ORIGINAL

LONG-TERM CARE
APPLICATION FOR PERMIT

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

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HEALTH FACILITIES & SERVICES REVIEW BOARD

DESCRIPTION OF PROJECT

Project Type

[Check one]	[check one]
☒ General Long-term Care	☒ Establishment of a new LTC facility
☐ Specialized Long-term Care	☐ Establishment of new LTC services
	☐ Expansion of an existing LTC facility or service
	☐ Modernization of an existing facility

Narrative Description

Provide in the space below, a brief narrative description of the project. Explain **WHAT** is to be done, **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.
Include: the number and type of beds involved; the actions proposed (establishment, expansion and/or modernization); the ESTIMATED total project cost and the funding source(s) for the project.

Luther Oaks, Inc., an Illinois not-for-profit corporation ("Luther Oaks"), proposes to construct a new 18-bed skilled nursing facility ("Project") under the continuum of care variance. The Project will be located at 601 Lutz Road, Bloomington, Illinois 61704, which is leased to Luther Oaks by Trinity Lutheran Church of Bloomington, Illinois pursuant to a 99-year land lease. The Project will enhance Luther Oaks' existing senior care campus, which currently consists of 90 independent living apartments, 40 assisted living apartments and 18 assisted living memory support apartments ("ALU/ILUs").

Luther Oaks is the applicant for the Project. Lutheran Life Ministries, a faith-based Illinois not-for-profit organization, is the parent of Luther Oaks. Consequently, Lutheran Life Ministries is named as a co-applicant.

The Project will consist of the construction of one 18-bed skilled nursing wing with 2 corridors of 9 beds each. One corridor will consist of 9 beds dedicated to memory care and the other corridor will consist of 9 beds focused on short-term rehabilitation and long-term care. All 18 rooms will be private rooms with a private bathroom and a private shower. The corridors will be connected by a shared common space and dining area. The project will total approximately 16,500 square feet. The existing main kitchen will be expanded to allow for preparation of all meals to be served in the skilled nursing wing. Such an expansion will total approximately 500 square feet. The 2 existing dining rooms will be expanded to accommodate more residents. The expansion of these areas will total approximately 2,000 square feet.

The total cost of the Project is $7,260,000. The money to fund the Project will be a combination of cash equity contributions and traditional debt financing from a bank, which will be secured under the existing Master Trust Indenture relating to the construction of the ALU/ILUs.

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

Facility/Project Identification

Facility Name: Luther Oaks, Inc.		
Street Address: 601 Lutz Road		
City and Zip Code: Bloomington 61704		
County: McLean	Health Service Area: 4	Health Planning Area: McLean County

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

Exact Legal Name: Luther Oaks, Inc.
Address: 601 Lutz Road, Bloomington, Illinois 61704
Name of Registered Agent: Andrew P. Tecson
Name of Chief Executive Officer: Roger W. Paulsberg
CEO Address: 3150 Salt Creek Lane, Arlington Heights, Illinois 60005
Telephone Number: 847.368.7400

Type of Ownership (Applicant/Co-Applicants)

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

- o Corporations and limited liability companies must provide an **Illinois certificate of good standing.**
- o 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)

Name: Andrew P. Tecson
Title: Counsel
Company Name: Chuhak & Tecson, P.C.
Address: 30 South Wacker Drive, Suite 2600, Chicago, Illinois 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 South Wacker Drive, Suite 2600, Chicago, Illinois 60606
Telephone Number: 312.855.6418
E-mail Address: kboike@chuhak.com
Fax Number: 312.444.9027

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

Exact Legal Name: Lutheran Life Ministries
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, Illinois 60005
Telephone Number: 847.368.7400

Type of Ownership (Applicant/Co-Applicants)

☒ 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.

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Telephone Number: 312.855.6418
E-mail Address: kboike@chuhak.com
Fax Number: 312.444.9027

Post Permit Contact

[Person to receive all correspondence subsequent to permit issuance. **This person must be an employee of the applicant.**]

Name: Tom Hankins
Title: Administrator
Company Name: Luther Oaks, Inc.
Address: 610 Lutz Road, Bloomington, Illinois 61704
Telephone Number: 309.557.8010
E-mail Address: thankins@lutheranlifecommunities.org
Fax Number: 309.664.5999

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Trinity Lutheran Church
Address of Site Owner: 801 South Madison Street, Bloomington, Illinois 61701
Street Address or Legal Description of Site: 601 Lutz Road, Bloomington, Illinois 61704
Proof of ownership or control of the site is to be provided as . 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: Luther Oaks, Inc.
Address: 601 Lutz Road, Bloomington, Illinois 61704

- ☒ 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.

State Agency Submittals

The following submittals are up- to- date, as applicable:

☒ All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted

☒ All reports regarding outstanding permits

If the applicant fails to submit updated information for the requirements listed above, the application for permit will be deemed incomplete.

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 Luther Oaks, 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

Roger W. Paulsberg
PRINTED NAME

Chair
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 31st day of October

Patricia E. Walser
Signature of Notary

OFFICIAL SEAL
PATRICIA E WALSER
Notary Public - State of Illinois
My Commission Expires Nov 19, 2016
Seal

Carl Moellenkamp
SIGNATURE

Carl Moellenkamp
PRINTED NAME

Treasurer
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 31 day of October

Patricia E. Walser
Signature of Notary

OFFICIAL SEAL
PATRICIA E WALSER
Notary Public - State of Illinois
My Commission Expires Nov 19, 2016
Seal

*Insert EXACT legal name of the applicant

2215609.2.17364.48763

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 Ministries 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 31st day of October

Patricia E. Walser
Signature of Notary

OFFICIAL SEAL
PATRICIA E WALSER
Notary Public - State of Illinois
My Commission Expires Nov 19, 2016
Seal

James Holbrook
SIGNATURE

James Holbrook
PRINTED NAME

Senior VP of Corporate Operations
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 31st day of October

Patricia E. Walser
Signature of Notary

OFFICIAL SEAL
PATRICIA E WALSER
Notary Public - State of Illinois
My Commission Expires Nov 19, 2016
Seal

*Insert EXACT legal name of the applicant

2215609.2.17364.48763

SECTION II – PURPOSE OF THE PROJECT, AND ALTERNATIVES – INFORMATION REQUIREMENTS

This Section is applicable to ALL projects.

