital leases, net of current portion	419,143	58,128
Deferred revenue from nonrefundable entrance fees	1,563,659	729,728
Residents' custodial assets	387,210	403,187
Resident entrance fees	28,888,103	17,401,931
Reserve for funeral expenses	12,800	24,100
Resident deposits	2,074,038	1,934,997
Charitable gift annuity contracts	450,250	477,812
Agency funds	50,311	64,236
Other long-term liabilities	783,022	1,231,537
Total liabilities	197,943,196	158,122,905
Net assets:		
Unrestricted	29,168,021	27,825,761
Temporarily restricted	7,006,096	7,832,943
Permanently restricted	5,490,628	4,257,646
Total net assets	41,664,745	39,916,350
Total liabilities and net assets	$ 239,607,941	198,039,255

ATTACHMENT 39

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended June 30, 2011 and 2010

		2011	2010
Operating revenue:			
Net resident service revenue:			
Resident service revenue, net of contractual allowances	$	80,734,930	75,078,332
Provision for bad debts		(659,602)	(383,942)
Net resident service revenue		80,075,328	74,694,390
Other revenue		10,936,671	8,962,920
Net assets released from restrictions used for operations		674,040	476,060
Total operating revenue		91,686,039	84,133,370
Operating expenses:			
Salaries and wages		44,809,664	43,273,766
Employee benefits		12,242,761	10,574,875
Support services		10,684,891	10,006,680
Dietary services		3,912,613	3,593,279
Program services		6,069,114	5,255,335
Administrative services		6,471,485	6,296,770
Community services		2,343,250	1,932,163
Fund-raising		420,006	225,502
Interest		3,559,448	3,227,159
Depreciation and amortization		6,076,779	6,088,894
Total operating expenses		96,590,011	90,474,423
Loss from operations		(4,903,972)	(6,341,053)
Nonoperating gains and losses:			
Investment income		946,908	538,565
Unrestricted contributions		477,633	457,413
Bequests and legacies		74,460	209,300
Change in net unrealized gains and losses on trading securities		2,917,062	2,458,774
Change in fair value of derivative instruments		192,381	(137,207)
Other, net		(181,508)	896,686
Total nonoperating gains, net		4,426,936	4,423,531
Revenue and gains deficient of expenses and losses		(477,036)	(1,917,522)
Other changes in unrestricted net assets:			
Net assets released from restriction for land, building, and equipment acquisitions		1,819,296	—
Change in unrestricted net assets	$	1,342,260	(1,917,522)

See accompanying notes to consolidated financial statements.

ATTACHMENT 39

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2011 and 2010

		2011	2010
Change in unrestricted net assets	$	1,342,260	(1,917,522)
Temporarily restricted net assets:			
Net contributions for specific purposes		1,666,489	3,351,378
Release of restricted net assets for operations		(2,493,336)	(476,060)
Change in temporarily restricted net assets		(826,847)	2,875,318
Permanently restricted net assets:			
Contributions		1,232,982	224,697
Change in net assets		1,748,395	1,182,493
Net assets at beginning of year		39,916,350	38,733,857
Net assets at end of year	$	41,664,745	39,916,350

See accompanying notes to consolidated financial statements.

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2011 and 2010

		2011	2010
Cash flows from operating activities and gains:			
Change in net assets	$	1,748,395	1,182,493
Adjustments to reconcile change in net assets to net cash provided by operating activities and gains:			
Depreciation and amortization		6,076,779	6,088,894
Amortization of entrance fees and refundable deposits		(478,157)	(241,534)
Amortization of deferred finance costs		155,709	114,420
Provision for bad debts		659,602	383,942
Change in fair value of derivative instruments		(192,381)	137,207
Change in net unrealized gains and losses		(2,917,062)	(2,458,774)
Net realized gains on sale of investments		(121,962)	(206,594)
Change in actuarial value of gift annuity obligations		98,442	79,016
Contributions of permanently restricted net assets		(1,232,982)	(224,697)
Changes in assets and liabilities:			
Resident accounts receivable		(863,904)	(3,507,107)
Other receivables		(959,620)	(591,887)
Inventory of supplies and other		611,208	(708,097)
Investment in joint ventures and agency funds		(164,881)	(282,619)
Accounts payable		1,490,675	585,673
Accrued interest payable		1,167,319	1,443,865
Accrued compensation and other liabilities		939,593	(646,523)
Deferred occupancy and care revenue and refundable deposits		1,149,137	(397,782)
Net cash provided by operating activities and gains		7,165,910	749,896
Cash flows from investing activities:			
Net purchases of assets whose use is limited or restricted		(2,095,934)	(19,467,864)
Net sales of investments		173,251	3,257,131
Acquisition of land, buildings, and equipment		(35,869,202)	(16,191,966)
Costs to acquire initial continuing care contracts		(1,100,993)	(1,168,186)
Increase (decrease) in resident deposits		139,041	(181,515)
Net cash used in investing activities		(38,753,837)	(33,752,400)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt, net of discounts		27,715,040	37,953,029
Repayment of long-term debt		(3,723,523)	(7,471,391)
Net repayment of obligations under capital leases		453,862	(294,160)
Proceeds from entrance fees and refundable deposits		13,461,161	3,848,297
Refunds paid on entrance fees and refundable deposits		(1,812,038)	(987,126)
Payments for deferred financing costs		(1,107,081)	(1,422,667)
Proceeds from draw on line of credit		1,138,124	6,216,442
Repayment of line of credit		(1,600,000)	(4,450,000)
Contributions of permanently restricted net assets		1,232,982	224,697
Net repayments of charitable gift annuity contracts		(126,004)	(132,326)
Net cash provided by financing activities		35,632,523	33,484,795
Net increase in cash and cash equivalents		4,044,596	482,291
Cash and cash equivalents at beginning of year		5,240,955	4,758,664
Cash and cash equivalents at end of year	$	9,285,551	5,240,955
Supplemental disclosure of cash flow information:			
Cash paid for interest, net of amounts capitalized	$	2,392,129	1,783,294
Supplemental disclosure of noncash transactions:			
Assets acquired under capital lease	$	696,360	—

See accompanying notes to consolidated financial statements.

(1) Organization and Purpose

Lutheran Life Communities (the Parent) and its subsidiaries were established through a common religious heritage with the Lutheran Church-Missouri Synod and the Evangelical Lutheran Church in America to provide nursing and residential living arrangements for the aged. The Parent and its subsidiaries also sponsor programs and activities that provide hospice services, counseling, education, outreach, home care, day care, and other support services to the community. The affiliated organizations (collectively with the Parent to be referred to as the Corporations) are under the common control of the Parent, and include the following entities:

- Lutheran Life Communities (LLC) is an Illinois not-for-profit corporation formed in 2005 for the purpose of developing new and innovative services for seniors, establishing a senior living system, and providing supervision and management to the facilities.
- Lutheran Life Communities Foundation (LLC Foundation) coordinates fund-raising activities that support the benevolent care and other programs at LLC and all of its subsidiaries. The LLC Foundation was formerly known as St. Pauls House Foundation.
- Lutheran Home and Services for the Aged, Inc. (LHSA) provides management services to its consolidated affiliates and other affiliated entities in Illinois and also operates a 100-unit assisted living facility.
- Lutheran Home for the Aged, Inc. (the Home), located in Arlington Heights, Illinois, comprises 274 skilled and 60 intermediate licensed nursing care beds, as well as 58 licensed sheltered care units, providing nursing and other services associated with daily living to residents of the Home.
- Lutheran Community Services for the Aged, Inc. (LCSA) offers family support services, child care services, home health services, and counseling to residents of the Home, their families, staff, and the surrounding community.
- Lutheran Foundation for the Aged, Inc. (the LFA Foundation) coordinates fund-raising activities that support the benevolent care and other programs at the Home.
- Wittenberg Lutheran Village, Inc. (WLV), located in Crown Point, Indiana, comprises 155 skilled nursing care beds providing nursing and other services to its residents.
- Wittenberg Lutheran Village Endowment Corporation (WLVEC), located in Crown Point, Indiana, is a continuing care retirement community (CCRC) comprising 20-new Villas, 57 new independent living units, a 32-cottage retirement community, and a 32-unit assisted living facility providing senior living and community-based services to its residents.
- Pleasant View Luther Home, Inc. (Pleasant View) became affiliated with LLC in 2005 and operates a CCRC in Ottawa, Illinois, comprising 36 independent living units, 24 assisted living units, and a 90-bed skilled nursing facility
- Luther Oaks, Inc. (Luther Oaks) located in Bloomington, Illinois, is CCRC comprising 90 independent living units and 58 assisted living units.
- St Pauls House and Health Care Center (St Pauls) became affiliated with LLC in 2006 and operates a retirement facility in Chicago, Illinois, comprising 68 assisted living beds and a 96-bed skilled nursing facility.

- The Arlington of Naples was incorporated in 2008. Effective July 18, 2008, this corporation purchased a parcel of land to develop a new facility in Naples, Florida, for $17,800,000. The debt to purchase the land is funded by the Lutheran Church Extension Fund, an unrelated party, and amounts to $19,489,579 as of June 30, 2011.

All significant intercompany transactions and balances have been eliminated in the accompanying consolidated financial statements.

(2) Summary of Significant Accounting Policies

The following significant accounting policies of the Corporations are utilized in presenting the consolidated financial statements:

(a) Revenue and Gains Deficient of Expenses and Losses

The consolidated statements of operations include revenue and gains deficient of expenses and losses. Transactions deemed by management to be ongoing, major, or central to the provision of resident care and community support services are reported as revenue and expenses. Transactions incidental to the provision of resident care and community support services are reported as nonoperating gains and losses. Changes in unrestricted net assets excluded from revenue and gains deficient of expenses and losses, consistent with industry practice, include transfers of assets among affiliated not-for-profit entities for other than goods or services and contributions of long-lived assets (including assets acquired using contributions, which by donor restrictions were to be used for the purpose of acquiring such assets).

(b) Donor Restrictions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Unrestricted contributions, bequests, and legacies are recorded as other revenue of the Home and LCSA and as nonoperating gains of the LFA Foundation, LLC Foundation, and WLVEC. Contributions are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restriction. The receipt of gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net assets. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

(c) Restricted Net Assets

Temporarily restricted net assets are those whose use has been limited by donors for a specific time period or purpose. Permanently restricted net assets are those whose use has been restricted by donors in perpetuity. Temporarily restricted net assets at June 30, 2011 and 2010 principally represent amounts restricted for a specific affiliated organization based on the donor's intent. Permanently restricted net assets represent investments to be held in perpetuity, the income from which is unrestricted and is primarily expendable to support operations.

The Corporations record donor-restricted net assets under Accounting Standards Codification (ASC) Topic 958-205, *Not-for-Profit Entities Presentation of Financial Statements*, which codified an earlier Financial Accounting Standards Board Staff Position FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds*. ASC Topic 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization and requires additional disclosure about endowment funds (both donor-restricted and board-designated).

The Corporations classify as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Investment returns in excess of spending are classified as increases in temporarily restricted net assets until appropriated for expenditure by the Corporations.

Endowment funds are commingled with the pooled investment fund administered by the Corporations. The Corporations rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Corporations target a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

(d) Charity Care

The Corporations provide charity care to residents who meet certain criteria under their benevolent care policies without charge or at amounts less than their established rates. Because the Corporations do not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues. The Corporations have not changed their charity care or uninsured discount policies during fiscal year 2011 or 2010.

(e) Cash and Cash Equivalents

For purposes of presentation in the consolidated statements of cash flows, cash and cash equivalents include cash on hand, demand deposits, and money market accounts excluding amounts held as investments and assets whose use is limited or restricted.

(f) Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted include: assets assigned to the Corporations by residents to cover the cost of their future care and services, including assets held by a trustee under bond indenture agreements and all donor-restricted assets. Assets whose use is limited or restricted are classified as current assets to the extent they are required to satisfy obligations classified as current liabilities in the accompanying consolidated balance sheets or if the assets are held in cash and cash equivalents for any current or long-term liability.

(g) Resident Accounts Receivable

In July 2011, the FASB issued Accounting Standards Update (ASU) 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful*

Accounts for Certain Health Care Entities (ASU 2011-07). ASU 2011-07 requires that entities that recognize significant amounts of resident service revenue at the time the services are rendered even though they do not assess the resident's ability to pay, must present the provision for bad debts related to resident service revenue as a deduction from resident service revenue (net of contractual allowances and discounts) on the statement of operations. All other entities would continue to present the provision for bad debts as an operating expense. In addition, there are enhanced disclosures about the entities policies for recognizing revenue and assessing bad debts. The ASU also requires disclosures of resident service revenue as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The Corporations adopted ASU 2011-07 in 2011 retroactive to July 1, 2009.

Resident accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of resident accounts receivable, the Corporations analyze their past history and identify trends for each of their major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to residents who have third-party coverage, the Corporations analyze contractually due amounts and provide an allowance for doubtful accounts and a provision for bad debts, if necessary (e.g., for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with private-pay residents (which includes both residents without insurance and residents with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Corporations record a provision for bad debts in the period of service on the basis of its past experience. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

(h) Inventory

Inventory of supplies is reported at the lower of cost (first-in, first-out) or market.

(i) Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost, or if donated, at fair value at date of donation, less accumulated depreciation. Assets acquired under capital lease are recorded at the net present value of minimum lease payments. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Amortization of assets under capital lease is provided over the lesser of the estimated useful life of the asset or the respective lease term.

Land, buildings, and equipment are periodically assessed for recoverability based on the occurrence of a significant adverse event or change in the environment in which the Corporations operate or if the expected future cash flows (undiscounted and without interest) would become less than the carrying amount of the asset. An impairment loss would be recorded in the period such determination is made based on the fair value of the related entity. No impairments were recorded for the years ended June 30, 2011 and 2010.

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(j) *Investments*

Investment income, realized gains (losses), and unrealized gains and losses on trading securities classified as unrestricted investments are recorded as nonoperating gains (losses) of the Corporations. Investment income and realized gains (losses) from temporarily restricted investments are recorded as other revenue of the Corporations. Investment income and realized gains (losses) from permanently restricted investments are recorded as nonoperating gains (losses) since such income (loss) is unrestricted by the donors. All of the Corporations' investments are classified as trading securities.

