

Lutheran Home
800 West Oakton Street
Arlington Heights, Illinois 60004
(847) 368-7400
www.LutheranHome.org



June 28, 2017

VIA FEDEX EXPRESS

Kathy Olsen, Board Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson St.
Springfield, IL 62761

RECEIVED

JUN 30 2017

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

RE: Notice of Project Completion and Final Realized Cost Report –
Lutheran Home for the Aged, Inc – Project # 12-025

Dear Ms. Olson:

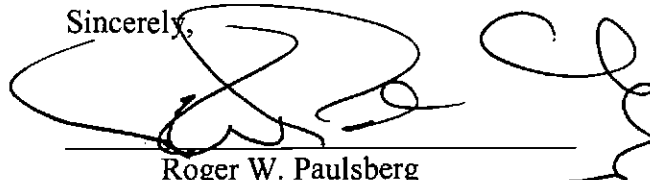
On behalf of Lutheran Home for the Aged, Inc., I am writing to submit the notice of project completion and final realized project cost report for Project Number 12-025.

Please see the attached Audit report on our Final Realized Cost Report itemizing all the project costs. This letter serves as my certification that:

1. The final realized costs, as itemized, are the total costs required to complete the project and that there are no additional or associated costs or capital expenditures related to the project.
2. The project was brought to a conclusion by the Project Completion Date and consistent with all terms of permit to date, including the project cost, square footage and services approved by the Illinois Health Facilities and Services Review Board.


Please advise of any questions.

Sincerely,

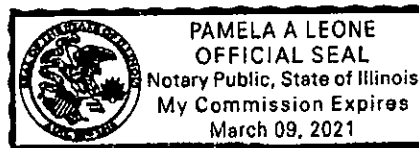


Roger W. Paulsberg
President/CEO

SUBSCRIBED and SWORN to before me
This 28th day of June, 2017



Notary Public



**Lutheran Home is a Lutheran Life Community,
EMPOWERING VIBRANT, GRACE-FILLED LIVING ACROSS ALL GENERATIONS.**

Board of Directors
Lutheran Life Ministries and
Lutheran Home for the Aged, Inc.
Arlington Heights, Illinois

We have audited the schedule of project cost and sources of funds (the "Schedule") of Lutheran Home for the Aged, Inc. for the period of July 23, 2012 through March 30, 2017, and have issued our report thereon dated June 27, 2017. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Lutheran Home for the Aged, Inc. are described in Note 2 to the Schedule.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the Schedule in the proper period.

Accounting estimates

Accounting estimates are an integral part of the Schedule prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the Schedule and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates affecting the Schedule which were particularly sensitive or required substantial judgments by management.

Schedule disclosures

Certain Schedule disclosures are particularly sensitive because of their significance to the Schedule users.

The Schedule disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected Schedule misstatements.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the Schedule or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated June 27, 2017.


Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's Schedule or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

This communication is intended solely for the information and use of the Board of Directors and management of Lutheran Life Ministries, Lutheran Home for the Aged, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Oak Brook, Illinois
June 27, 2017

Lutheran Home
800 West Oakton Street
Arlington Heights, Illinois 60004
(847) 368-7400
www.LutheranHome.org



June 27, 2017

CliftonLarsonAllen LLP
1301 West 22nd Street, Suite 1100
Oak Brook, IL 60523

This representation letter is provided in connection with your audit of State of Illinois Certificate of Need (CON) Project Report #12-025 of Lutheran Home for the Aged, Inc., which comprise the Schedules of Project Costs and Sources of Funds (Schedule) for the period from July 23, 2012 through March 30, 2017, and the related notes, for the purpose of expressing an opinion on whether the Schedule presents fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of June 27, 2017 the following representations made to you during your audit.

Schedule

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 26, 2017, for the preparation and fair presentation of the Schedule in accordance with U.S. GAAP.
- We acknowledge and have fulfilled our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- No events have occurred subsequent to the Schedule date and through the date of this letter that would require adjustment to, or disclosure in, the Schedule.
- We have not identified or been notified of any uncorrected Schedule misstatements.
- We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the Schedule in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- There have been no internal or external investigations relating to compliance with applicable laws and regulations, including investigations in progress, that would have an effect on the amounts reported in the Schedule or on the disclosures in the notes to the Schedule.