Criterion 1125.320 – Purpose of the Project

READ THE REVIEW CRITERION and provide the following required information:

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.
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 Board Report.
APPEND DOCUMENTATION AS ATTACHMENT-10, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. Each item (1-6) must be identified in Attachment 10.

Criterion 1125.330 – Alternatives

READ THE REVIEW CRITERION and provide the following required information:

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-11, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION III – BED CAPACITY, UTILIZATION AND APPLICABLE REVIEW CRITERIA

This Section is applicable to all projects proposing establishment, expansion or modernization of LTC categories of service that are subject to CON review, as provided in the Illinois Health Facilities Planning Act [20 ILCS 3960]. It is comprised of information requirements for each LTC category of service, as well as charts for each service, indicating the review criteria that must be addressed for each action (establishment, expansion and modernization). After identifying the applicable review criteria for each category of service involved , read the criteria and provide the required information, AS APPLICABLE TO THE CRITERIA THAT MUST BE ADDRESSED:

Criterion 1125.510 – Introduction

Bed Capacity

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

Indicate bed capacity changes by Service:

Category of Service	Total # Existing Beds*	Total # Beds After Project Completion
☒ General Long-Term Care	0	18
☐ Specialized Long-Term Care		
☐		

***Existing number of beds as authorized by IDPH and posted in the "LTC Bed Inventory" on the HFSRB website (www.hrfsb.illinois.gov). PLEASE NOTE:** ANY bed capacity discrepancy from the Inventory will result in the application being deemed **incomplete**.

Utilization

Utilization for the most current CALENDAR YEAR:

Category of Service	Year	Admissions	Patient Days
☐ General Long Term Care			
☐ Specialized Long-Term Care			

Applicable Review Criteria - Guide
The review criteria listed below must be addressed, per the LTC rules contained in 77 Ill. Adm. Code 1125. See HFSRB's website to view the subject criteria for each project type - (http://hfsrb.illinois.gov). To view LTC rules, click on "Board Administrative Rules" and then click on "77 Ill. Adm. Code 1125".

READ THE APPLICABLE REVIEW CRITERIA OUTLINED BELOW and **submit the required documentation for the criteria, as described in SECTIONS IV and V:**

GENERAL LONG-TERM CARE

PROJECT TYPE	REQUIRED REVIEW CRITERIA	
	Section	**Subject**
Establishment of Services or Facility	.520	Background of the Applicant
	.530(a)	Bed Need Determination
	.530(b)	Service to Planning Area Residents
	.540(a) or (b) + (c) + (d) or (e)	Service Demand – Establishment of General Long Term Care
	.570(a) & (b)	Service Accessibility
	.580(a) & (b)	Unnecessary Duplication & Maldistribution
	.580(c)	Impact of Project on Other Area Providers
	.590	Staffing Availability
	.600	Bed Capacity
	.610	Community Related Functions
	.620	Project Size
	.630	Zoning
	.640	Assurances
	.800	Estimated Total Project Cost
	Appendix A	Project Costs and Sources of Funds
	Appendix B	Related Project Costs
	Appendix C	Project Status and Completion Schedule
	Appendix D	Project Status and Completion Schedule

Expansion of Existing Services	.520	Background of the Applicant
	.530(b)	Service to Planning Area Residents
	.550(a) + (b) or (c)	Service Demand – Expansion of General Long-Term Care
	.590	Staffing Availability
	.600	Bed Capacity
	.620	Project Size
	.640	Assurances
	.560(a)(1) through (3)	Continuum of Care Components
	.590	Staffing Availability
	.600	Bed Capacity
	.610	Community Related Functions

	.630	Zoning
	.640	Assurances
	.800	Estimated Total Project Cost
	Appendix A	Project Costs and Sources of Funds
	Appendix B	Related Project Costs
	Appendix C	Project Status and Completion Schedule
	Appendix D	Project Status and Completion Schedule

Continuum of Care – Establishment or Expansion	.520	Background of the Applicant
	.560(a)(1) through (3)	Continuum of Care Components
	.590	Staffing Availability
	.600	Bed Capacity
	.610	Community Related Functions
	.630	Zoning
	.640	Assurances
	.800	Estimated Total Project Cost
	Appendix A	Project Costs and Sources of Funds
	Appendix B	Related Project Costs
	Appendix C	Project Status and Completion Schedule
	Appendix D	Project Status and Completion Schedule

Defined Population – Establishment or Expansion	.520	Background of the Applicant
	.560(b)(1) & (2)	Defined Population to be Served
	.590	Staffing Availability
	.600	Bed Capacity
	.610	Community Related Functions
	.630	Zoning
	.640	Assurances
	.800	Estimated Total Project Cost
	Appendix A	Project Costs and Sources of Funds
	Appendix B	Related Project Costs
	Appendix C	Project Status and Completion Schedule
	Appendix D	Project Status and Completion Schedule