(k) *Costs to Acquire Initial Continuing Care Contracts*

Costs to acquire initial continuing care contracts (the Costs) consist principally of marketing and advertising costs incurred directly in relation to the initial acquisition of continuing care contracts related to the new CCRC being developed through The Arlington of Naples, Luther Oaks, and the CCRC expansion at Wittenberg and Pleasant View. These entities capitalize costs incurred in connection with direct response advertising whose primary purpose is to secure deposits from residents who are shown to have responded specifically to the advertising. Such advertising costs include newspaper, magazine, television, radio, brochures, and other costs. The Costs are amortized using the straight-line method over the expected stay at the CCRC of the first resident group, beginning in the first period in which revenues associated with the Costs are earned. Upon occupancy of the first resident group, additional Costs are expensed as incurred.

(l) *Entrance Fees*

Entrance fees, which are nonrefundable, are reported as deferred revenue from nonrefundable entrance fees and included in long-term liabilities. These fees are amortized over the life expectancy of the residents. Entrance fees received by Wittenberg, Pleasant View, and Luther Oaks under residency contracts are refundable at various amounts in accordance with the terms of the individual contracts. Wittenberg, Pleasant View, and Luther Oaks are required to repay the refundable entrance fee less amounts owed by the resident following certain timeframes after the termination of occupancy under the residency contract.

(m) *Deferred Financing Costs*

Deferred financing costs represent issuance costs for outstanding long-term debt. Deferred financing costs and bond discounts and premiums are amortized on the straight-line basis over the life of the respective bonds, which approximates the effective interest method. Deferred financing costs and bond discounts and premiums for the Corporations' variable rate demand revenue bonds with put options are amortized over the terms of the letter-of-credit agreement for each respective bond series.

(n) *Derivatives and Hedging Activities*

The Corporations account for derivatives and hedging activities in accordance with ASC Topic 815, *Derivatives and Hedging*, which requires that all derivative instruments be recorded on the consolidated balance sheets at fair values. The Corporations are involved in an interest rate swap program. The fair value of the interest rate swap program is included as a component of other long-term liabilities in the accompanying consolidated balance sheets. For the Corporations, the

ATTACHMENT 39

derivative is not designated as a hedge instrument, and therefore, the change in fair value of the interest rate swap program is recognized in the consolidated statements of operations as a component of change in fair value of derivative instruments in the period of change.

(o) ***Estimates and Assumptions***

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(p) ***Fair Value of Financial Instruments***

The Corporations have adopted the provisions of ASC Topic 820, *Fair Value Measurements and Disclosures*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

In conjunction with the adoption of ASC Topic 820, the Corporations adopted the measurement provisions of ASU No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASU No. 2009-12), to certain investments in funds that do not have readily determinable fair values including private investments, hedge funds, real estate, and other funds. This guidance amends ASC Topic 820 and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent. The Corporations adopted the disclosure provisions of ASU No. 2009-12 as of July 1, 2010.

The Corporations have adopted ASU No. 2010-06, *Improving Disclosures about Fair Value Measurements* (ASU No. 2010-06). ASU No. 2010-06 amends ASC Subtopic 820-10, *Fair Value Measurement and Disclosure*, to provide additional disclosure requirements for transfers in and out of Levels 1 and 2 and for activity in Level 3 and to clarify certain other existing disclosure requirements.

The Corporations have also adopted the Fair Value Option provisions of ASC Topic 825-10, *Financial Instruments – Overall*. ASC Topic 825-10 gives the Corporations the irrevocable option to report most financial assets and financial liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. The Corporations' management did not elect to measure any additional eligible financial assets or financial liabilities at fair value, and as a result, adoption of ASC Topic 825-10 did not have an effect on the results of operations or financial position of the Corporations.

(q) Tax Status

The Corporations qualify as not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code (Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code, except the LLC, which is exempt from taxes under Section 509(a)(2) of the Code.

The Corporations have adopted ASC Subtopic 740-10, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*. ASC Subtopic 740-10 addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under ASC Subtopic 740-10, the Corporations must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. ASC Subtopic 740-10 also provides guidance on derecognition, classification, interest, and penalties on income taxes, accounting in interim periods and requires increased disclosures. As of June 30, 2011 and 2010, the Corporations do not have an asset or liability for unrecognized tax benefits.

(r) Reclassifications

Certain 2010 amounts have been reclassified to conform to the 2011 consolidated financial statement presentation including a reclassification of realized gains on investments, net in the consolidated statements of cash flows that decreases operating activities and increases investing activities by $206,594 and a reclassification of provision for bad debts in the consolidated statements of operations that decreases operating revenue and decreases operating expenses by $383,942.

(3) Investment Composition and Fair Value Measurements

(a) Overall Investment Objective

The overall investment objective of the Corporations is to invest their assets in a prudent manner that will achieve an expected rate of return, manage risk exposure, and focus on downside sensitivities. The Corporations' invested assets will maintain sufficient liquidity to fund a portion of the Corporations' annual operating activities and structure the invested assets to maintain a high percentage of available liquidity. The Corporations diversify their investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board's Investment Subcommittee, which oversees the investment program in accordance with established guidelines.

(b) Allocation of Investment Strategies

The Corporations maintain a percentage of assets in domestic and international stocks and mutual funds as well as fixed income corporate bonds and notes and U.S. government agency securities. Because of the inherent uncertainties for valuation of some holdings, the estimated fair values may differ from values that would have been used had a ready market existed.

(c) ***Basis of Reporting***

Assets whose use is limited or restricted and investment assets are reported at estimated fair value. If an investment is held directly by the Corporations and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in common stock and mutual funds, corporate bonds and notes, and U.S. government agency securities are based on share prices reported by the funds as of the last business day of the fiscal year. As of June 30, 2011 and 2010, the Corporations had no plans or intentions to sell investments at amounts different from NAV.

(d) ***Fair Value Hierarchy***

The Corporations have adopted ASC Topic 820 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporations have the ability to access at the measurement date.
- Level 2 are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 inputs are unobservable inputs for the asset or liability.

The following tables summarize the Corporations' cash and cash equivalents, assets whose use is limited or restricted, and investments portfolio by major category in the fair value hierarchy as of June 30, 2011 and 2010, as well as related strategy, liquidity, and funding commitments.

	June 30, 2011					
	Level 1	Level 2	Level 3	Total	Redemption or liquidation	Days' notice
Assets:						
Cash and cash equivalents	$ 9,285,551	—	—	9,285,551	Daily	One
Investments excluding cash surrender value of life insurance policies of $6,000:						
Cash and cash equivalents	22,924,759	—	—	22,924,759	Daily	One
Common stocks and mutual funds	21,282,487	—	—	21,282,487	Daily	One
Fixed income:						
Corporate bonds and notes	—	6,520,899	—	6,520,899	Daily	One
U.S. government agency securities	—	5,357,817	—	5,357,817	Daily	One
Total fixed income	—	11,878,716	—	11,878,716		
Total investments	44,207,246	11,878,716	—	56,085,962		
Total assets	$ 53,492,797	11,878,716	—	65,371,513		
Liabilities:						
Interest rate swap	$ —	757,561	—	757,561		

	June 30, 2010 Level 1	Level 2	Level 3	Total	Redemption or liquidation	Days' notice
Assets:						
Cash and cash equivalents	$ 5,240,955	—	—	5,240,955	Daily	One
Investments excluding cash surrender value of life insurance policies of $12,000:						
Cash and cash equivalents	10,806,717	—	—	10,806,717	Daily	One
Common stocks and mutual funds	17,104,771	—	—	17,104,771	Daily	One
Fixed income:						
Corporate bonds and notes	—	18,742,680	—	18,742,680	Daily	One
U.S. government agency securities	—	4,478,012	—	4,478,012	Daily	One
Total fixed income	—	23,220,692	—	23,220,692		
Total investments	27,911,488	23,220,692	—	51,132,180		
Total assets	$ 33,152,443	23,220,692	—	56,373,135		
Liabilities:						
Interest rate swap	$ —	949,942	—	949,942		

Investments are reported in the accompanying consolidated balance sheets as follows:

	June 30 2011	2010
Assets whose use is limited or restricted – current assets or held for current liabilities	$ 1,992,919	1,152,701
Assets whose use is limited or restricted, net of amounts in current assets	44,715,946	43,460,230
Investments	9,326,786	6,467,013
Agency funds	50,311	64,236
	$ 56,085,962	51,144,180

The composition of investment return on the Corporations' investment portfolio for the years ended June 30, 2011 and 2010 is as follows:

		2011	2010
Interest and dividend income	$	943,222	386,081
Net realized gains on sale of investments		121,962	206,594
Realized gains on redemption of insurance policies		12,822	1,714
Changes in net unrealized gains and losses on trading securities		2,917,062	2,458,774
	$	3,995,068	3,053,163

Investment returns are included in the accompanying consolidated statements of operations for the years ended June 30, 2011 and 2010 as follows:

		2011	2010
Other revenue	$	(5,674)	15,742
Investment income		946,908	520,915
Change in unrealized gains and losses on trading securities		2,917,062	2,458,774
Interest income offset against capitalized interest expense		136,772	57,732
	$	3,995,068	3,053,163

(e) ***Fair Value of Financial Instruments***

The following methods and assumptions were used by the Corporations in estimating the fair value of its financial instruments:

- The carrying amount reported in the consolidated balance sheets approximates fair value because of the short maturities of these instruments for the following: cash and cash equivalents, resident accounts receivable, other receivables, inventory of supply and others, accounts payable, and accrued compensation and other liabilities.
- Fair values of the Corporations' investments held as assets limited as to use or restricted assets, investments, and agency funds are estimated based on prices provided by its investment managers and its custodian bank. Fair value for cash equivalents included in investments, common stock and mutual funds, quoted corporate bonds and notes, and the U.S. government agency securities is measured using quoted market prices at the reporting date multiplied by the quantity held.
- Fair value of fixed rate long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Corporations for debt of the same remaining maturities. For variable rate debt, carrying amounts approximate fair value. Fair value was estimated using quoted market prices based upon the Corporations' current borrowing rates for similar types of long-term debt securities.

- Fair value of interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The value was determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and the Corporations.

The following table presents the carrying amounts and estimated fair values of the Corporations' financial instruments not carried at fair value at June 30, 2011 and 2010.

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Fixed rate long-term debt	$ 93,295,696	87,158,992	67,753,022	64,409,986

(4) Concentration of Credit Risk

The Corporations grant credit to their private-pay residents as well as those that are insured under third-party payor agreements. The mix of receivables from residents and third-party payors as of June 30, 2011 and 2010 is as follows:

	2011	2010
Medicare	11%	14%
Medicaid	18	22
Self-pay and commercial insurance	71	64
	100%	100%

(5) Land, Buildings, and Equipment

A summary of land, buildings, and equipment at June 30, 2011 and 2010 is as follows:

	2011		2010	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land and land improvements	$ 23,407,976	1,438,193	23,381,286	1,525,934
Buildings	117,433,664	51,592,202	116,392,763	47,865,881
Furniture, fixtures, and equipment	30,251,238	22,510,366	28,345,288	20,983,702
Construction in progress	52,080,954	—	20,096,828	—
	$ 223,173,832	75,540,761	188,216,165	70,375,517

Construction in progress primarily consists of costs incurred by The Arlington of Naples, Pleasant View, and WLVEC as each is in some phase of expansion and renovation. At June 30, 2011, the remaining estimated cost associated with the completion of the Pleasant View and WLVEC projects is $2,075,000. There are no additional contractual amounts for The Arlington of Naples project at June 30, 2011 and

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2010. Interest cost is capitalized as a component cost of significant capital projects to the extent that such interest expense exceeds interest income earned on any project specific borrowed funds. The Corporations' capitalized interest cost of $4,901,666 offset by capitalized interest income of $136,772 at June 30, 2011 and capitalized interest cost of $2,647,092 offset by capitalized interest income of $57,732 at June 30, 2010.

(6) Refundable Deposits, Entrance Fees, and Deferred Revenue

Residents moving into certain facilities of the Corporations in the past were able to elect to assign their assets to an irrevocable trust maintained by an independent third party. The Corporations may draw against the assets of the trust to pay for the cost of care provided to the residents. When a resident expires, the remaining assets in the trust, if any, are distributed in accordance with the resident's agreement. These assets are not reflected in the accompanying consolidated financial statements as they are not under the control of the Corporations.

Refundable deposits represent amounts that residents place with the Corporations to secure services and a living arrangement in one of the Corporations' facilities. Entrance fees are deposited with subsidiaries, which provide independent living units to residents. Entrance fee contracts provide for various refundable and nonrefundable amounts. Deferred revenue includes both nonrefundable entrance fees and amounts billed in advance of the service being provided or performed.

(7) Net Resident Service Revenue

The Corporations have agreements with third-party payors that provide for reimbursement at amounts different from their established rates. Estimated contractual adjustments arising under third-party reimbursement programs represent the differences between the Corporations' billings at established rates and the amounts reimbursed by third-party payors, principally Medicaid and Medicare. They also include any differences between estimated retroactive third-party reimbursement settlements for prior years and subsequent final settlements.

The Corporations have obtained Medicaid certification for a portion of their nursing beds and receive all-inclusive per diem rates for Medicaid-eligible residents. To the extent that charges or related costs incurred for services rendered to Medicaid beneficiaries exceed the per diem rates, they are not recoverable from the Medicaid program or its beneficiaries. Medicaid reimbursement methodologies and payment rates are subject to change based on the amount of funding available to the States of Illinois and Indiana Medicaid programs, and any such changes could have a significant effect on the Corporations' revenues.

The Corporations have also obtained Medicare certification for a portion of their nursing beds. The Corporations are reimbursed by Medicare under a prospective payment system based primarily upon a clinical classification system for Medicare residents. To the extent that charges or related costs incurred for services rendered to Medicare beneficiaries exceed the per diem rates, they are not recoverable from the Medicare program or its beneficiaries.