EMPOWERING VIBRANT, GRACE-FILLED LIVING ACROSS ALL GENERATIONS.

- There have been no oral or written communications from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction, including those related to the Medicare and Medicaid antifraud and abuse statutes; deficiencies in the financial reporting practices; or other matters that could have a material adverse effect on the financial statements.
- We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances.
- We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of assets might not be recoverable and, when necessary, have appropriately recorded the adjustment.
- We have disclosed to you all significant issues and discussions which took place at the Board meetings applicable to the Schedule of Project Cost and Sources of Funds subsequent to and during the years ended March 31, 2014 through March 31, 2016.
- The following, if any, have been properly recorded or disclosed in the schedule:
 - Related party transactions and related accounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees.
 - Arrangements, either written or oral, with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
 - Other financial instruments with significant "off-balance-sheet" risk of accounting loss to which Lutheran Home for the Aged, Inc. is a party.
 - Liens, encumbrances or other title impairments, such as pledges as collateral, on Lutheran Home for the Aged, Inc. assets at the Schedule data.
 - Restriction under borrowing agreements.
 - Unrecorded transactions.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the Schedule such as records, documentation, and other matters.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

- Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
- All material transactions have been recorded in the accounting records and are reflected in the Schedule.
- Provision has been made for any material loss that is probable from environmental remediation liabilities associated with the Lutheran Home for the Aged, Inc. We believe that this estimate is reasonable based on available information and that it has been adequately described in the entity's Schedule.
- We have disclosed to you the results of our assessment of the risk that the Schedule may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control;
 - Others when the fraud could have a material effect on the Schedule; or
 - Financial reporting related to compliance with existing laws and regulations governing reimbursement from third-party payers.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's Schedule communicated by employees, former employees, grantors, regulators, or others.
- We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing the Schedule.
- We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments, that are required to be accrued or disclosed in the Schedule in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the Schedule.

- As part of your audit, you prepared the draft Schedule and related notes. We have designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee your services; have made all management judgments and decisions; and have assumed all management responsibilities. We have evaluated the adequacy and results of the service. We have reviewed, approved, and accepted responsibility for the Schedule and related notes.

Signature: Lari S. Fedyk Title: CFO

**LUTHERAN LIFE MINISTRIES AND SUBSIDIARIES
LUTHERAN HOME FOR THE AGED, INC.**

**ILLINOIS HEALTH FACILITIES
SERVICES AND REVIEW BOARD
PROJECT #12-025
SCHEDULE OF PROJECT COST AND
SOURCES OF FUNDS
FOR THE PERIOD JULY 23, 2012 TO MARCH 30, 2017**

**LUTHERAN LIFE MINISTRIES AND SUBSIDIARIES
LUTHERAN HOME FOR THE AGED, INC.
ILLINOIS HEALTH FACILITIES SERVICES AND REVIEW BOARD
PROJECT #12-025
TABLE OF CONTENTS
PERIOD FROM JULY 23, 2012 TO MARCH 30, 2017**

INDEPENDENT AUDITORS' REPORT	1
SCHEDULE OF PROJECT COST AND SOURCES OF FUNDS	3
NOTES TO SCHEDULE OF PROJECT COST AND SOURCES OF FUNDS	4

INDEPENDENT AUDITORS' REPORT

Board of Directors
Lutheran Life Ministries and Subsidiaries and
Lutheran Home for the Aged Inc. and
The Illinois Health Facilities Services and Review Board

We have audited the accompanying Schedule of Project Cost and Sources of Funds (Schedule) of Lutheran Life Ministries and Subsidiaries and Lutheran Home for the Aged Inc., for the period of July 23, 2012 through March 30, 2017 and the related notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the Schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit 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 Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedule referred to above present fairly, in all material respects and in accordance with the aforementioned guidelines, the project cost and sources of funds of the Organization for the period beginning July 23, 2012 through March 30, 2017, in conformity with accounting principles generally accepted in the United States of America.