Modernization	.650(a)	Deteriorated Facilities
	.650(b) & (c)	Documentation
	.650(d)	Utilization
	.600	Bed Capacity
	.610	Community Related Functions
	.620	Project Size
	.630	Zoning
	.800	Estimated Total Project Cost
	Appendix A	Project Costs and Sources of Funds
	Appendix B	Related Project Costs
	Appendix C	Project Status and Completion Schedule
	Appendix D	Project Status and Completion Schedule

SPECIALIZED LONG-TERM CARE

PROJECT TYPE	REQUIRED REVIEW CRITERIA	
	Section	**Subject**
Establishment of LTC Developmentally Disabled – (Adult)	.720(a)	Facility Size
	.720(b)	Community Related Functions
	.720(c)	Availability of Ancillary and Support Programs
	.720(d)	Recommendations from State Departments
	.720(f)	Zoning
	.720(g)	Establishment of Beds – Developmentally Disable -Adult
	.720(j)	State Board Consideration of Public Hearing Testimony
	.800	Estimated Total Project Cost
	Appendix A	Project Costs and Sources of Funds
	Appendix B	Related Project Costs
	Appendix C	Project Status and Completion Schedule
	Appendix D	Project Status and Completion Schedule

Establishment of LTC Developmentally Disabled - Children	.720(a)	Facility Size
	.720(b)	Community Related Functions
	.720(c)	Availability of Ancillary and Support Programs
	.720(d)	Recommendations from State Departments
	.720(f)	Zoning
	.720(j)	State Board Consideration of Public Hearing Testimony
	.800	Estimated Total Project Cost
	Appendix A	Project Costs and Sources of Funds
	Appendix B	Related Project Costs
	Appendix C	Project Status and Completion Schedule
	Appendix D	Project Status and Completion Schedule

Establishment of Chronic Mental Illness	.720(a)	Facility Size
	.720(b)	Community Related Functions
	.720(c)	Availability of Ancillary and Support Programs
	.720(f)	Zoning
	.720(g)	Establishment of Chronic Mental Illness
	.720(j)	State Board Consideration of Public Hearing Testimony
	.800	Estimated Total Project Cost

	Appendix A	Project Costs and Sources of Funds
	Appendix B	Related Project Costs
	Appendix C	Project Status and Completion Schedule
	Appendix D	Project Status and Completion Schedule

Establishment of Long Term Medical Care for Children	720(a)	Facility Size
	720(b)	Community Related Functions
	720(c)	Availability of Ancillary and Support Programs
	720(e)	Long-Term Medical Care for Children-Category of Service
	720(f)	Zoning
	720(j)	State Board Consideration of Public Hearing Testimony
	800	Estimated Total Project Cost
	Appendix A	Project Costs and Sources of Funds
	Appendix B	Related Project Costs
	Appendix C	Project Status and Completion Schedule
	Appendix D	Project Status and Completion Schedule

SECTION IV - SERVICE SPECIFIC REVIEW CRITERIA

GENERAL LONG-TERM CARE

Criterion 1125.520 – Background of the Applicant

BACKGROUND OF APPLICANT

The applicant shall provide:

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 ATTACHMENT-12, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-4) MUST BE IDENTIFIED IN ATTACHMENT 11.

Criterion 1125.530 - Planning Area Need: NOT APPLICABLE

1. Identify the calculated number of beds needed (excess) in the planning area. See HFSRB website (http://hfsrb.illinois.gov) and click on "Health Facilities Inventories & Data".

2. Attest that the primary purpose of the project is to serve residents of the planning area and that at least 50% of the patients will come from within the planning area.

3. Provide letters from referral sources (hospitals, physicians, social services and others) that attest to total number of prospective residents (by zip code of residence) who have received care at existing LTC facilities located in the area during the 12-month period prior to submission of the application. Referral sources shall verify their projections and the methodology used, as described in Section 1125.540.

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

Criterion 1125.540 - Service Demand – Establishment of General Long Term Care: NOT APPLICABLE

- **If the applicant is an existing facility wishing to establish this category of service or a new facility, #1 – 4 must be addressed. Requirements under #5 must also be addressed if applicable.**
- **If the applicant is not an existing facility and proposes to establish a new general LTC facility, the applicant shall submit the number of annual projected referrals.**

1. Document the number of referrals to other facilities, for each proposed category of service, for each of the latest two years. Documentation of the referrals shall include: resident/patient origin by zip code; name and specialty of referring physician or identification of another referral source; and name and location of the recipient LTC facility.

2. Provide letters from referral sources (hospitals, physicians, social services and others) that attest to total number of prospective residents (by zip code of residence) who have received care at existing LTC facilities located in the area during the 12-month period prior to submission of the application. Referral sources shall verify their projections and the methodology used.

3. Estimate the number of prospective residents whom the referral sources will refer annually to the applicant's facility within a 24-month period after project completion. Please note:

    - The anticipated number of referrals cannot exceed the referral sources' documented historical LTC caseload.
    - The percentage of project referrals used to justify the proposed expansion cannot exceed the historical percentage of applicant market share, within a 24-month period after project completion
    - Each referral letter shall contain the referral source's Chief Executive Officer's notarized signature, the typed or printed name of the referral source, and the referral source's address

4. Provide verification by the referral sources that the prospective resident referrals have not been used to support another pending or approved Certificate of Need (CON) application for the subject services.