A summary of gross and net resident service revenue for the years ended June 30, 2011 and 2010 follows:

		2011	2010
Gross resident service revenue	$	99,879,904	93,122,518
Less provisions for:			
Estimated contractual adjustments arising under third-party reimbursement programs		16,949,589	16,870,301
Bad debts		659,602	383,942
Charity care charges foregone		2,195,385	1,173,885
Net resident service revenue	$	80,075,328	74,694,390

The Corporations recognize resident service revenue associated with services provided to residents who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured residents that do not qualify for charity care, the Corporations recognize revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a portion of the Corporations' private pay residents will be unable or unwilling to pay for the services provided. Thus, the Corporations record a provision for bad debts related to private pay residents in the period the services are provided. Resident service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows as of June 30, 2011:

		Third-party payors	Private-pay payors	Total all payors
Resident service revenue, net of contractual allowances	$	36,706,027	44,028,903	80,734,930

(8) Long-Term Debt

A summary of long-term debt at June 30, 2011 and 2010 is as follows:

Bond series	June 30, 2011 balance	June 30, 2010 balance	Interest type	Due dates	2011 effective interest rate	2010 effective interest rate
Economic Development Commission Bonds, Series 2009	$ 35,240,000	37,710,000	Fixed interest rate	Maturing through November 15, 2039	6.5% – 8.0%	6.5% – 8.0%
Illinois Health Facilities Authority Weekly Adjustable Rate Revenue Bonds, Series 2001	12,220,000	12,365,000	Interest at the lesser of 15% or a tax-exempt variable rate determined weekly	Maturing through August 15, 2031	3.15%	3.22%
Illinois Health Facilities Authority Variable Rate Demand Revenue Refunding Bonds, Series 2003	11,855,000	12,255,000	Interest at the lesser of 15% or a tax-exempt variable rate determined weekly	Maturing through November 1, 2033	0.49%	1.20%
Illinois Finance Authority Revenue Bonds, Series 2006A	23,460,000	23,460,000	Fixed interest rate	Maturing through 2040	5.20% – 5.75%	5.20% – 5.75%
Illinois Finance Authority Extendable Rate Adjustable Securities Revenue Bonds, Series 2006B	500,000	500,000	Fixed interest rate	August 15, 2039	4.80%	4.80%
Illinois Finance Authority Variable Rate Demand Revenue Bonds, Series 1995	4,315,000	4,525,000	Variable interest rate	February 1, 2025	0.33%	0.44%
Upper Illinois River Valley Development Authority Fixed Rate Revenue Bonds, Series 2010	16,695,000	—	Fixed interest rate	November 15, 2045	4.50% – 5.90%	N/A
Collier County Industrial Development Authority Fixed Rate Revenue Bond Anticipation Notes	10,900,000	—	Fixed interest rate	May 15, 2015	14.00%	N/A
Construction Loan, SPH	571,833	717,833	Variable interest rate	August, 2012	5.75	5.75
Mortgage note, LLC	613,045	—	Fixed interest rate	May 30, 2013	7.48	N/A
Mortgage loan, PVLH	2,221,053	2,309,072	Fixed interest rate	September 1, 2026	5.875	5.875
Mortgage loan, AON Land	19,489,579	19,489,579	Variable interest rate	July 18, 2013	6.375	6.375
Mortgage loan, AON Office Bldg	833,829	875,090	Fixed interest rate	April 5, 2024	6.125	6.125
Mortgage loan, Parent	2,832,769	2,898,860	Fixed interest rate	December 31, 2031	6.25	6.25
	141,747,108	117,105,434				
Less current installments of long-term debt	3,111,884	1,977,832				
Unamortized bond discount and premium	(929,748)	(279,591)				
Long-term debt net of current installments and unamortized bond discount and premium	$ 137,705,476	114,848,011				

On December 30, 2009, Series 2009A, 2009B, and 2009C Fixed Rate Revenue Bonds were issued pursuant to a Master Trust Indenture in the aggregate amount of $37,710,000 on behalf of WLV and WLVEC, together the WLV Obligated Group. The proceeds of the bond issue are being used to refund the 1997 and 1998 bond issues, to refund the mortgage loan for WLV as noted below, and to construct an additional 77 units of independent living along with various common areas and an underground parking garage. The Series 2009 bonds are secured by a mortgage in a majority of the real property owned by the WLV Obligated Group. The Master Indenture allows the WLV Obligated Group to incur additional indebtedness to construct up to 26 additional independent living units in the future. The WLV Obligated

Group is required to maintain certain reserves and sinking funds with its bond trustee. The loan agreements currently contain quarterly covenants related to the number of presales and occupied units. The loan agreements also contain financial covenants, which are initially effective the earlier of the first full year after stabilized occupancy is obtained for the project or as of June 30, 2015. The Parent has entered into a Liquidity Support Agreement with the WLV Obligated Group and the bond trustee and has funded a Liquidity Support Fund of $1,000,000 with the bond trustee.

On September 12, 2001, Series 2001 bonds were issued in the amount of $13,200,000 on behalf of LHSA, the Home, LCSA, and the LFA Foundation (collectively, the LHSA Obligated Group) pursuant to a Master Trust Indenture. As of December 1, 2007, LCSA withdrew from the LHSA Obligated Group in accordance with the provisions of the Master Trust Indenture. The LHSA Obligated Group has obtained a letter of credit, which expires on August 15, 2013 as collateral for the Series 2001 bonds.

On November 10, 2003, the Illinois Health Facilities Authority issued variable rate demand revenue refunding bonds, Series 2003, in the amount of $14,350,000 on behalf of the LHSA Obligated Group. The Series 2003 bonds were issued pursuant to the Master Trust Indenture. Principal payments are due each November 1, and interest is payable monthly. The Series 2003 bonds were issued principally to advance refund the then-outstanding Series 1996A bonds. The LHSA Obligated Group has obtained a letter of credit, which expires on November 15, 2012 as collateral for the Series 2003 bonds.

Certain assets of the LHSA Obligated Group are pledged as collateral for the bonds and the letter of credit. Holders of the Series 2001 and Series 2003 bonds have a put option that allows them to redeem the bonds prior to maturity. The LHSA Obligated Group has an agreement with an underwriter to remarket any bonds redeemed through the exercise of put options. The Series 2001 and Series 2003 bonds are accelerable in the event the LHSA Obligated Group is unable to extend or replace the letter of credit securitizing the bonds.

For bonds issued under the Master Trust Indenture, the LHSA Obligated Group is required to maintain certain reserves and sinking funds with its bond trustee. The LHSA Obligated Group is also required to be in compliance with specified debt covenants and financial ratios. Bonds issued under the Master Trust Indenture are also secured by the unrestricted receivables of the LHSA Obligated Group as well as certain real property of the Home. Management believes the LHSA Obligated Group is compliant with the specified debt covenants and financial ratios.

On April 19, 2006, Luther Oaks entered into a Master Trust Indenture under which Luther Oaks is the only Obligated Group member (the Luther Oaks Obligated Group). The purpose of the Master Trust Indenture is to provide a mechanism for the efficient and economical issuance of notes by the Luther Oaks Obligated Group member. The Master Trust Indenture requires the member of the Luther Oaks Obligated Group to make principal and interest payments on notes issued for its benefit and to pay such amounts as are otherwise necessary to enable the Luther Oaks Obligated Group to satisfy all obligations issued under the Master Trust Indenture.

On April 19, 2006, Series 2006A Fixed Rate Revenue Bonds, Series 2006B Extendable Rate Adjustable Securities Revenue Bonds, and Series 2006C Variable Rate Demand Revenue Bonds (collectively referred to as the Series 2006 bonds) were issued pursuant to a Master Trust Indenture in the aggregate amount of $30,460,000 on behalf of the Luther Oaks Obligated Group. The Series 2006 bonds are secured by a leasehold mortgage in the property, the new CCRC building and equipment, and future revenue streams to be provided by the CCRC. The Series 2006C bonds are also secured, until fully redeemed, by an irrevocable transferable letter of credit issued by a commercial bank, in an amount equal to the principal amount of the bonds and accrued interest on such principal. Holders of the Series 2006 bonds have a put option that allows them to redeem the bonds prior to maturity. The Luther Oaks Obligated Group member has an agreement with an underwriter to remarket any bonds redeemed through the exercise of put options. The loan agreements currently contain quarterly covenants related to the number of presales and occupied units. The loan agreements also contain financial covenants, which are initially effective the earlier of the first full year after stabilized occupancy is obtained for the new CCRC or 2011. The Luther Oaks Obligated Group was not in compliance with the historical debt service coverage ratio, as defined, at June 30, 2011. In accordance with requirements under the master trust indenture, management of Luther Oaks Obligated Group have retained a consultant to make recommendations to achieve the required ratio in fiscal 2012. In addition, the Luther Oaks Obligated Group was not in compliance with the cash to indebtedness ratio, as defined, at June 30, 2011. Management of Luther Oaks Obligated Group has provided to the master trustee an officer's certificate setting forth a plan to be taken to achieve the required ratio for future periods. Luther Oaks redeemed the final amount of the 2006C Bonds in February 2010.

In March 1995, St Pauls issued $6,500,000 of Variable Rate Demand Revenue Bonds (the 1995 Bonds) under the provisions of a Bond Trust Indenture (St Pauls Indenture). Interest is set at a weekly rate as defined by the agreement. The 1995 Bonds are secured by a transferable irrevocable direct pay letter of credit, which expires in February 2013 and is required to be replaced with another letter of credit upon expiration. The letter of credit is secured by the real and personal property of St Pauls. St Pauls is required to be in compliance with specified debt covenants and financial ratios based on the 1995 bond agreement.

In September 2010, Pleasant View issued $16,695,000 of Fixed Rate Revenue Bonds (the 2010 Bonds) under the provisions of a Master Trust Indenture (Pleasant View Indenture). The Series 2010 Bonds are secured by a mortgage in the real property. Pleasant View is required to maintain certain reserves and sinking funds with its bond trustee. The loan agreement contains quarterly covenants related to the number of occupied units. The loan agreement also contains financial covenants following the achievement of stabilized occupancy in the new Assisted Living units, which were constructed with a portion of the 2010 bonds. Stabilized occupancy is defined in the Pleasant View Indenture as the occupancy of 22 out of the 24 new Assisted Living Units. Stabilized occupancy was achieved at the end of June 2011. The Parent has entered into a Liquidity Support Agreement with Pleasant View and the bond trustee and has funded a Liquidity Support Fund of $500,000 with the bond trustee.

In June 2011, The Arlington of Naples issued $10,900,000 of Fixed Rate Revenue Bond Anticipation Notes (the 2011 BANS) under the provisions of Trust Indenture. The 2011 BANS are secured by a second mortgage on the property. The loan agreement contains monthly project and sales milestones. The loan matures on May 15, 2015 when permanent bond financing is anticipated.

In August 2009, St Pauls entered into a $730,000 Construction Loan Agreement with the Bank of America. The loan was drawn upon as needed to renovate a 24-unit wing of St Pauls House for short-term stay Medicare residents. Interest is set at a certain LIBOR plus 2.75% and can be reset every one to three months at St Pauls' option. The interest rate is subject to a floor rate of 5.75%. The loan must be repaid in equal monthly installments beginning June 1, 2010, at 1/60th of the total amount outstanding as of that date. The loan matures on August 12, 2012.

In July 2006, Pleasant View entered into a 20-year promissory note agreement for $2,600,000 with the Mission Investment Fund of The Evangelical Lutheran Church in America. The promissory note is secured by certain property and real estate related to the nursing facility on the Pleasant View campus. The Evangelical Lutheran Church in America has the right to review and adjust the interest rate on July 1, 2011, July 1, 2016, and July 1, 2021.

In November 2006, LLC entered into a 25-year promissory note agreement for $3,100,000 with the Mission Investment Fund of The Evangelical Lutheran Church in America. The Evangelical Lutheran Church in America has the right to review and adjust the interest rate on December 1, 2011, December 1, 2016, December 1, 2021, and December 1, 2026. The note is guaranteed by LHSA.

In July 2008, The Arlington of Naples, Inc. entered into a five-year promissory note agreement for $19,500,000 with the Lutheran Church Extension Fund (LCEF). The promissory note is secured by approximately 39 acres of land in Naples, Florida. The LCEF has the right to review and adjust the interest rate each month. Two million dollars of the note is guaranteed by LLC.

In March 2009, The Arlington of Naples, Inc. entered into a 15-year promissory note agreement for $920,000 with MainSource Bank. The note is secured by an office building in Naples, Florida. MainSource Bank has the right to review and adjust the interest rate on March 10, 2014 and every 60 months thereafter. The note is guaranteed by LLC.

The Corporations have variable rate demand notes that have put options available to the creditor. If the put option is exercised, the bonds are presented to the bank, which in turn draws on the underlying letter of credit. The series and the underlying credit facility terms are described as follows:

Series	Letter-of-Credit Reimbursement Terms
Revenue Bonds, Series 2001	Equal quarterly installments over the terms of the letter of credit through August 2013, starting with the first day of the second calendar quarter that the term loan is given.
Revenue Refunding Bonds, Series 2003	Equal monthly installments over 24 months through November 2012, starting 367 days from the date that the term loan is given.
Illinois Finance Authority Bonds, Series 1995	Payment is due on the expiration date stated on the letter-of-credit agreement of February 2013.
Illinois Finance Authority Variable Rate Demand Revenue Bonds, Series 2006	The letter of credit on these bonds was cancelled when the bonds were fully redeemed in February 2010.

Scheduled principal repayments on long-term debt based on the variable rate demand notes being put back to the Corporations and a corresponding draw being made on the underlying letter-of-credit facility are as follows:

Year ending June 30:		
2012	$	3,111,884
2013		19,157,932
2014		32,330,445
2015		16,668,826
2016		988,835
Thereafter		69,489,186
	$	141,747,108

Scheduled principal repayments on the long-term debt based on the scheduled redemptions according to the underlying Master Trust Indentures are as follows:

Year:		
2012	$	1,445,217
2013		1,796,265
2014		25,433,779
2015		17,563,826
2016		1,928,835
Thereafter		93,579,186
	$	141,747,108

The LHSA Obligated Group (the Obligated Group) has an interest rate-related derivative instrument to manage its exposure on its variable rate Series 2003 bonds. By using a derivative financial instrument to hedge exposures to changes in interest rates, the Obligated Group exposes itself to credit risk and market risk. Credit risk is the failure of the counterparties to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparties owe the Obligated Group, which creates credit risk for the Obligated Group. When the fair value of a derivative contract is negative, the Obligated Group owes the counterparty, and therefore, it does not possess credit risk. The Obligated Group minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates.