Board of Directors
Lutheran Life Ministries and Subsidiaries and
Lutheran Home for the Aged, Inc. and
The Illinois Health Facilities Service and Review Board

Basis of Accounting

We draw attention to Note 2 of the schedule, which describes the basis of accounting. The schedule of Project Costs and Sources of Funds was prepared by Lutheran Life Ministries and Subsidiaries and Lutheran Home for the Aged Inc. on the basis of the CON application dated March 7, 2012 between Lutheran Life Ministries and Subsidiaries and Lutheran Home for the Aged, Inc. and the Illinois Health Facilities Services and Review Board (HFSRB), which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the provisions to the CON application referred to above. Our opinion is not modified with respect to that matter.

Restriction on Use

This report is intended solely for the information and use of the Board of Directors of Lutheran Life Ministries, Lutheran Home for the Aged, Inc. and the HFSRB, and is not intended to and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Oak Brook, Illinois
June 27, 2017

LUTHERAN LIFE MINISTRIES AND SUBSIDIARIES
LUTHERAN HOME FOR THE AGED, INC.
ILLINOIS HEALTH FACILITIES SERVICES AND REVIEW BOARD
PROJECT #12-025
NOTES TO SCHEDULE OF PROJECT COST AND SOURCES OF FUNDS
PERIOD FROM JULY 23, 2012 TO MARCH 30, 2017

	Clinical	Non-Clinical	Funds per CON Permit	Final Realized Costs	Variance
Project Costs					
Pre-Planning	\$ 236,499	\$ 254,745	\$ 491,244	\$ 337,833	\$ 153,411
Site Survey and Soil Investigation	35,505	38,245	73,750	55,550	18,200
Site Preparation	2,005,889	2,160,648	4,166,537	3,395,097	771,440
Modernization Contracts	22,127,201	23,834,361	45,961,562	45,947,293	14,269
Contingencies	1,168,175	1,258,302	2,426,477	1,561,620	864,857
Architectural / Engineering Fees	1,961,487	2,112,820	4,074,307	4,000,000	74,307
Consulting & Other Fees	506,975	546,090	1,053,065	1,411,915	(358,850)
Movable or Other Equipment	2,032,071	2,188,849	4,220,920	4,740,039	(519,119)
Other Costs to be Capitalized	851,898	917,623	1,769,521	3,050,650	(1,281,129)
Net Interest Expense During Construction	6,070,812	6,539,187	12,609,999	11,754,841	855,158
Bond Issuance Expenses	939,370	1,011,844	1,951,214	2,516,000	(564,786)
Total Project Costs	<u>\$ 37,935,882</u>	<u>\$ 40,862,714</u>	<u>\$ 78,798,596</u>	<u>\$ 78,770,838</u>	<u>\$ 27,758</u>
Sources of Funds			Approved CON Amount	Actual Funds Spent	Variance
Cash and Securities	\$ 2,407,142	\$ 2,592,858	\$ 5,000,000	\$ 4,972,242	27,758
Bond Issues	35,528,740	38,269,856	73,798,596	73,798,596	-
Total Funds	<u>\$ 37,935,882</u>	<u>\$ 40,862,714</u>	<u>\$ 78,798,596</u>	<u>\$ 78,770,838</u>	<u>\$ 27,758</u>

**LUTHERAN LIFE MINISTRIES AND SUBSIDIARIES
LUTHERAN HOME FOR THE AGED, INC.
ILLINOIS HEALTH FACILITIES SERVICES AND REVIEW BOARD
PROJECT #12-025
NOTES TO SCHEDULE OF PROJECT COST AND SOURCES OF FUNDS
PERIOD FROM JULY 23, 2012 TO MARCH 30, 2017**

NOTE 1 DESCRIPTION OF PROJECT

Lutheran Home for the Aged, Inc. provides housing, healthcare, and other related services to residents through the operation of the retirement facility containing 274 skilled and 60 intermediate licensed nursing care beds, 46 licensed sheltered care units, and a 100-unit assisted living facility. Lutheran Home for the Aged, Inc. was issued a permit for the modernization of a 334 bed long term care facility project, under Illinois Health Facilities Services and Review Board (HFSRB) Project #12-025. The project was approved by HFSRB at an estimated cost of \$78,798,596.

NOTE 2 BASIS OF ACCOUNTING

The Schedule has been prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America. Balances for the Funds per CON Permit are directly from the CON Application and Permit filed with the HFSRB and approved on July 23, 2012.