5. **If a projected demand for service is based upon rapid population growth in the applicant facility's existing market area** (as experienced annually within the latest 24-month period), the projected service demand shall be determined as follows:

    a. The applicant shall define the facility's market area based upon historical resident/patient origin data by zip code or census tract;

    b. Population projections shall be produced, using, as a base, the population census or estimate for the most recent year, for county, incorporated place, township or community area,by the U.S. Bureau of the Census or IDPH;

    c. Projections shall be for a maximum period of 10 years from the date the application is submitted;

d. Historical data used to calculate projections shall be for a number of years no less than the number of years projected;

e. Projections shall contain documentation of population changes in terms of births, deaths and net migration for a period of time equal to or in excess of the projection horizon;

f. Projections shall be for total population and specified age groups for the applicant's market area, as defined by HFSRB, for each category of service in the application (see the HFSRB Inventory); and

g. Documentation on projection methodology, data sources, assumptions and special adjustments shall be submitted to HFSRB.

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

Criterion 1125.550 - Service Demand – Expansion of General Long-Term Care: NOT APPLICABLE

The applicant shall document #1 **and** either #2 or #3:

1. Historical Service Demand

   a. An average annual occupancy rate that has equaled or exceeded occupancy standards for general LTC, as specified in Section 1125.210(c), for each of the latest two years.
   b. If prospective residents have been referred to other facilities in order to receive the subject services, the applicant shall provide documentation of the referrals, including completed applications that could not be accepted due to lack of the subject service and documentation from referral sources, with identification of those patients by initials and date.

2. Projected Referrals
   The applicant shall provide documentation as described in Section 1125.540(d).

3. **If a projected demand for service is based upon rapid population growth in the applicant facility's existing market area** (as experienced annually within the latest 24-month period), the projected service demand shall be determined as described in Section 1125.540 (e).

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

Criterion 1125.560 - Variances to Computed Bed Need

Continuum of Care:

The applicant proposing a continuum of care project shall demonstrate the following:

1. The project will provide a continuum of care for a geriatric population that includes independent living and/or congregate housing (such as unlicensed apartments, high rises for the elderly and

2215609.2.17364.48763

retirement villages) and related health and social services. The housing complex shall be on the same site as the health facility component of the project.

2. The proposal shall be for the purposes of and serve only the residents of the housing complex and shall be developed either after the housing complex has been established or as a part of a total housing construction program, provided that the entire complex is one inseparable project, that there is a documented demand for the housing, and that the licensed beds will not be built first, but will be built concurrently with or after the residential units.

3. The applicant shall demonstrate that:

   a. The proposed number of beds is needed. Documentation shall consist of a list of available patients/residents needing the proposed project. The proposed number of beds shall not exceed one licensed LTC bed for every five apartments or independent living units;

   b. There is a provision in the facility's written operational policies assuring that a resident of the retirement community who is transferred to the LTC facility will not lose his/her apartment unit or be transferred to another LTC facility solely because of the resident's altered financial status or medical indigency; and

   c. Admissions to the LTC unit will be limited to current residents of the independent living units and/or congregate housing.

Defined Population: NOT APPLICABLE

The applicant proposing a project for a defined population shall provide the following:

1. The applicant shall document that the proposed project will serve a defined population group of a religious, fraternal or ethnic nature from throughout the entire health service area or from a larger geographic service area (GSA) proposed to be served and that includes, at a minimum, the entire health service area in which the facility is or will be physically located.

2. The applicant shall document each of the following:

   a. A description of the proposed religious, fraternal or ethnic group proposed to be served;

   b. The boundaries of the GSA;

   c. The number of individuals in the defined population who live within the proposed GSA, including the source of the figures;

   d. That the proposed services do not exist in the GSA where the facility is or will be located;

   e. That the services cannot be instituted at existing facilities within the GSA in sufficient numbers to accommodate the group's needs. The applicant shall specify each proposed service that is not available in the GSA's existing facilities and the basis for determining why that service could not be provided.

   f. That at least 85% of the residents of the facility will be members of the defined population group. Documentation shall consist of a written admission policy insuring that the requirements of this subsection (b)(2)(F) will be met.

   g. That the proposed project is either directly owned or sponsored by, or affiliated with, the religious, fraternal or ethnic group that has been defined as the population to be served by the project. The applicant shall provide legally binding documents that prove ownership, sponsorship or affiliation.

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

Criterion 1125.570 - Service Accessibility: NOT APPLICABLE

1. Service Restrictions

   The applicant shall document that **at least one** of the following factors exists in the planning area, as applicable:

   - The absence of the proposed service within the planning area;
   - Access limitations due to payor status of patients/residents, including, but not limited to, individuals with LTC coverage through Medicare, Medicaid, managed care or charity care;
   - Restrictive admission policies of existing providers; or
   - The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population.

2. Additional documentation required:

   The applicant shall provide the following documentation, as applicable, concerning existing restrictions to service access:

   a. The location and utilization of other planning area service providers;

   b. Patient/resident location information by zip code;

   c. Independent time-travel studies;

   d. Certification of a waiting list;

   e. Admission restrictions that exist in area providers;

   f. An assessment of area population characteristics that document that access problems exist;

   g. Most recently published IDPH Long Term Care Facilities Inventory and Data (see www.hfsrb.illinois.gov).

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

Criterion 1125.580 - Unnecessary Duplication/Maldistribution: NOT APPLICABLE

1. The applicant shall provide the following information:

   a. A list of all zip code areas that are located, in total or in part, within 30 minutes normal travel time of the project's site;

   b. The total population of the identified zip code areas (based upon the most recent population numbers available for the State of Illinois); and

   c. The names and locations of all existing or approved LTC facilities located within 30 minutes normal travel time from the project site that provide the categories of bed service that are proposed by the project.