The Obligated Group entered into interest rate swap agreements in November 2003 to manage fluctuations in cash flows resulting from interest rate risk on its variable rate Series 2003. The swap agreement changes the variable rate cash flow exposure on the Series 2003 debt to fixed cash flows. Under the terms of the interest rate swap agreement, the Corporations receive variable interest rate payments and makes fixed interest rate payments, thereby creating the equivalent of fixed-rate debt. A summary of outstanding positions under the floating to fixed rate swap agreement for the Corporations at June 30, 2011 follows:

Notional amount	Maturity date	Rate received	Rate paid
$ 11,855,000	November 2013	BMA Index, reset monthly	3.385%

A summary of outstanding positions under the floating to fixed rate swap agreement for the Corporations at June 30, 2010 follows:

Notional amount	Maturity date	Rate received	Rate paid
$ 12,255,000	November 2013	BMA Index, reset monthly	3.385%

The fair value of the Series 2003 Bonds interest rate swap agreement of $(757,561) and $(949,942) is included in other long-term liabilities at June 30, 2011 and 2010, respectively. The change in fair value of the interest rate swap agreement of $192,381 and $(137,207) is recorded in nonoperating gains and losses at June 30, 2011 and 2010, respectively.

(9) Lines of Credit

St Pauls has access to a line of credit through a revolving note with Bank of America in the amount of $500,000. The balance outstanding at June 30, 2011 was $200,000. Interest is payable at prime plus 2% or the LIBOR. The line of credit matures in February 2013 and is secured by the same assets as the 1995 Bonds.

In January 2008, the LHSA Obligated Group entered into an agreement for a line of credit through a revolving note with Fifth Third Bank in the amount of $2,000,000. In December, 2009, this line of credit was increased to $4,000,000. The balance outstanding at June 30, 2011 was $3,453,000. Interest is set at either a Base Rate or a LIBOR Rate depending on the advance taken by the LHSA Obligated Group. The Base Rate is the lender's prime rate less 1.50%. The LIBOR Rate is set at LIBOR. The line of credit matures in January 2012.

In January 2009, the Foundation entered into an agreement for a margin loan through Landmark Capital. The outstanding balance at June 30, 2011 and 2010, respectively, is $2,155,471 and $2,910,347. Interest is set on a formula based on the rate of brokers' call money.

(10) Capital Leases

The Corporations lease certain equipment under capital leases. Included with land, buildings, and equipment are $1,537,117 and $1,618,490 at June 30, 2011 and 2010, respectively, of assets held under capital leases and $458,007 and $975,000 of related accumulated amortization at June 30, 2011 and 2010, respectively. A summary of future minimum lease payments and the present value of future minimum lease payments related to capital leases at June 30, 2011 is as follows:

		Amount
Year:		
2012	$	358,665
2013		299,744
2014		143,151
Total future minimum lease payments		801,560
Less amount representing interest at rates ranging from 0% to 7.47%		63,872
Present value of future minimum lease payments		737,688
Less current portion of obligations under capital leases		318,545
Obligations under capital leases, excluding current portion	$	419,143

(11) Employees' Pension Plans

St Pauls sponsored a contributory profit sharing plan (money purchase plan) covering substantially all full time employees. St Pauls froze this plan as of December 31, 2007, and it will be terminated once all participant balances are paid out. As of January 1, 2008, LLC began sponsoring a contributory profit sharing plan (the LLC Plan). The LLC Plan is designated as a church plan (403(b)(9)) under ERISA, which provides specific reporting and tax advantages and covers substantially all full time employees of all subsidiaries of LLC. Employer contributions to the LLC Plan are discretionary. In addition, each participant can elect salary reduction under the 403(b)(9) plan. LLC can elect each year to match a portion of these salary deferrals. Expense recognized under the terms of the LLC Plan at all entities amounted to $813,236 and $839,434 for the years ended June 30, 2011 and 2010, respectively.

(12) Luther Village Limited Partnership

The Corporations are the lessor of a land lease agreement with Luther Village Limited Partnership (the Partnership), an unrelated party, for a term of 99 years with an option to renew for a second term of 99 years. The Partnership has constructed a number of cooperative apartment and townhome units that may be purchased by individuals at least 55 years of age. Owners pay a monthly ground rent to the Partnership in addition to the initial cost of their unit. A new land lease rate for rent to be paid is renegotiated between the Corporations and the Partnership every 10 years. On November 8, 2009, the Corporations agreed to a new land lease rate of $1,090,000 per year to be received from the Partnership for the next 10 years. The land lease amount is based on a formula, which is calculated every 10 years. The land lease amount will be recalculated as of November 8, 2019, and in each succeeding 10-year period through November 8, 2079.

In exchange for the land lease and in addition to the annual lease payments, the Partnership makes the following payments to the Corporations:

- 0.5% of the sales price of units purchased by initial buyers; and

- The entire amount of the monthly ground rent submitted by the Owners to the Partnership.

The fees earned by the Corporations related to the land lease totaled $1,090,000 and $1,074,998 for the years ended June 30, 2011 and 2010, respectively, and are included with other nonoperating gains and losses in the accompanying consolidated statements of operations.

In addition, the Home performs certain medical and other support services for the Partnership in exchange for service fees. The service fees earned related to the provision of such services amounted to $145,525 and $145,249 for the years ended June 30, 2011 and 2010, respectively, and have been reflected as other revenue in the accompanying consolidated statements of operations.

(13) Equity Investments

Investments in joint ventures are accounted for using the equity method of accounting and represented $2,304,568 and $2,125,762 of other assets in the accompanying consolidated balance sheets at June 30, 2011 and 2010, respectively. The most significant of these investments is described below.

Health Resources Alliance, Inc. is the parent company of Midwest Senior Care Network (MSCN), for which the Home has provided a $190,000 letter of credit, draws on which are guaranteed by LHSA. No amounts have been accrued or paid pursuant to this agreement as of June 30, 2011.

The Home and St Pauls, each has a 1/15th equity interest in MSCN. The investment in MSCN is being accounted for using the equity method because of the significant influence the Corporations have over MSCN. The Corporations have included their proportionate shares of MSCN net income of $517,538 and $481,178 as other nonoperating gains and losses in the accompanying consolidated statements of operations for 2011 and 2010, respectively.

The Corporations entered into a contractual agreement to join Summit Insurance Group, Ltd (Summit), a self-insurance administrator, which, through its risk-sharing provisions, provides the Corporations with insurance for workers' compensation coverage. Summit is a multiorganization insurance company incorporated under the laws of the Cayman Islands. As a self-insurance administrator, Summit enables risk sharing among participating organizations. The Corporations are required to pay assessed premiums and are subject to a per claim self-insured retention.

The Corporations' workers' compensation program includes various levels of per claim self-insured retentions and excess commercial insurance coverages. Included in operating expenses are $1,634,048 in 2011 and $846,756 in 2010 for the ultimate cost of reported self-insured workers' compensation claims, as well as estimates of incurred but not reported claims. At this time, the Corporations are not entitled to receive a distribution of Summit's net income.

For the years ended June 30, 2011 and 2010, the Corporations recognized income of $523,988 and $484,846, respectively, in investments in affiliated companies. This activity is included as a component of other nonoperating gains and losses in the accompanying consolidated statements of operations.

(14) Charitable Gift Annuities

The Corporations are the recipient of various charitable gift annuities. Such gifts are recognized as contribution revenue in the period received, net of any estimated liability for amounts payable to the annuitant in future periods pursuant to the terms of the respective charitable gift annuity contract.

(15) Endowments

The Corporations follow the guidance of ASC Topic 958, related to net asset classification and required disclosures of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA.

The Corporations' endowment consists of funds established for a variety of purposes including donor-restricted endowment funds to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Donor-restricted endowment funds consist of $5,490,628 and $4,257,646 at June 30, 2011 and 2010, respectively, are included in permanently restricted net assets.

Changes in endowment net assets for the year ended June 30, 2011 are as follows:

		Permanently restricted
Endowment net assets, July 1, 2010	$	4,257,646
Investment return		338,236
Contributions		1,232,982
Appropriated expenditures of endowment assets		(338,236)
Endowment net assets, June 30, 2011	$	5,490,628

Changes in endowment net assets for the year ended June 30, 2010 are as follows:

		Permanently restricted
Endowment net assets, July 1, 2009	$	4,032,949
Investment return		6,571
Contributions		224,697
Appropriated expenditures of endowment assets		(6,571)
Endowment net assets, June 30, 2010	$	4,257,646

(a) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Corporations to retain as a

ATTACHMENT 39

fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. Subsequent gains restore the fair value of the assets of the endowment fund to the required level. There were no deficiencies as of June 30, 2011 and 2010.

(b) Return Objectives and Risk Parameters

The Corporations have adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organizations must hold in perpetuity. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a blended benchmark composed of the major indices related to the investment allocation being targeted for the portfolio.

(c) Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Corporations rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Corporations target a diversified asset allocation that places emphasis on investments in equities, bonds, and other securities to achieve its long-term return objectives within prudent risk constraints. Major investment decisions are authorized by the Board's Finance Committee, which oversees the investment program in accordance with established guidelines.

(d) Spending Policy and How the Investment Objectives Relate to Spending Policy

The Corporations have a policy of spending based on the amount of capital gains, interest, and dividends reinvested in the endowment assets. The spending rate (the annual amount withdrawn from the endowment assets to support the operating budget) is determined as a percentage of the three-year moving average of the endowment assets taking into consideration the estimated total investment return, the estimated rate of inflation, and the operating needs of the Corporations. The Corporations appropriate for distribution each year 10% of its endowment funds' average fair value over the prior three years through June 30th proceeding the fiscal year in which the distribution is planned. In establishing these policies, the Corporations considered the expected return on its endowment. Accordingly, the Corporations expect the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return.

(16) Commitments and Contingencies

(a) Professional and General Liability Self-Insurance

Through December 31, 2001, the Corporations maintained professional liability coverage through commercial insurance carriers. Effective January 1, 2002, the Corporations entered into a contractual agreement to form Caring Communities, a self-insurance administrator, which provides the Corporations with insurance coverage for professional and comprehensive general liability exposure. Insurance expense under the Caring Communities program amounted to $779,412 and $737,681 in 2011 and 2010, respectively. Caring Communities may retroactively assess participants for up to twice their annual premium per coverage year based on adverse participant-specific claims experience as defined in the policy. Based on the Corporations' historical claims experience and exposure to date, no reserves were established at June 30, 2011 or 2010 for either retroactive premium assessments or tail exposures.

(b) Employee Health and Welfare Self-Insurance

The Corporations are insured under a self-insurance program for employee health and welfare benefits. Insurance expense under the employee health and welfare insurance program amounted to $5,263,338 in 2011 and $4,401,023 in 2010.

(c) Medicare Reimbursement Changes

Medicare reimburses providers of long-term care services at a prospective payment system for skilled nursing services and imposes a consolidated billing requirement. Changes in Medicare reimbursement as a result of the Centers for Medicare and Medicaid Services' interpretations and applications of these and other provisions of Medicare legislation may have an adverse effect on the Corporations' net resident service revenue.

(d) Litigation

The Corporations are involved in litigation arising in the normal course of business. In consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Corporations' financial position or results of operations.

(e) Regulatory Investigations

The U.S. Department of Justice and other federal agencies routinely conduct regulatory investigations and compliance audits of healthcare providers. The Corporations are subject to these regulatory efforts. Management is currently unaware of any regulatory matters, which may have a material adverse effect on the Corporations' financial position or results from operations.

(f) Ground Lease

During 2006, Luther Oaks entered into a 99-year ground lease agreement with Trinity Lutheran Church (Lessor). The lease calls for annual rent to be based on 10% of the appraised land value, which will be reset every five years. The lease commencement date was set as the beginning of the month in which the first resident moves into the facility, which occurred in the fall of 2007. In September 2007, Luther Oaks also funded a $120,000 deposit account for the benefit of the Lessor as required by the ground lease agreement.

(17) Subsequent Events

In connection with the preparation of the consolidated financial statements and in accordance with the recently issued ASC Topic 855, *Subsequent Events*, the Corporations evaluated subsequent events after the consolidated balance sheet date of June 30, 2011 through October 27, 2011, which was the date the consolidated financial statements were issued, and determined there are no other items to disclose.

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2011

Assets	Lutheran Home and Services for the Aged, Inc.	Lutheran Home for the Aged, Inc.	Lutheran Foundation for the Aged, Inc.	[illegible]	LHSA Obligated Group Members	Lutheran Community Services for the Aged, Inc.	Wittenberg Lutheran Village, Inc. and Endowment Corp., Inc.	Pleasant View Luther Home, Inc.	The Arlington of Naples	Luther Oaks, Inc.	Lutheran Life Communities Foundation	St Pauls Home and Health Care Center	Lutheran Life Communities	Eliminations	Consolidated
Current assets:															
Cash and cash equivalents	$ 495,771	2,305,374	9,585	—	2,810,692	—	658,052	1,762,601	238,426	8,265,319	764,442	671,731	1,102,150	—	9,263,551
Assets whose use is limited or restricted	—	—	—	—	—	—	—	46,912	—	128,067	—	—	1,817,940	—	1,992,919
Resident accounts receivable, net of allowance for doubtful accounts of $672,347	65,920	5,034,080	—	—	5,098,000	—	3,006,833	373,156	—	5,300	—	2,744,624	—	—	11,437,915
Other receivables	117,017	282,327	—	—	519,344	653,374	404,077	111,117	9,034	1,574,430	—	(33,938)	21,979	899,765	2,553,773
Inventory of supplies and other	32,171	470,836	—	—	503,009	8,161	78,551	66,984	—	15,516	33,232	42,271	67,911	—	834,643
Due from affiliates	25,462,526	4,974,522	2,351,869	2,029,804	35,441,113	3,770,914	—	(2,544,849)	(4,799,967)	(1,354,074)	5,154,456	—	1,099,648	35,957,334	—
Total current assets	26,191,409	13,067,259	7,361,454	2,029,804	64,592,348	4,432,251	4,347,513	(973,079)	(4,562,487)	1,634,458	5,973,570	3,426,648	4,101,638	36,857,099	36,094,862
Assets whose use is limited or restricted, net of amounts required for current liabilities:															
Board designated for endowment	—	—	8,683,832	—	8,683,832	—	—	—	—	—	—	—	—	—	8,683,832
Resident deposits for future funeral, occupancy, and care costs	—	1,348,524	—	—	1,348,524	153,184	729,005	—	3,479,721	—	—	—	—	—	5,710,434
Held by trustee under bond indenture agreement	—	626,615	—	—	626,615	—	12,099,982	4,091,658	7,179,820	2,922,723	—	—	—	—	26,890,798
Donor-restricted investments	—	—	3,284,831	—	3,284,820	—	—	—	—	—	2,204,058	—	—	—	5,490,878
Total noncurrent assets whose use is limited or restricted	—	1,975,139	9,968,652	—	11,943,791	153,184	12,829,987	4,091,658	10,658,541	2,922,723	2,204,074	—	—	—	44,735,916
Land, buildings, and equipment, net of accumulated depreciation and amortization	—	32,490,838	—	—	32,490,838	—	34,491,548	18,439,749	29,018,197	25,468,341	—	6,764,019	5,411,155	—	147,653,071
Costs to acquire initial continuing care contracts	—	—	—	—	—	—	2,064,956	144,330	2,057,110	1,307,334	—	—	—	—	5,643,849
Investments	—	1,813,990	4,790,715	—	6,604,693	—	—	—	—	—	1,100,576	1,627,511	—	—	9,332,796
Agency funds	—	30,311	—	—	30,311	—	—	—	—	—	—	—	—	—	30,311
Deferred financing costs, net	—	465,926	—	—	465,926	—	1,351,900	352,320	311,610	756,182	—	179,936	—	—	3,432,537
Investments in joint ventures	36,065	935,332	—	—	971,102	93,822	—	—	—	—	—	1,236,444	—	—	2,301,368
Total assets	$ 26,227,474	16,307,157	22,172,530	2,029,804	92,632,951	4,662,481	55,063,556	22,141,855	33,524,366	32,177,105	9,298,294	13,249,504	9,512,773	36,857,099	239,307,965