2. The applicant shall document that the project will not result in maldistribution of services.

3. The applicant shall document that, within 24 months after project completion, the proposed project:

   a. Will not lower the utilization of other area providers below the occupancy standards specified in Section 1125.210(c); and

   b. Will not lower, to a further extent, the utilization of other area facilities that are currently (during the latest 12-month period) operating below the occupancy standards.

APPEND DOCUMENTATION AS ATTACHMENT- 18, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Criterion 1125.590 - Staffing Availability

1. For each category of service, document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and JCAHO staffing requirements can be met.

2. Provide the following documentation:

   a. The name and qualification of the person currently filling the position, if applicable; and

   b. Letters of interest from potential employees; and

   c. Applications filed for each position; and

   d. Signed contracts with the required staff; or

   e. A narrative explanation of how the proposed staffing will be achieved.

APPEND DOCUMENTATION AS ATTACHMENT- 19, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Criterion 1125.600 Bed Capacity

The maximum bed capacity of a general LTC facility is 250 beds, unless the applicant documents that a larger facility would provide personalization of patient/resident care and documents provision of quality care based on the experience of the applicant and compliance with IDPH's licensure standards (77 Ill. Adm. Code: Chapter I, Subchapter c (Long-Term Care Facilities)) over a two-year period.

APPEND DOCUMENTATION AS ATTACHMENT- 20, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Criterion 1125.610 - Community Related Functions

The applicant shall document cooperation with and the receipt of the endorsement of community groups in the town or municipality where the facility is or is proposed to be located, such as, but not limited to, social, economic or governmental organizations or other concemed parties or groups. Documentation shall consist of copies of all letters of support from those organizations.

APPEND DOCUMENTATION AS ATTACHMENT- 21, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Criterion 1125.620 - Project Size: NOT APPLICABLE

The applicant shall document that the amount of physical space proposed for the project is necessary and not excessive. The proposed gross square footage (GSF) cannot exceed the GSF standards as stated in Appendix A of 77 Ill. Adm. Code 1125 (LTC rules), unless the additional GSF can be justified by documenting one of the following:

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

2. 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 A;

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

APPEND DOCUMENTATION AS ATTACHMENT- 22, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Criterion 1125.630 - Zoning

The applicant shall document one of the following:

1. The property to be utilized has been zoned for the type of facility to be developed;

2. Zoning approval has been received; or

3. A variance in zoning for the project is to be sought.

APPEND DOCUMENTATION AS ATTACHMENT- 23, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Criterion 1125.640 - Assurances

1. The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the second year of operation after the project completion, the applicant will achieve and maintain the occupancy standards specified in Section 1125.210(c) for each category of service involved in the proposal.
2. For beds that have been approved based upon representations for continuum of care (Section 1125.560(a)) or defined population (Section 1125.560(b)), the facility shall provide assurance that it will maintain admissions limitations as specified in those Sections for the life of the facility. To eliminate or modify the admissions limitations, prior approval of HFSRB will be required.

APPEND DOCUMENTATION AS ATTACHMENT- 24, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Criterion 1125.650 - Modernization: NOT APPLICABLE

1. If the project involves modernization of a category of LTC bed service, the applicant shall document that the bed areas to be modernized are deteriorated or functionally obsolete and need to be replaced or modernized, due to such factors as, but not limited to:
   a. High cost of maintenance;
   b. non-compliance with licensing or life safety codes;
   c. Changes in standards of care (e.g., private versus multiple bed rooms); or
   d. Additional space for diagnostic or therapeutic purposes.
2. Documentation shall include the most recent:
   a. IDPH and CMMS inspection reports; and
   b. Accrediting agency reports.
3. Other documentation shall include the following, as applicable to the factors cited in the application:
   a. Copies of maintenance reports;
   b. Copies of citations for life safety code violations; and
   c. Other pertinent reports and data.
4. Projects involving the replacement or modernization of a category of service or facility shall meet

or exceed the occupancy standards for the categories of service, as specified in Section 1125.210(c).

APPEND DOCUMENTATION AS ATTACHMENT- 25, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SPECIALIZED LONG-TERM CARE

Criterion 1125.720 - Specialized Long-Term Care – Review Criteria: NOT APPLICABLE

This section is applicable to all projects proposing specialized long-term care services or beds.

1. **Community Related Functions**

   Read the criterion and submit the following information:

   a. a description of the process used to inform and receive input from the public including those residents living in close proximity to the proposed facility's location;

   b. letters of support from social, social service and economic groups in the community;

   c. letters of support from municipal/elected officials who represent the area where the project is located.

2. **Availability of Ancillary and Support Services**

   Read the criterion, which applies only to ICF/DD 16 beds and fewer facilities, and submit the following:

   a. a copy of the letter, sent by certified mail return receipt requested, to each of the day programs in the area requesting their comments regarding the impact of the project upon their programs and any response letters;

   b. a description of the public transportation services available to the proposed residents;

   c. a description of the specialized services (other than day programming) available to the residents;

   d. a description of the availability of community activities available to the facility's residents.

   e. documentation of the availability of community workshops.

3. **Recommendation from State Departments**

   Read the criterion and submit a copy of the letters sent, including the date when the letters were sent, to the Departments of Human Services and Healthcare and Family Services requesting these departments to indicate if the proposed project meets the department's planning objectives regarding the size, type, and number of beds proposed, whether the project conforms or does not conform to the department's plan, and how the project assists or hinders the department in achieving its planning objectives.

4. **Long-term Medical Care for Children Category of Service**

   Read the criterion and submit the following information:

   a. a map outlining the target area proposed to be served;

   b. the number of individuals age 0-18 in the target area and the number of individuals in the target area that require the type of care proposed, include the source documents for this estimate;

c. any reports/studies that show the points of origin of past patients/residents admissions to the facility;

d. describe the special programs or services proposed and explain the relationship of these programs to the needs of the specialized population proposed to be served.

e. indicate why the services in the area are insufficient to meet the needs of the area population;

f. documentation that the 90% occupancy target will be achieved within the first full year o

5. **Zoning**

Read the criterion and provide a letter from an authorized zoning official that verifies appropriate zoning.

6. **Establishment of Chronic Mental Illness**

Read the criterion and provide the following:

a. documentation of how the resident population has changed making the proposed project necessary.

b. indicate which beds will be closed to accommodate these additional beds.

c. the number of admissions for this type of care for each of the last two years.

7. **Variance to Computed Bed Need for Establishment of Beds for Developmentally Disabled Placement of Residents from DHS State Operated Beds**

Read this criterion and submit the following information:

a. documentation that all of the residents proposed to be served are now residents of a DHS facility;

b. documentation that each of the proposed residents has at least one interested family member who resides in the planning area or at least one interested family member that lives out of state but within 15 miles of the planning area boundary where the facility is or will be located;

c. if the above is not the case then you must document that the proposed resident has lived in a DHS operated facility within the planning area in which the proposed facility is to be located for more than 2 years and that the consent of the legal guardian has been obtained;

d. a letter from DHS indicating which facilities in the planning area have refused to accept referrals from the department and the dates of any refusals and the reasons cited for each refusal;

e. a copy of the letter (sent certified–return receipt requested) to each of the underutilized facilities in the planning area asking if they accept referrals from DHS-operated facilities, listing the dates of each past refusal of a referral, and requesting an explanation of the basis for each refusal;

f. documentation that each of the proposed relocations will save the State money;

g. a statement that the facility will only accept future referrals from an area DHS facility if a bed is available;

h. an explanation of how the proposed facility conforms with or deviates from the DHS

comprehensive long range development plan for developmental disabilities services.
APPEND DOCUMENTATION AS <u>ATTACHMENT-26,</u> IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION V – FINANCIAL AND ECONOMIC FEASIBILITY REVIEW

Criterion 1125.800 Estimated Total Project Cost

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):

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

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:**

$560,000	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;
________	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.
________	c.	Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
$6,700,000	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.

_______	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;
_______	f.	Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
_______	g.	All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
$7,260,000	TOTAL FUNDS AVAILABLE	

APPEND DOCUMENTATION AS ATTACHMENT-27, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

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. **"A" Bond rating or better**
2. **All of the projects capital expenditures are completely funded through internal sources**
3. **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**
4. **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-28, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

APPLICANT: Luther Oaks, Inc.

1. 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:	FY 2011	FY 2012	FY 2013	FY 2017
Current Ratio	1.99	1.52	1.15	2.15
Net Margin Percentage	(46.12)	(20.71)	(7.65)	(1.59)
Percent Debt to Total Capitalization	153.14	167.99	176.17	165.96
Projected Debt Service Coverage	0.48	1.38	1.34	1.48
Days Cash on Hand	115	221	214	191
Cushion Ratio				2.87

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 29, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

CO-APPLICANT: Lutheran Life Ministries

1. 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:	FY 2011	FY 2012	FY 2013	FY 2017
Current Ratio	1.02	0.84	0.78	1.02
Net Margin Percentage	1.46	(4.90)	(3.83)	1.46
Percent Debt to Total Capitalization	76.77	76.94	85.46	81.06
Projected Debt Service Coverage	1.07	1.57	1.50	1.80
Days Cash on Hand	142	134	151	142
Cushion Ratio				3.0

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 29, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Economic Feasibility

This section is applicable to all projects

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 1.5 times for LTC 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:

Identify each 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 SERVICE

Area (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

APPENDIX A

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 - 30, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Project Costs and Sources of Funds

APPENDIX A

Complete the following table listing all costs 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	$1,070	$1,430	$2,500
Site Survey and Soil Investigation	$11,554	$15,441	$26,995
Site Preparation	$396,970	$530,530	$927,500
Off Site Work	n/a	n/a	n/a
New Construction Contracts	$1,738,491	$1,327,880	$3,066,371
Modernization Contracts	-	$996,551	$996,551
Contingencies	$151,693	$202,731	$354,424
Architectural/Engineering Fees	$147,079	$346,563	$493,642
Consulting and Other Fees	$136,324	$246,237	$382,561
Movable or Other Equipment (not in construction contracts)	$80,000	$474,000	$554,000
Bond Issuance Expense (project related)	$25,680	$34,320	$60,000
Net Interest Expense During Construction (project related)	$128,400	$171,600	$300,000
Fair Market Value of Leased Space or Equipment	-	-	-
Other Costs To Be Capitalized	$40,855	$54,601	$95,456
Acquisition of Building or Other Property (excluding land)	-	-	-
TOTAL USES OF FUNDS	$2,858,116	$4,401,884	$7,260,000
SOURCE OF FUNDS	**CLINICAL**	**NONCLINICAL**	**TOTAL**
Cash and Securities	$220,472	$339,528	$560,000
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages	$2,637,644	$4,062,356	$6,700,000
Leases (fair market value)			
Governmental Appropriations			
Grants			
Other Funds and Sources			
TOTAL SOURCES OF FUNDS	$2,858,116	$4,401,884	**$7,260,000**

APPENDIX B

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: $ 239,993.82

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 $ 993,910

APPENDIX C

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): June 30, 2015

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.