(Continued)

ATTACHMENT 39

000273

Schedule 1

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2011

Liabilities and Net Assets	Lutheran Home and Services for the Aged, Inc.	Lutheran Home for the Aged, Inc.	Lutheran Foundation for the Aged, Inc.	Eliminations	LHSA Obligated Group Members	Lutheran Community Services for the Aged, Inc.	Wittenberg Lutheran Village, Inc. and Endowment Corp, Inc.	Pleasant View Luther Home, Inc.	The Arlington of Naples	Luther Oaks, Inc.	Lutheran Life Communities Foundation	St Pauls House and Health Care Center	Lutheran Life Communities	Eliminations	Consolidated
Current liabilities:															
Current installments of long-term debt	$ —	2,231,667	—	—	2,231,667	—	—	93,303	41,759	—	—	360,000	377,154	—	3,112,884
Line of credit	—	3,453,000	—	—	3,453,000	—	—	—	—	—	2,155,431	200,000	•	—	5,808,431
Current portion of obligations under capital leases	—	—	—	—	—	—	—	—	—	—	—	—	315,545	—	356,543
Accounts payable	379,956	2,510,334	—	—	2,890,290	145,646	1,135,644	587,137	54,760	154,207	78,498	450,190	442,023	—	6,560,358
Accrued interest payable	—	79,121	—	—	79,225	—	355,494	161,485	1,210,720	540,029	—	4,505	—	—	4,332,447
Accrued compensation and other liabilities	509,142	1,666,908	—	—	2,176,050	299,196	694,161	451,212	94,795	780,728	49,529	518,075	366,195	—	5,458,949
Due to affiliates	—	2,029,404	—	2,029,404	—	15,315,341	4,500,671	—	—	—	—	1,571,963	13,491,013	34,857,099	—
Total current liabilities	889,098	13,970,726	—	2,029,404	18,830,030	15,760,183	6,939,975	1,293,654	3,408,024	1,905,364	2,283,410	3,070,469	19,794,061	34,857,099	35,609,154
Long-term debt, excluding current installments and unamortized bond discount	—	21,407,263	—	—	21,407,263	—	14,392,428	15,705,033	38,634,649	34,306,590	—	4,530,433	11,064,616	—	117,302,676
Obligations under capital leases, net of current portion	—	—	—	—	—	—	—	—	—	—	—	—	419,143	—	419,143
Deferred revenue from nonrefundable entrance fees	—	—	—	—	—	—	435,512	—	—	728,117	—	—	—	—	1,163,629
Residents' custodial assets	—	108,722	—	—	108,722	—	19,531	24,505	—	—	—	234,162	—	—	387,210
Refundable entrance fees	—	—	—	—	—	—	9,065,503	2,730,596	3,481,770	13,607,254	—	—	—	—	28,885,123
Reserve for funeral expenses	—	12,809	—	—	12,809	—	—	—	—	—	—	—	—	—	12,809
Resident deposits	—	1,335,724	—	—	1,335,724	133,765	23,016	96,100	—	465,978	—	—	—	—	2,054,583
Charitable gift annuity contracts	—	—	450,250	—	450,250	—	—	—	—	—	—	—	—	—	450,250
Agency funds	—	50,311	—	—	50,311	—	—	—	—	—	—	—	—	—	50,311
Other long-term liabilities	—	257,561	—	—	257,561	•	—	—	—	—	22,500	2,961	—	—	283,022
Total liabilities	889,098	38,933,111	450,250	2,029,404	34,832,661	13,843,448	31,300,215	22,851,933	37,324,446	40,611,305	2,315,910	7,838,596	31,282,740	34,857,099	187,945,196
Net assets (deficit):															
Unrestricted	25,738,311	10,384,340	17,859,529	—	53,982,180	(8,181,827)	1,375,341	(596,356)	—	(8,434,200)	(1,609,349)	5,411,390	(11,269,967)	—	29,148,021
Temporarily restricted	—	—	548,491	—	548,490	—	—	90,412	—	—	6,367,585	9,608	—	—	7,016,096
Permanently restricted	—	—	3,264,570	—	3,264,570	—	—	—	—	—	2,206,058	—	—	—	5,470,628
Total net assets (deficit)	25,738,311	10,384,340	21,672,590	—	57,795,240	(8,181,827)	1,375,341	(505,944)	—	(8,434,200)	6,964,294	5,421,098	(11,269,967)	—	41,664,745
Total liabilities and net assets	$ 26,727,409	46,367,457	22,122,839	2,029,404	92,627,901	1,662,161	37,064,556	22,345,988	37,324,446	32,177,105	9,300,204	13,259,604	9,112,333	36,857,099	219,602,941

See accompanying independent auditors' report.

ATTACHMENT 39

000274

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidating Statement of Operations Information

Year ended June 30, 2011

	Lutheran Home and Services for the Aged, Inc.	Lutheran Home for the Aged, Inc.	Lutheran Foundation for the Aged, Inc.	LHSA Obligated Group Members	Lutheran Community Services for the Aged, Inc.	Lutheran Life Communities Foundation
Operating revenue:						
Net resident service revenue:						
Resident service revenue, net of contractual allowance	$ 5,681,237	39,472,833	—	45,154,070	—	—
Provision for bad debts	(5,500)	(71,246)	—	(76,746)	(9,218)	—
Net resident service revenue	5,675,737	39,401,587	—	45,077,324	(9,218)	—
Other revenue (loss)	(12,197)	2,159,380	(209)	2,146,975	6,436,741	(3,841)
Net assets released from restrictions used for operations	—	—	—	—	—	674,040
Total operating revenue	5,663,540	41,560,967	(209)	47,224,299	6,427,023	670,199
Operating expenses:						
Salaries and wages	1,994,018	17,655,056	—	19,649,074	2,823,096	517,646
Employee benefits	2,085,043	3,702,029	—	5,787,076	497,406	74,291
Support services	—	5,646,657	—	5,646,657	—	—
Dietary services	—	2,067,391	—	2,067,391	—	—
Program services	71,961	2,607,945	—	2,678,906	—	—
Administrative services	906,279	878,838	—	1,785,117	31,932	—
Community services	—	—	—	—	2,141,258	—
Fund-raising	—	—	—	—	—	403,567
Interest	—	1,528,546	—	1,528,546	—	—
Depreciation and amortization	—	2,739,325	—	2,739,325	—	—
Allocations, net	547,902	613,048	—	1,161,000	1,632,996	206,054
Total operating expenses	5,605,197	37,438,795	—	43,043,992	3,129,775	1,201,558
Income (loss) from operations	58,343	4,122,172	(209)	4,180,307	(902,752)	(531,359)
Investment income (loss)	3,386	515,535	160,874	679,798	9,303	51
Unrestricted contributions	—	—	248,432	248,627	—	225,802
Bequests and legacies	—	—	—	—	—	—
Net change in unrealized gains and losses on trading securities	—	593,147	2,021,424	2,614,571	—	69,859
Change in fair value of derivative instruments	—	192,381	—	192,381	—	—
Other, net	—	460,351	(98,462)	361,889	6,514	(436,235)
Total nonoperating gains (losses), net	3,386	1,761,717	2,331,878	4,100,981	15,817	(641,031)
Revenue and gains in excess (deficient) of expenses and losses	61,729	5,883,889	2,331,670	8,281,288	(886,935)	(1,172,362)
Other changes in unrestricted net assets:						
Transfers between affiliates	—	(1,314,723)	—	(1,314,723)	—	216,830
Net assets released from restriction for land, building, and equipment acquisitions	—	4,606	—	4,606	—	—
Increase (decrease) in unrestricted net assets	$ 61,729	4,615,772	2,331,670	7,051,171	(886,935)	(955,532)

	St Pauls House and Health Care Center	Wittenberg Lutheran Village, Inc. and Endowment Corp, Inc.	Pleasant View Luther Home, Inc.	Luther Oaks, Inc.	Lutheran Life Communities	Eliminations	Consolidated
Operating revenue:							
Net resident service revenue:							
Resident service revenue, net of contractual allowance	10,662,559	12,009,117	7,788,594	4,994,648	135,942	—	80,734,930
Provision for bad debts	(393,714)	(165,764)	(13,660)	—	—	—	(659,602)
Net resident service revenue	10,268,845	11,843,353	7,774,934	4,994,648	135,942	—	80,075,328
Other revenue (loss)	325,993	1,023,947	242,287	170,380	37,403	253,214	10,936,671
Net assets released from restrictions used for operations	—	—	—	—	—	—	674,040
Total operating revenue	10,594,838	12,867,300	8,017,221	5,165,028	173,345	253,214	91,686,059
Operating expenses:							
Salaries and wages	4,474,720	6,371,438	4,278,412	2,306,525	4,160,806	253,214	44,609,664
Employee benefits	1,213,000	1,801,341	1,212,352	518,050	1,133,955	—	12,242,741
Support services	771,399	2,567,832	839,311	651,966	207,824	—	10,684,891
Dietary services	382,647	697,298	362,796	402,571	—	—	3,912,613
Program services	1,090,681	287,296	1,212,318	10,913	—	—	5,069,314
Administrative services	464,075	610,962	909,965	958,376	2,310,253	—	6,471,449
Community services	—	—	—	—	—	—	2,341,239
Fund-raising	6,095	4,261	8,884	—	—	—	420,006
Interest	196,091	33,946	137,052	1,423,663	234,350	—	3,559,448
Depreciation and amortization	642,900	580,490	104,168	1,212,850	428,046	—	6,076,139
Allocations, net	182,000	(30,000)	24,000	—	(3,278,097)	—	—
Total operating expenses	10,351,706	13,247,670	8,772,178	7,624,916	5,253,124	253,214	96,590,011
Income (loss) from operations	243,132	379,424	(755,057)	(2,459,888)	(5,083,779)	—	(4,903,952)
Investment income (loss)	318,536	5	8,721	(31,265)	142,253	—	946,999
Unrestricted contributions	—	—	1,754	—	—	—	477,633
Bequests and legacies	—	—	(17,258)	91,710	—	—	74,460
Net change in unrealized gains and losses on trading securities	218,334	—	—	(15,418)	25,926	—	2,913,062
Change in fair value of derivative instruments	—	—	—	—	—	—	192,381
Other, net	35,351	60,219	32,694	2,920	—	—	(111,609)
Total nonoperating gains (losses), net	572,221	60,224	77,009	22,947	167,369	—	4,426,934
Revenue and gains in excess (deficient) of expenses and losses	815,353	439,648	(677,171)	(2,436,941)	(4,916,410)	—	(477,016)
Other changes in unrestricted net assets:							
Transfers between affiliates	—	721,619	707,000	—	(430,726)	—	—
Net assets released from restriction for land, building, and equipment acquisitions	18,000	7,000	1,784,698	3,000	—	—	1,819,296
Increase (decrease) in unrestricted net assets	833,353	1,168,267	1,814,513	(2,381,941)	(5,321,136)	—	1,342,260

See accompanying independent auditors' report.

ATTACHMENT 39

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2016

Assets	Lutheran Home and Services for the Aged, Inc.	Lutheran Home for the Aged, Inc.	Lutheran Foundation for the Aged, Inc.	Eliminations	LHSA Obligated Group Members	Lutheran Community Services for the Aged, Inc.	Wittenberg Lutheran Village, Inc. and Embarcadero Corp, Inc.	Pleasant View Luther Home, Inc.	The Arlington of Naples	Luther Oaks, Inc.	Lutheran Life Communities Foundation	St. Pauls House and Health Care Center	Lutheran Life Communities	Eliminations	Consolidated
Current assets:															
Cash and cash equivalents	$ —	2,545,133	33,024	—	2,579,157	—	1,132,956	697,640	195,525	472,331	34,034	202,400	249,992	—	5,260,955
Assets whose use is limited or restricted	—	—	—	—	—	—	—	35,927	—	126,774	—	—	1,000,000	—	1,162,701
Resident accounts receivable, net of allowance for doubtful accounts of $179,500	54,240	4,449,628	—	—	4,540,576	—	2,643,900	126,564	—	39,126	—	2,765,645	—	—	11,227,611
Other receivables	—	513,869	—	—	513,869	761,194	576,795	200,446	—	727,229	—	(6,591)	64,371	909,764	1,594,132
Inventory of supplies and other	—	1,066,125	—	—	1,066,125	8,161	92,523	66,259	—	19,884	50,272	76,400	67,931	—	1,445,635
Due from affiliates	25,798,295	5,772,911	7,016,416	10,240,470	28,345,152	5,505,614	—	—	—	—	5,174,495	—	1,418,234	10,416,940	—
Total current assets	25,852,535	14,585,856	7,049,440	10,240,470	37,200,669	6,274,969	4,445,174	1,127,834	195,525	1,385,344	5,259,516	3,010,895	2,821,630	39,326,704	20,657,234
Assets whose use is limited or restricted, net of amounts required for current liabilities:															
Board designated for endowment	—	—	6,062,524	—	6,062,524	—	—	—	—	—	—	—	—	—	6,062,524
Resident deposits for future funeral, occupancy, and care costs	—	1,337,070	—	—	1,157,016	149,218	1,296,748	—	1,116,842	—	—	—	—	—	3,877,046
Held by trustee under bond indenture agreements	—	760,457	—	—	760,457	—	20,683,619	—	—	3,509,711	—	—	—	—	24,937,787
Donor-restricted investments	—	—	3,271,820	—	1,271,820	—	—	—	—	—	5,201,053	—	—	—	8,542,873
Total noncurrent assets whose use is limited or restricted	—	2,097,493	9,334,344	—	11,431,839	149,214	21,978,367	—	1,116,842	3,509,711	5,201,053	—	—	—	41,469,210
Land, buildings, and equipment, net of accumulated depreciation and amortization	—	24,077,720	—	—	24,077,720	—	19,126,109	1,491,459	25,564,923	26,260,015	—	7,164,377	5,153,924	—	117,640,644
Costs to acquire initial continuing care contracts	—	—	—	—	—	—	1,601,351	144,330	1,067,472	1,629,794	—	—	—	—	4,542,947
Investments	—	3,030,184	3,083,710	—	3,113,794	—	—	—	—	—	—	3,353,210	—	—	6,467,011
Agency funds	—	64,236	—	—	64,236	—	—	—	—	—	—	—	—	—	64,236
Deferred financing costs, net	—	487,445	—	—	487,445	—	1,423,667	—	—	290,374	—	190,657	—	—	2,391,143
Investment in joint ventures	30,000	810,774	—	—	946,274	91,150	—	—	—	—	—	1,084,815	—	—	2,125,782
Total assets	$ 25,893,043	44,353,119	14,465,894	10,240,470	56,371,477	4,513,759	48,450,518	2,463,364	27,951,962	33,311,260	10,540,269	12,811,146	7,933,604	39,326,704	199,030,255