APPENDIX D

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**
CLINICAL							
Total Review							
NON CLINICAL							
Total Non-clinical							
TOTAL							

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 6338-988-9

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

LUTHER OAKS, INC., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON MARCH 04, 2004, 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* 25TH *day of* OCTOBER *A.D.* 2013 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Authentication #: 1329802376

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

Jesse White

SECRETARY OF STATE

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 MINISTRIES, 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* 25TH *day of* OCTOBER *A.D.* 2013 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Authentication #: 1329802394

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

Jesse White

SECRETARY OF STATE

ATTACHMENT 1

LUTHER OAKS, INC.
CON APPLICATION
NOTARIZED STATEMENT OF OWNERSHIP OR CONTROL OF SITE

I, the undersigned, as Chair of Luther Oaks, Inc., do hereby certify that the real property located at 601 Lutz Road, Bloomington, IL 61704 is leased to Luther Oaks, Inc, by Trinity Lutheran Church of Bloomington, Illinois pursuant to the Ground Lease, as amended, attached hereto at Attachment 2-A. The Ground Lease grants Luther Oaks, Inc. the right to use the land on which its existing assisted living facility and independent living units are located, as well as the land where the proposed skilled nursing facility will be located.

By: ______________________
Roger W. Paulsberg, Chair
Luther Oaks, Inc.

Notarization:

Subscribed and sworn to before me
this 31st day of October, 2013

OFFICIAL SEAL
PATRICIA E WALSER
Notary Public - State of Illinois
My Commission Expires Nov 19, 2016

Patricia E. Walser
Signature of Notary Public

2073782\3\17364\48763

ATTACHMENT 2

AMENDED AND RESTATED GROUND LEASE

By and Between

TRINITY LUTHERAN CHURCH OF BLOOMINGTON, ILLINOIS
AND
LUTHERAN SENIOR LIVING OF ILLINOIS, INC.

This Instrument Prepared By:
Frank Miles
Hayes, Hammer, Miles, Cox & Ginzkey
202 North Center Street
Bloomington, Illinois 61701
309/828-7331

Return to:
Frank Miles
Hayes, Hammer, Miles, Cox & Ginzkey
202 North Center Street
Bloomington, Illinois 61701

AMENDED AND RESTATED GROUND LEASE

This Amended and Restated Ground Lease ("Lease") is made and entered into as of this 1st day of March, 2006 by and between TRINITY LUTHERAN CHURCH OF BLOOMINGTON, ILLINOIS ("Lessor"), as the owner of the Premises hereafter described, and LUTHERAN SENIOR LIVING OF ILLINOIS, INC., an Illinois not-for-profit corporation ("Lessee").

This Amended and Restated Ground Lease amends and restates, and supercedes in its entirety, the Ground Lease dated November 21, 2004 entered into by Lessor and Lessee.

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties hereto, Lessor agrees to lease to Lessee and Lessee agrees to lease from Lessor the Premises hereafter described upon the terms and conditions hereafter provided.

DESCRIPTION OF PREMISES:

1. The premises leased by Lessor to Lessee shall consist of the property, being approximately ten (10) acres of unimproved land near Hamilton Road, north of Lutz Road in Bloomington, Illinois, consisting of the land described and depicted on **Exhibit A** which is attached hereto and made a part hereof, including but not limited to any rights to develop and construct the Improvements (as defined below) on the land (collectively, the "Premises"), subject to the covenants, conditions, agreements, easements, encumbrances and restrictions affecting the Premises. It is Lessee's intent to construct at its own cost and expense certain improvements on the Premises, consisting of independent living facilities for seniors, assisted living and nursing facilities and related uses to such facilities such as parking, dining facilities, fitness center, administrative offices, beauty and barber shops, multipurpose room, and common areas (collectively, the "Improvements"), in accordance with the Site Plan and conceptual drawings identified on **Exhibit B** attached hereto and made a part hereof (the "Approved Plans"). During the term of this Lease, all right, title and interest in and to the Improvements shall be owned by Lessee, subject only to the terms of this Lease.

USE:

2. Lessee shall have the right to construct, operate, maintain, repair and replace the Improvements for use as independent living facilities for seniors and other types of senior living, such as assisted living, skilled nursing care and health care services, and related legal uses permitted by law, on the Premises; provided that from and after the time that the interest of Lessee is acquired by a Leasehold Mortgagee (as defined below), the Premises and the Improvements may be used for any lawful purpose other than purposes which are contrary to the teachings of the Lutheran Church, Missouri Synod. It is acknowledged and agreed by Lessor that use of the Premises and Improvements for residential facilities and for the other purposes described above is not contrary to the teachings of the Lutheran Church. Lessee shall comply with all applicable laws concerning the Premises. The parties acknowledge that Lessee's use of the Premises will be an integral part of the Lessor's larger "campus" and that Lessee's proposed

use, as depicted on the Approved Plans, is acceptable to Lessor. If Lessee proposes any materially different use or materially different Approved Plans, Lessee agrees to reasonably cooperate with Lessor to effectuate the Lessor's "integrated campus vision" by cooperating in providing interconnected streets, drives, walkways, landscaping amenities and architectural consistency. It is understood and agreed that Lessee shall not seek or obtain any change or variance in the zoning codes and restrictions applicable to the Premises without the prior written consent of Lessor, which consent shall not be unreasonably withheld.