(Continued)

ATTACHMENT 39

000276

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2016

Liabilities and Net Assets	Lutheran Home and Services for the Aged, Inc.	Lutheran Home for the Aged, Inc.	Lutheran Foundation for the Aged, Inc.	Eliminations	LHSA Obligated Group Members	Lutheran Community Services for the Aged, Inc.	Wittenberg Lutheran Village, Inc. and Endowment Corp., Inc.	Pleasant View Luther Home, Inc.	The Arlington of Naples	Luther Oaks, Inc.	Lutheran Life Communities Foundation	St. Pauls Home and Health Care Center	Lutheran Life Communities	Eliminations	Consolidated
Current liabilities:															
Current installments of long-term debt	$ —	1,636,500	—	—	1,636,500	—	—	87,990	41,261	—	—	146,002	66,081	—	1,477,492
Line of credit	—	2,040,090	—	—	2,460,180	—	—	—	—	—	2,918,347	500,000	—	—	6,270,111
Current portion of obligations under capital leases	—	7,631	—	—	7,635	—	—	—	—	—	—	—	210,060	—	225,696
Accounts payable	13,759	2,055,702	—	—	2,067,961	112,361	762,790	456,338	119,041	149,316	72,262	927,464	331,506	—	4,878,213
Accrued interest payable	—	62,984	—	—	62,984	—	359,916	11,116	2,203,401	530,029	—	6,883	—	—	3,175,124
Accrued compensation and other liabilities	204,202	1,350,442	—	—	1,554,644	207,083	297,349	473,432	92,505	296,497	46,118	425,833	329,464	—	4,227,091
Due to affiliates	—	10,241,476	—	10,240,470	—	12,345,249	5,293,036	3,446,003	4,036,897	1,275,119	—	911,783	12,166,415	19,376,704	—
Total current liabilities	217,961	15,213,316	—	10,240,470	8,148,132	12,664,693	6,713,091	4,474,879	6,512,160	2,250,961	3,036,727	2,917,962	13,103,526	19,376,704	20,949,218
Long-term debt, excluding current installments and unamortized bond discount	—	21,220,104	—	—	22,020,104	—	37,211,461	2,221,062	20,323,400	24,322,344	—	5,046,833	2,953,779	—	114,546,091
Obligations under capital leases, net of current portion	—	—	—	—	—	—	—	—	—	—	—	—	56,178	—	56,178
Deferred revenue from nonrefundable entrance fees	—	—	—	—	—	—	13,388	—	—	716,338	—	—	—	—	729,726
Residents' custodial assets	—	119,766	—	—	119,766	—	36,247	17,214	—	—	—	229,440	—	—	401,187
Refundable entrance fees	—	—	—	—	—	—	2,229,308	2,432,697	1,116,414	11,621,519	—	—	—	—	13,403,931
Reserve for funeral expenses	—	24,100	—	—	24,100	—	—	—	—	—	—	—	—	—	24,100
Resident deposits	—	1,352,938	—	—	1,352,938	147,218	20,646	21,500	—	413,395	—	—	—	—	1,954,907
Charitable gift annuity obligations	—	—	477,812	—	477,812	—	—	—	—	—	—	—	—	—	477,812
Agency funds	—	64,236	—	—	64,236	—	—	—	—	—	—	—	—	—	64,236
Other long-term liabilities	—	949,942	—	—	949,942	—	—	—	—	—	281,239	356	—	—	1,231,537
Total liabilities	217,961	43,324,842	477,812	10,240,470	33,978,645	12,811,911	46,243,444	9,169,396	27,951,962	39,324,519	3,317,966	8,193,591	16,424,435	19,376,704	151,122,905
Net assets (deficit):															
Unrestricted	25,676,552	5,729,568	13,989,959	—	44,111,069	(8,294,092)	2,203,074	(2,403,649)	—	(6,012,259)	(673,617)	4,573,546	(9,448,631)	—	27,923,361
Temporarily restricted	—	—	210,253	—	210,253	—	—	694,437	—	—	6,918,444	9,609	—	—	7,832,943
Permanently restricted	—	—	3,271,570	—	3,271,570	—	—	—	—	—	966,076	—	—	—	4,237,646
Total net assets (deficit)	25,676,552	5,729,568	15,987,682	—	48,592,892	(8,294,092)	2,203,074	(1,709,212)	—	(6,012,259)	7,210,903	4,583,155	(9,448,631)	—	39,993,950
Total liabilities and net assets	$ 25,894,513	49,053,410	16,465,494	10,240,470	82,571,537	4,517,819	48,458,518	7,460,184	27,951,962	33,312,260	10,528,869	12,776,746	7,075,604	19,376,704	191,039,255

See accompanying independent auditors' report.

000277

ATTACHMENT 39

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidating Statement of Operations Information

Year ended June 30, 2010

	Lutheran Home and Services for the Aged, Inc.	Lutheran Home for the Aged, Inc.	Lutheran Foundation for the Aged, Inc.	LHSA Obligated Group Members	Lutheran Community Services for the Aged, Inc.	Wittenberg Lutheran Village, Inc. and Endowment Corp., Inc.	Pleasant View Luther Home, Inc.	Luther Oaks, Inc.	Lutheran Life Communities Foundation	St Pauls House and Health Care Center	Lutheran Life Communities	Eliminations	Consolidated
Operating revenue:													
Net resident service revenue:													
Resident service revenue, net of contractual allowance	$ 5,409,654	36,249,511	—	41,930,125	—	15,674,591	8,526,129	4,156,840	—	8,664,670	127,309	—	75,076,312
Provision for bad debts	—	(7,850)	—	(7,850)	(1,934)	(251,690)	(20,475)	—	—	(101,153)	—	—	(383,942)
Net resident service revenue	5,409,614	36,241,661	—	41,922,275	(1,934)	11,422,921	8,505,104	4,156,840	—	8,563,517	127,309	—	74,694,390
Other revenue (loss)	(38,509)	921,970	—	883,462	5,771,021	1,771,428	283,236	179,395	—	192,821	60,984	179,217	8,962,920
Net assets released from restrictions used for operations	—	—	280,000	280,000	—	—	—	—	196,060	—	—	—	476,060
Total operating revenue	5,642,105	37,163,631	280,000	43,085,737	5,767,187	13,194,399	8,799,340	4,335,235	196,060	8,756,338	188,293	179,217	90,133,370
Operating expenses:													
Salaries and wages	2,013,781	16,797,360	—	19,813,141	2,814,185	6,241,174	4,776,539	2,264,494	322,688	6,095,303	3,925,465	179,217	43,273,706
Employee benefits	2,038,901	3,315,093	—	5,353,994	445,364	1,608,761	1,219,151	470,485	70,373	991,481	515,262	—	10,574,875
Support services	—	5,042,674	—	5,042,674	—	2,490,420	841,644	666,438	—	647,008	317,896	—	10,006,680
Dietary services	—	1,946,674	—	1,946,674	—	579,873	367,983	360,748	—	338,001	—	—	3,593,279
Program services	87,974	2,310,246	—	2,398,220	—	71,768	1,357,143	8,702	—	1,419,502	—	—	5,255,335
Administrative services	921,928	768,471	—	1,690,399	56,238	537,326	243,277	735,133	—	427,594	2,534,803	—	6,294,770
Community services	—	—	—	—	1,952,163	—	—	—	—	—	—	—	1,952,163
Fund-raising	—	332	—	332	—	5,579	6,664	—	208,819	4,078	—	—	225,502
Interest	—	1,129,199	—	1,129,199	—	109,647	153,898	1,473,141	—	349,258	212,016	—	3,327,159
Depreciation and amortization	—	2,893,127	—	2,893,127	—	587,330	390,429	1,252,704	—	648,972	323,864	—	6,096,446
Allocations, net	90,012	405,603	—	495,615	1,772,483	150,000	(50,000)	—	206,695	99,946	(2,774,996)	—	—
Total operating expenses	5,154,596	34,608,779	—	39,763,375	7,022,430	12,382,680	9,556,722	7,252,105	1,008,808	8,713,193	4,954,310	179,217	98,474,423
Income (loss) from operations	487,510	2,554,852	280,000	3,322,362	(1,255,243)	811,719	(757,382)	(2,916,870)	(812,748)	43,145	(4,766,017)	—	(8,341,053)
Investment income (loss)	—	233,433	(221,188)	12,245	(2,053)	753	62,378	72,216	(28,268)	243,879	119,684	—	538,565
Unrestricted contributions	—	200,000	189,991	389,991	—	—	1,929	—	65,493	—	—	—	457,413
Bequests and legacies	—	—	—	—	—	—	299,300	—	—	—	—	—	299,300
Net change in unrealized gains and losses on trading securities	—	533,914	1,711,105	2,245,019	.	—	—	(5,208)	43,897	102,329	70,737	—	2,456,774
Change in fair value of derivative instruments	—	(137,207)	—	(137,207)	—	—	—	—	—	—	—	—	(137,207)
Other, net	—	1,261,553	(359,765)	902,118	—	82,091	74,662	4,820	(332,655)	165,450	—	—	896,686
Total nonoperating gains (losses), net	—	2,171,043	1,242,143	3,414,186	(2,053)	82,844	348,979	81,828	(243,533)	550,858	(190,431)	—	4,423,531
Revenue and gains in excess (deficient) of expenses and losses	487,510	4,726,895	1,522,143	6,736,548	(1,257,305)	894,555	(418,412)	(2,835,044)	(1,056,281)	594,003	(4,575,598)	—	(3,917,522)
Other changes in unrestricted net assets: Transfers between affiliates	—	—	(1,130,541)	(1,130,541)	(1,300,000)	1,300,000	—	—	—	—	1,130,541	—	—
Increase (decrease) in unrestricted net assets	$ 487,510	4,726,895	391,602	5,606,007	(2,557,305)	2,194,555	(418,412)	(2,835,044)	(1,056,281)	594,003	(3,445,045)	—	(3,917,522)

See accompanying independent auditors' report

ATTACHMENT 39

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Statements of Operations Information by Development

Years ended June 30, 2011 and 2010

(Unaudited)

		2011	2010
Stabilized communities:			
Operating revenue:			
Net resident service revenue:			
Resident service revenue, net of contractual allowance	$	55,816,629	50,594,795
Provision for bad debts		(480,178)	(112,837)
Net resident service revenue		55,336,451	50,481,958
Other revenue		8,652,654	6,668,087
Net assets released from restrictions used for operations		674,040	476,060
Total operating revenue		64,663,145	57,626,105
Operating expenses:			
Salaries and wages		27,412,372	26,066,098
Employee benefits		7,573,063	6,761,216
Support services		6,418,056	5,689,682
Dietary services		2,450,038	2,284,675
Program services		4,578,587	3,817,722
Administrative services		2,281,929	2,176,231
Community services		2,343,250	1,932,163
Fund-raising		407,660	213,259
Interest		1,724,637	1,278,457
Depreciation and amortization		3,382,225	3,534,099
Allocations, net		3,102,000	2,574,996
Total operating expenses		61,673,817	56,328,598
Stabilized communities income from operations		2,989,328	1,297,507
Communities in development:			
Operating revenue:			
Net resident service revenue:			
Resident service revenue, net of contractual allowance		24,918,301	24,483,537
Provision for bad debts		(179,424)	(271,105)
Net resident service revenue		24,738,877	24,212,432
Other revenue		2,284,017	2,294,833
Net assets released from restrictions used for operations		—	—
Total operating revenue		27,022,894	26,507,265
Operating expenses:			
Salaries and wages		17,397,292	17,207,668
Employee benefits		4,669,698	3,813,659
Support services		4,266,835	4,316,998
Dietary services		1,462,575	1,308,604
Program services		1,490,527	1,437,613
Administrative services		4,189,556	4,120,539
Fund-raising		12,346	12,243
Interest		1,834,811	1,948,702
Depreciation and amortization		2,694,554	2,554,795
Allocations, net		(3,102,000)	(2,574,996)
Total operating expenses		34,916,194	34,145,825
Communities in development losses from operations		(7,893,300)	(7,638,560)
Total losses from operations		(4,903,972)	(6,341,053)

(Continued)

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Statements of Operations Information by Development

Years ended June 30, 2011 and 2010

(Unaudited)

		2011	2010
Nonoperating gains (losses), net:			
Investment income	$	946,908	538,565
Unrestricted contributions		477,633	457,413
Bequests and legacies		74,460	209,300
Net change in unrealized gains and losses on trading securities		2,917,062	2,458,774
Change in fair value of derivative instruments		192,381	(137,207)
Other, net		(181,508)	896,686
Total nonoperating gains, net		4,426,936	4,423,531
Revenue and gains deficient of expenses and losses		(477,036)	(1,917,522)
Other changes in unrestricted net assets:			
Net assets released from restriction for land, building, and equipment acquisitions		1,819,296	—
Increase (decrease) in unrestricted net assets	$	1,342,260	(1,917,522)

* Note – The financial statement presentation above reflects operating results between communities, which are experiencing losses in the short term due to campus development versus communities, which are stabilized and operating without these short-term losses.

Stabilized communities include LHSA, the Home, LCSA, LFA Foundation, St Pauls, and the LLC Foundation. These communities are not expanding, repositioning, or being occupied by their first residents after initial buildout in fiscal year 2011. These communities have reached a level of occupancy, which represented stabilization (typically higher than 85%) prior to July 1, 2010.

Communities in development include LLC, WLV, WLVEC, Luther Oaks, and The Arlington of Naples. These communities are expanding, repositioning, or being occupied by their first residents after initial buildout in fiscal year 2011. Prior to stabilization, communities experience startup-losses, which are funded by the planned use of charitable contributions, cash reserves, or additional borrowings from the debt financing the expansion, repositioning, or buildout. Communities in development will experience these losses for a number of months or even years before they reach a level of stabilized occupancy (typically higher than 85%).

See accompanying independent auditors' report.

LUTHERAN HOME FOR THE AGED, INC.
CON APPLICATION
FINANCIAL VIABILITY

Role of Applicants and Co-Applicants in Funding

The entity which owns and operates the skilled nursing facility at which the Project will take place is Lutheran Home for the Aged, Inc., so it is the applicant. Lutheran Home and Services for the Aged, Inc. is the sole corporate member of Lutheran Home for the Aged, Inc. and the Lutheran Foundation for the Aged, Inc. All three of these entities are part of an obligated group under a master trust indenture. Each member of the obligated group is jointly and severally liable to pay back money borrowed by the obligated group from the proceeds of the sales of tax exempt bonds which are secured by the lien of the master trust indenture. Because Lutheran Home and Services for the Aged, Inc. and Lutheran Foundation for the Aged, Inc. are co-borrowers on the debt incurred which will be used to pay for the Project, they are co-applicants. Lutheran Life Communities is the sole corporate member of Lutheran Home and Services for the Aged, Inc., and as such it is the ultimate parent of Lutheran Home for the Aged and it is also a co-applicant.

LUTHERAN HOME FOR THE AGED, INC.
CON APPLICATION
FINANCIAL VIABILITY

c – 9) Financial Ratios – (see Below items)

B – b -1) Current Ratio = Current Assets/Current Liabilities (Goal is 1.5 or greater):

Obligated Group (LHSA, LHA & LFA)

	Actual FY09	Actual FY10	Actual FY11	Projected FY16
Current Assets/	28,047,728	37,249,669	44,592,348	51,666,943
Current Liabilities	5,916,740	8,189,727	10,430,030	12,084,759
Current Ratio	**4.74**	**4.55**	**4.28**	**4.28**

Lutheran Life Communities

	Actual FY09	Actual FY10	Actual FY11	Projected FY16
Current Assets/	16,536,371	20,657,274	26,094,802	29,500,000
Current Liabilities	17,616,400	20,949,238	25,609,184	29,000,000
Current Ratio	**0.94**	**0.99**	**1.02**	**1.02**

LUTHERAN HOME FOR THE AGED, INC.
CON APPLICATION
FINANCIAL VIABILITY

B - b - 2) **Net Margin Percentage = Net Income/Net Operating Revenues) X 100 (Goal is 2.5% or greater):**

Obligated Group (LHSA, LHA & LFA)

	Actual FY09	Actual FY10	Actual FY11	Projected FY16
Net Income/	1,778,591	3,322,362	4,180,307	7,344,932
Net Operating Revenue	41,710,178	43,085,737	47,224,299	60,645,139
=	0.0426	0.0771	0.0885	0.1211
X 100	100	100	100	100
Net Margin Percentage	**4.26**	**7.71**	**8.85**	**12.11**

Lutheran Life Communities

	Actual FY09	Actual FY10	Actual FY11	Projected FY16
Net Income/	(12,004,630)	(1,917,522)	1,342,260	2,200,000
Net Operating Revenue	80,802,420	85,344,221	91,686,039	106,289,203
=	(0.1486)	(0.0225)	0.0146	0.0207
X 100	100	100	100	100
Net Margin Percentage	**(14.86)**	**(2.25)**	**1.46**	**2.07**

LUTHERAN HOME FOR THE AGED, INC.
CON APPLICATION
FINANCIAL VIABILITY

B - b - 3) **Long-Term Debt to Capitalization = (Long-Term Debt/Long-Term Debt plus Net Assets) X 100 (Goal is 80% or Less):**

Obligated Group (LHSA, LHA & LFA)

	Actual FY09	Actual FY10	Actual FY11	Projected FY16
Long-Term Debt	24,449,278	22,820,104	21,687,263	96,560,712
Net Assets	44,511,822	50,392,832	57,795,240	86,337,564
LT Debt plus Net Assets	68,961,100	73,212,936	79,482,503	182,898,276
Long-Term Debt/	24,449,278	22,820,104	21,687,263	96,560,712
LT Debt plus Net Assets	68,961,100	73,212,936	79,482,503	182,898,276
=	0.3545	0.3117	0.2729	0.5279
X 100	100	100	100	100
LT Debt to Capitalization	**35.45**	**31.17**	**27.29**	**52.79**

Lutheran Life Communities

	Actual FY09	Actual FY10	Actual FY11	Projected FY16
Long-Term Debt	84,957,970	114,848,011	137,705,476	209,705,476
Net Assets	38,733,857	39,916,350	41,664,745	49,000,000
LT Debt plus Net Assets	123,691,827	154,764,361	179,370,221	258,705,476
Long-Term Debt/	84,957,970	114,848,011	137,705,476	209,705,476
LT Debt plus Net Assets	123,691,827	154,764,361	179,370,221	258,705,476
=	0.6869	0.7421	0.7677	0.8106
X 100	100	100	100	100
LT Debt to Capitalization	**68.69**	**74.21**	**76.77**	**81.06**

LUTHERAN HOME FOR THE AGED, INC.
CON APPLICATION
FINANCIAL VIABILITY

B – b – 4) **Debt Service Coverage Ratio (Goal is 1.5 or more):**

Obligated Group (LHSA, LHA & LFA)

	Actual FY09	Actual FY10	Actual FY11	Projected FY16
Debt Service Coverage	**3.37**	**4.09**	**4.00**	**2.56**

Lutheran Life Communities

	Actual FY09	Actual FY10	Actual FY11	Projected FY16
Debt Service Coverage	**1.58**	**1.26**	**1.07**	**1.80**

LUTHERAN HOME FOR THE AGED, INC.
CON APPLICATION
FINANCIAL VIABILITY

B – b -5) **Days Cash on Hand = (Cash plus Investments plus Board Designated Funds)/(Operating Expense-less Depreciation Expense) / 365 (Goal is 45 or More):**

Obligated Group (LHSA, LHA & LFA)

	Actual FY09	Actual FY10	Actual FY11	Projected FY16
Cash & Cash Equivalents	2,896,551	2,578,147	2,810,682	23,788,663
Assets whose use is restricted	8,729,070	7,419,562	8,032,356	
Long Term Investments	7,067,838	6,060,568	7,575,795	
Total Cash	18,693,459	16,058,277	18,418,833	23,788,663
Total Operating Expense	39,931,587	39,763,375	43,043,992	57,731,959
Less: Depr & Amort	(2,640,680)	(2,893,127)	(2,739,325)	(4,975,911)
Adjsuted Oper Exp	37,290,907	36,870,248	40,304,667	52,756,048
Adj Oper Exp/ 365	102,167	101,014	110,424	144,537
Days Cash on Hand	**183**	**159**	**167**	**165**

Lutheran Life Communities

	Actual FY09	Actual FY10	Actual FY11	Projected FY16
Cash & Cash Equivalents	4,758,664	5,240,955	9,285,551	12,000,000
Assets whose use is restricted	11,866,593	11,122,271	14,387,189	12,000,000
Long Term Investments	8,906,024	8,592,775	11,637,354	19,000,000
Total Cash	25,531,281	24,956,001	35,310,094	43,000,000
Total Operating Expense	89,176,824	90,474,423	96,590,011	111,974,296
Less: Depr & Amort	(5,997,481)	(6,088,894)	(6,076,779)	(6,100,000)
Adjsuted Oper Exp	83,179,343	84,385,529	90,513,232	105,874,296
Adj Oper Exp/ 365	227,889	231,193	247,981	290,067
Days Cash on Hand	**112**	**108**	**142**	**148**

LUTHERAN HOME FOR THE AGED, INC.
CON APPLICATION
FINANCIAL VIABILITY

B – b – 6) **Cushion Ratio = (Cash plus Investments plus Board Designated Funds)/Principal Payments plus Interest Expense) for the year of maximum debt service after project completion (Goal is 3.0 or more):**

Obligated Group (LHSA, LHA & LFA)	Projected FY16
Cash/Investments	23,788,663
Principal & Interest for year of Max Debt Service	8,666,068
Cushion Ratio	**2.75**

Lutheran Life Communities	Projected FY16
Cash/Investments	43,000,000
Principal & Interest for year of Max Debt Service Cash/Investments	14,331,000
Cushion Ratio	**3.0**

LUTHERAN HOME FOR THE AGED, INC.
CON APPLICATION
FINANCIAL VIABILITY

Statement Regarding Specific Ratios

Lutheran Home for the Aged, Inc. complies with all financial ratios except the cushion ratio. Lutheran Life Communities does not comply with several ratios. Please note the reasons for these differences from the desired ratio:

Cushion Ratio –
The cushion ratio of Lutheran Home for the Aged, Inc. of 2.75 is lower than the goal of 3.00. Additional funds have not been applied to this transaction at this time as typical tax-exempt bond covenants for a long term healthcare facility like the Lutheran Home for the Aged, Inc. do not require investment and cash balances of this magnitude. Additional cash and investments are continually being added (through contributions and bequests), invested and multiplied in the Lutheran Life Communities Foundation (which is not part of the obligated group of the Lutheran Home for the Aged, Inc.) and these funds are available for use by the Lutheran Home for the Aged if required.

Current Ratio –
The current ratio of Lutheran Life Communities falls below 1.5 but is close to 1.0 or higher in most cases. Lutheran Life Communities invests reserved cash into a well diversified portfolio in order to earn a more significant investment income. These funds are drawn upon to meet obligations if needed, however, they are typically not required if the current ratio is maintained at or near 1.0.

Net Margin Percentage –
The net margin of Lutheran Life Communities falls below 2.5% but is continuing to improve. Several factors cause this issue including the following:

- Investment market volatility related to invested reserve funds in this period was significant. These valuation changes are required to be part of net income.
- Startup expenses and costs are significant in this period due to startup losses at Luther Oaks, Wittenberg Village and Pleasant View as each of these campuses had major renovations and fill up of residences during this period. As these communities continue to stabilize, net income will improve. These startup losses are funded by bond proceeds or reserves and are planned/required for the short term in order to produce a more stabile long term outcome.
- Significant new investments in our campuses create much larger depreciation expenses which is a non-cash item. New buildings do not require this expense to be funded in early years, however, the financial net income is affected significantly in these early years.
- A strategic decision has been made to manage donations and bequests through restricting the funds in the Lutheran Life Communities Foundation and these contributions are not included in Unrestricted Net Income. These funds can be used in future years to manage in times when the funds are needed and when Net Income is required to meet loan and

bond covenants in those years. At this time, covenants have typically been met at each campus without the use of these restricted funds.

In FY11, if the restricted contributions were added to Net Income, the Net Margin percentage would have been 1.91%. As stabilization and modernization continues at Lutheran Life Communities overall, this ratio will move towards and achieve the 2.5% goal.

Long Term Debt to Capitalization

Lutheran Life Communities complies with this ratio both currently and historically, but the ratio of 81.6% projected for FY 16 is slightly over the 80% standard. The main reason for this is that the increase in debt related to Lutheran Home is a major renovation which will enable Lutheran Home to remain competitive with a high quality of care for the next 30 years. As debt payments are made over this time and as surpluses are achieved from the operations during this period, this ratio will decrease below the 80% standard quickly. In computing this ratio, we are projecting out 4 years from today and we have been conservative in our estimates of surpluses, investments income and contributions, bequests and other donations during this period. Increases in the actual amounts for these items will directly increase net assets and decrease this ratio during this period.

Debt Service Coverage

Lutheran Life Communities has a debt service coverage ration of 1.26 in FY 10 and 1.07 in FY 11, compared to the standard of 1.5. The reason for this is mainly that the 2009 and 2010 bond issuances for Wittenberg Village and Pleasant View, respectively, were constructing projects of revenue producing units during this time period. The debt service coverage ratio is not required under these bond issues due to timing related to finishing construction and then filling up the units to produce the revenue in order to meet the coverage ratio. Neither of these bond issues have required a debt service coverage calculation during these periods. As we progress to FY11 and beyond, these newly constructed units are being filled and revenue is being generated such that the debt service coverage ratios (both set at 1.20 in these bond issues) will begin to be met as planned.

Lutheran Home
A Lutheran Life Community

March 6, 2012

Ms. Courtney R. Avery
Administrator
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Lutheran Home for the Aged, Inc. CON Application – Section 1120.140(a) Certification

Dear Ms. Avery,

In compliance with the Section 1120.140(a) of the Review Board Rules, we hereby certify that the total estimated project costs and related costs will be funded in total or in part by borrowing because a portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 1.5 times.

Additionally, we hereby certify that the selected form of debt financing for the project will be at the lowest net cost available.

Sincerely,

LUTHERAN HOME FOR THE AGED, INC.

By: ______________________
Roger W. Paulsberg, Chair

Notarization:
Subscribed and sworn to before me
this 7 day of March, 2012
Elizabeth A. Williamson
Signature of Notary Public

Seal

OFFICIAL SEAL
ELIZABETH A WILLIAMSON
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES 03/21/15

Vibrant, grace-filled living across all generations

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www.LutheranHome.org

ATTACHMENT 42

Lutheran Home
Project Modernization Cost per DGSF Breakdown

March 6, 2012

CLINICAL

PROJECT SCOPE OF WORK	Existing (DGSF)		Proposed (DGSF)				Addition	Modernization	
LUTHERAN HOME	Total	Vacated	Addition	Modernization	As-Is	Total	Cost / DGSF	Cost / DGSF	Total Cost
OLSON PAVILION									
Resident Units	45,537	-	25,725	29,802	-	55,527	$ 205	$ 176	$ 10,518,777
Resident Baths (SNF)	5,212	-	6,725	15,420	-	22,145	$ 325	$ 235	$ 5,809,325
Administrative	-	-	-	-	-	-	$ -	$ -	$ -
Laundry	-	-	-	-	-	-	$ -	$ -	$ -
Kitchen/Food Prep/Food Storage	-	-	-	-	-	-	$ -	$ -	$ -
Dining	-	-	-	-	-	-	$ -	$ -	$ -
Sitting / Living / Family Room	-	-	-	-	-	-	$ -	$ -	$ -
Physical Therapy / Exam	2,771	-	3,134	2,725	-	5,859	$ 245	$ 155	$ 1,190,205
Spa / Restrooms	-	-	-	-	-	-	$ -	$ -	$ -
Staff Support / Maintenance	-	-	-	-	-	-	$ -	$ -	$ -
Service / Storage / Receiving	-	-	-	-	-	-	$ -	$ -	$ -
Mechanical / Chase	-	-	-	-	-	-	$ -	$ -	$ -
Circulation	22,028	-	9,252	12,776	-	22,028	$ 215	$ 155	$ 3,969,374
Soiled / Clean Utility	1,697	-	937	2,133	-	3,070	$ 250	$ 190	$ 639,520
Employee Lounge	-	-	-	-	-	-	$ -	$ -	$ -
Canopy	-	-	-	-	-	-	$ -	$ -	$ -
Medical Clinic	-	-	-	-	-	-	$ -	$ -	$ -
ALL OTHER AREAS									
E - Wing	-	-	-	-	-	-	$ -	$ -	$ -
Resident Rooms / Bathrooms	7,686	-	-	-	7,686	7,686	$ -	$ -	$ -
Soiled / Clean Utility	592	-	-	-	592	592	$ -	$ -	$ -
Circulation	2,786	-	-	-	2,786	2,786	$ -	$ -	$ -
F - Wing	-	-	-	-	-	-	$ -	$ -	$ -
Resident Rooms / Bathrooms	2,448	-	-	-	2,448	2,448	$ -	$ -	$ -
Soiled / Clean Utility	490	-	-	-	490	490	$ -	$ -	$ -
Circulation	1,942	-	-	-	1,942	1,942	$ -	$ -	$ -
G - Wing	-	-	-	-	-	-	$ -	$ -	$ -
Resident Rooms / Bathrooms	2,312	-	-	-	2,312	2,312	$ -	$ -	$ -
Soiled / Clean Utility	234	-	-	-	234	234	$ -	$ -	$ -
Circulation	976	-	-	-	976	976	$ -	$ -	$ -
H - Wing	-	-	-	-	-	-	$ -	$ -	$ -
Resident Rooms / Bathrooms	2,119	-	-	-	2,119	2,119	$ -	$ -	$ -
Soiled / Clean Utility	120	-	-	-	120	120	$ -	$ -	$ -
MDS Administration	172	-	-	-	172	172	$ -	$ -	$ -
Circulation	1,980	-	-	-	1,980	1,980	$ -	$ -	$ -
J - Wing	-	-	-	-	-	-	$ -	$ -	$ -
Resident Rooms / Bathrooms	4,500	-	-	-	4,500	4,500	$ -	$ -	$ -
Soiled / Clean Utility	192	-	-	-	192	192	$ -	$ -	$ -
Circulation	5,394	-	-	-	5,394	5,394	$ -	$ -	$ -
Totals	111,187	-	45,773	62,856	33,942	142,571			$ 22,127,201

TOTAL BEDS 334
DGSF / BED 426.9

COST / DGSF $ 155.20

000291

ATTACHMENT 42

Lutheran Home
Project Modernization Cost per DGSF Breakdown

March 6, 2012

NON-CLINICAL

PROJECT SCOPE OF WORK	Existing (SF)		Proposed (SF)				Addition	Modernization	
LUTHERAN HOME	Total	Vacated	Addition	Modernization	As-Is	Total	Cost per SF	Cost per SF	Total Cost
OLSON PAVILION									
Resident Units	-	-	-	-	-	-	$ -	$ -	$ -
Resident Baths (SNF)	-	-	-	-	-	-	$ -	$ -	$ -
Administrative	2,341	-	1,132	3,262	-	4,394	$ 215	$ 168	$ 791,396
Laundry	-	-	-	-	-	-	$ -	$ -	$ -
Kitchen/Food Prep/Food Storage	7,833	-	1,373	12,088	-	13,461	$ 425	$ 325	$ 4,512,125
Dining	3,636	-	10,982	-	-	10,982	$ 230	$ -	$ 2,525,860
Sitting / Living / Family Room	2,380	-	8,203	2,685	-	10,888	$ 230	$ 150	$ 2,289,440
Physical Therapy / Exam	-	-	-	-	-	-	$ -	$ -	$ -
Spa / Restrooms	2,242	-	2,089	3,057	-	5,146	$ 350	$ 265	$ 1,541,255
Staff Support / Maintenance	4,149	-	3,798	5,307	-	9,105	$ 200	$ 150	$ 1,555,650
Service / Storage / Receiving	6,130	-	1,358	2,243	3,140	6,741	$ 185	$ 160	$ 610,073
Mechanical / Chase	1,950	-	6,249	2,523	-	8,772	$ 175	$ 135	$ 1,434,180
Circulation	14,276	-	16,467	23,655	786	40,908	$ 215	$ 155	$ 7,207,016
Soiled / Clean Utility	-	-	-	-	-	-	$ -	$ -	$ -
Employee Lounge	1,485	-	-	2,196	-	2,196	$ 230	$ 145	$ 318,420
Canopy	92	-	1,687	-	-	1,687	$ 107	$ -	$ 180,026
Medical Clinic	2,389	-	1,858	2,350	-	4,208	$ 240	$ 180	$ 868,920
ALL OTHER AREAS							$ -	$ -	$ -
E - Wing	11,680	-	-	-	11,680	11,680	$ -	$ -	$ -
F - Wing	26,825	-	-	-	26,825	26,825	$ -	$ -	$ -
G - Wing	20,380	-	-	-	20,380	20,380	$ -	$ -	$ -
H - Wing	27,934	-	-	-	27,934	27,934	$ -	$ -	$ -
J - Wing	33,950	-	-	-	33,950	33,950	$ -	$ -	$ -
Totals	169,671	-	55,196	59,366	124,694	239,256			$ 23,834,361

TOTAL BEDS 334
DGSF / BED 716.3

COST / DGSF $ 99.62

TOTAL PROJECT	280,858	-	100,969	122,222	158,636	381,827			$ 45,961,562

TOTAL BEDS 334
DGSF / BED 1143.2

COST / DGSF $ 120.37

000292

ATTACHMENT 42

Table 1120.310(c)			
	Lutheran Home	**State Standard**	**Above/Below State Standard**
Preplanning	$236,498	1.8% x (Construction + Contingencies + Equipment) = 1.8% x ($26,967,739 + $1,423,724 + 2,476,606) = 1.8% x $30,868,069 = $555,625	Below State Standard
Site Survey and Preparation	$2,041,395	5% x (Construction + Contingencies) = 5% x ($26,967,739 + $1,423,724) = 5% x $28,391,463 = $16,927,109	Above State Standard
Modernization Costs	$22,127,201/142,571 GSF = $155.20 per square foot	$143.50 per square foot (inflated at 3% per year until mid-point of construction -see attachment) = $155.21 per gross square foot	Below State Standard
Contingencies	$1,168,175	10 - 15% x Modernization Costs = 10% - 15% x $22,127,201 = $2,212,720 - $3,319,080	Below State Standard
Architectural/ Engineering Fees	$1,961,487	5.48 % to 8.22% x (Construction + Contingencies) = 5.48% to 8.22% x ($22,127,201+ $1,168,175) = 5.48% to 8.22% x $23,295,376 = $1,278,450 - $1,914,880	Above State Standard
Consulting & Other	$506,975	No State Standard	

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ATTACHMENT 42

Table 1120.310(c)			
	Lutheran Home	State Standard	Above/Below State Standard
Fees			
Equipment	$2,032,071	$6,491 per bed $6,491 x 334 = $2,167,994	Below State Standard
Other Costs to be Capitalized	$1,038,258	No State Standard	

Calculation of State Standard for Modernization

Year	Quartile	New Construction	Modernization	
2012	1	$205.00	$143.50	
	2	$206.54	$144.58	
	3	$208.09	$145.66	Project Start
	4	$209.65	$146.75	
2013	1	$211.22	$147.85	
	2	$212.80	$148.96	
	3	$214.40	$150.08	
	4	$216.01	$151.21	
2014	1	$217.63	$152.34	
	2	$219.26	$153.48	
	3	$220.90	$154.63	
	4	$222.56	$155.79	
2015	1	$224.23	$156.96	
	2	$225.91	$158.14	
	3	$227.61	$159.32	
	4	$229.31	$160.52	
2016	1	$231.03	$161.72	
	2	$232.77	$162.94	
	3	$234.51	$164.16	
	4	$236.27	$165.39	Project Completion

New Construction = $221.73/SF for Comparison
Modernization = $155.21/SF for Comparison

Lutheran Home

Explanation of Site Preparation Costs

February 27, 2012

Our review of the costs for this project indicates that the site preparation costs are not in compliance with the Health Facilities and Services Review Board's standards. Pursuant to Section 1120.310 of the Health Facilities and Services Review Board's rules, we wish to document the constraints and complexities associated with the Site Preparation for this project.

Hoffman LLC is providing architectural and project management services of the Lutheran Home project. We have integrally involved with both the design and cost estimation for this project and provide to the Health Facilities and Services Review Board the following explanation of the complexities causing the Site Preparation cost to exceed the State standard on this line item.

In review of the project costs associated with site preparation, the total is higher than the typical allowable limit. There are several factors that cause this result:

1. A large amount of hazardous material (asbestos) will be remediated from the site. The hazardous material will be removed from the property. The hazardous material can be found in the existing building scheduled to have exhaustive interior demolition and renovation of all building systems and finishes.
2. The only greenfield portion of the property currently serves as the detention basin for storm water management. Because this is the only greenfield portion of the property, it is the portion of the site to build the large scale addition on. In order to accomplish this, underground storm detention traps are being built to support the storm water management plan.
3. In addition to storm water management conflicts, this area of the project will also include rerouting of other major utilities including: electrical service, water main service, and sanitary service.
4. A large on-site parking lot expansion is a part of the project. Due to the complexity of the parking requirements, the site development will take place with many sequenced phases that will lead to a longer duration and many mobilizations for the site work contractors to maintain site amenities and safety during the construction phase.

Kevin Madalinski

Senior Project Manager

Lutheran Home

Explanation of Architectural and Engineering Fees

February 27, 2012

Our review of the costs for this project indicates that the architectural costs are not in compliance with the Health Facilities and Services Review Board's standards. Pursuant to Section 1125 of the Health Facilities and Services Review Board's rules, we wish to document the constraints and complexities associated with the architectural and engineering fees for this project.

Hoffman LLC is providing architectural and project management services of the Lutheran Home project. We have integrally involved with both the design and cost estimation for this project and provide to the Health facilities and Services Review Board the following explanation of the complexities causing the architectural and engineering fees to exceed the State standard on this line item.

In review of the project costs associated with architectural and engineering fees, the total is higher than the typical allowable limit. There are several factors that cause this result:

1. In order to implement the construction for the project, significant detailed documentation is created to maintain a high level of occupancy during the renovations of the existing portion of the project. This detailed documentation results in significant time and focus to maintain high levels of resident safety, security, and comfort. In addition, detailed plans are created to share with Illinois Department of Public Health for review of these issues to maintain certification of these spaces during construction. Multiple plans are used to outline this complex phasing.
2. The existing facility was constructed at different times. This has resulted in creating multiple details to address the different existing conditions for the project. Details for the building systems have required multiple details to maintain operations during construction, as well as adapt to the different conditions in the existing facility.
3. The project is subject to the local village review requirements. This approval process has required a highly detailed and reviewed project approval process involving multiple meetings with various committees, village commissions, neighborhood public hearings, and village board of trustees. This process is lengthy and time consuming in nature.

Kevin Madalinski

Senior Project Manager

LUTHERAN HOME FOR THE AGED, INC.
CON APPLICATION
ECONOMIC FEASIBILITY

Projected Operating Costs (excluding depreciation) for First Full Year after completion as A) Annual Operating Costs and B) Annual Operating Costs Attributable to the Project:

A) Annual Operating Costs

Projected Olsen & Remodel Nursing	11,552,282
Projected Non Olsen Nursing	5,993,368
Projected Non Nursing LHA	23,662,185
Less: Projected LHSA Net Income	(966,964)
Projected Hearthstone Revenue	6,733,703
Add: Addt'l Elect & Gas for New Bldg	1,257,746
Add: Addt'l Debt Service Interest	7,671,068
Add: Addt'l Depr Exp for Project	1,828,571
Total FY2016 Projected Operating Expense	57,731,959
Less: FY2016 Depr-Current Projected	(3,147,340)
Less: FY2016 Depr-New Project Projected	(1,828,571)
Totals FY2016 Projected Annual Oper Costs	**52,756,048**

B) Annual Operating Costs attributable to the Project

Addt'l Elect & Gas for New Bldg	1,257,746
Addt'l Debt Service Interest	7,671,068
Total Annual Oper Costs attrib to Project	**8,928,814**

Projected Annual Capital Costs (Depreciation, Amortization and Interest Expense for first full year after project completion or first full year of target occupancy (which is expected to be the same year):

Current Capital Exps (Depr, Amort & Interest) w/out new debt proj. to FY2016	4,374,866
New Debt Service Amounts in addition to old Interest Expense (Scenario 3)	7,671,068
New Depreciation Expense on new Construction ($64M over 35 years)	1,828,571
Total Capital Costs	**13,874,505**

Lutheran
Home
A Lutheran Life Community

Arlington Heights, Illinois
Project No. 09726

Hoffman. | tpm

March 5, 2011

Milestone Schedule

Description	**Date**
Construction Start	September 2012
25% of Modernization Funds Expended	June 2013
75% of Modernization Funds Expended	May 2015
95% of Modernization Funds Expended	April 2016
100% of Modernization Funds Expended	June 2016

LUTHERAN HOME FOR THE AGED, INC.
CON APPLICATION
CHARITY CARE INFORMATION

CHARITY CARE			
	2011	**2010**	**2009**
Net Patient Revenue	40,761,503	41,930,125	45,154,070
Amount of Charity Care (charges)	11,588,427	12,023,585	12,521,504
Cost of Charity Care	8,839,444	8,861,269	9,344,953