RENT:

3. (a) Subject to the adjustments set forth Section 3(d) below, Lessee shall pay the following sums as rent for the Premises without any abatement, deduction, set-off or deferment for any reason, except as expressly set forth in this Lease, to Lessor or Lessor's agent, amortized monthly in advance on the first day of each month commencing as hereafter provided until termination of this Lease and for any period thereafter that Lessee occupies the Premises, to be delivered at such address as Lessor may designate:

(i) Annual rent ("Annual Rent") equal to ten (10%) percent of the appraised land value ("Appraised Land Value") of the Premises (determined based on the "fair cash market value" of the Land only if zoned for multiple family use free and clear of this Ground Lease) determined by an independent appraiser selected by both Lessor and Lessee, said Annual Rent being amortized and payable monthly, beginning with the first day of the first month the first resident shall occupy a unit for senior living on the Premises (the "Rent Commencement Date"). For example, if the Premises were valued at $250,000.00 by an appraiser, rent payments of $25,000.00 per year should be paid by Lessee to Lessor. An appraisal of the Premises (performed on the same basis and with the same assumptions) determined by an independent appraiser selected by both Lessor and Lessee shall be performed every five (5) years following the Rental Commencement Date at Lessee's expense. As a result of such appraisals during the lease term, Annual Rent payable under this Lease may be increased, but not decreased; however such increases in the Appraised Land Value resulting from any such five (5) year re-appraisal may not cause Annual Rent to increase by an amount in excess of 30% of the amount of Annual Rent payable immediately prior to such re-appraisal. Any changes to the amount of Annual Rent resulting from the adjustments set forth in Section 3(d) below shall be disregarded for purposes of calculating the limitations on the increase in Annual Rent set forth above.

(ii) Lessee shall pay, in addition to Annual Rent, (i) all charges for general and special real estate taxes, assessments, and all charges for utilities supplied to the Premises, including but not limited to electricity, gas, and water beginning with possession and continuing for the duration of this Lease and any time thereafter that Lessee occupies the Premises, and (ii) the "Annual Retention

Pond Fee." For purposes hereof, the "Annual Retention Pond Fee" shall be an annual charge paid by Lessee to Lessor for the use of the retention pond serving the Premises located on certain property owned by Lessor which is adjacent to the Premises (the "Retention Pond Parcel") in the amount equal to the product of (x) ten percent (10%) of the current value per acre of the Premises determined in accordance with subsection (i) immediately above, multiplied by (y) 1.3 (representing the number of acres upon which the retention pond facilities are located). Lessee shall exercise all rights of the "Grantee" under the Declaration of Easement to be agreed upon by Lessor and Lessee and recorded against the Retention Pond Parcel for the benefit of the Premises (the "Declaration of Easement"), including the construction of the retention pond described therein in accordance with the requirements set forth in the Declaration of Easement, and, commencing on June 1, 2006 and continuing through the term of this Lease, Lessee shall pay any maintenance or repair costs allocable to the Premises pursuant to the terms of the Declaration of Easement. The Annual Retention Pond Fee shall be amortized and payable monthly, beginning with the Rent Commencement Date. If utility charges payable by Lessee are not paid by Lessee when due, Lessor shall have the right, but not the obligation, upon notice to Lessee to pay the same and collect the same in addition to Lessee's next installment of rent. Lessee shall also pay the following charges incurred with respect to the development and subdivision of the Premises: Southwest Sanitary Sewer $8,960 and Fee in Lieu of Park Land $47,880. In addition, Lessee shall execute and secure, in the manner required by the City of Bloomington, a Payment, Performance and Workmanship Bond estimated in the amount of $271,143 and Adjacent Street Road improvement Guarantee Bond in the amount of $28,590.75, both as enumerated on a March 1, 2006 Memorandum, a copy of which is attached as **Exhibit C**, for all subdivision exactions, including on-site public water mains, on-site public sanitary sewers, 12-inch water main in Lutz Road, 8-inch sanitary sewer in Lutz Road, 8-inch water main south of Lot 107, and shall also reimburse Lessor $15,000, representing the amount Lessor paid the developers of the adjacent subdivision for the oversizing of the sanitary sewer and force main serving Lessee's property.

(b) If not paid within five business days of the date due, all amounts owed by Lessee to Lessor hereunder shall bear interest at the lesser of eight (8%) percent per annum or the highest legal rate of interest permitted by the laws of the State of Illinois from the date due until paid.

(c) This Lease is a "net net net" Lease and Lessee shall pay to Lessor absolutely net throughout the lease term rent, taxes, utilities and all other costs and expenses of every kind and nature whatsoever, ordinary and extraordinary, with respect to the Premises hereunder, free of any charges, assessments, impositions or deductions of any kind and without abatement, deduction, setoff or deferment, and under no circumstances or conditions whether now existing or hereafter arising, or whether within or beyond the present contemplation of the parties, shall Lessor or its successors and assigns be expected or required to make any payment of any kind whatsoever or be under any other obligation or liability hereunder, except as herein otherwise specifically set forth. Any damage or destruction of all or any part of the Premises by fire, the elements or any other cause whatsoever, whether with or without the fault on the part of Lessee, shall not terminate this Lease or entitle Lessee to surrender the Premises or entitle Lessee to any abatement of, or set off to or reduction in the rent payable, or otherwise affect the respective obligations of the parties hereto.

(d) Notwithstanding anything to the contrary set forth in this Lease, the following adjustments shall be made to the amount of Annual Rent payable during the initial five-year period commencing on the Rent Commencement Date (the "Initial Payment Period"):

(i) The amount of the Appraised Land Value for the Initial Payment Period has not yet been determined as of the date hereof. The gross Annual Rent payable for the Initial Payment Period (the "Initial Payment Period Rent Amount") shall be payable in the amount of $35,000 per year (based on an assumed Land value of $35,000 per acre), notwithstanding the amount of the Appraised Land Value to be determined through the appraisal process set forth in Subsection 3(a) above. In the event that the Appraised Land Value for the Initial Payment Period is greater or less than $35,000 per acre, the difference between the Initial Payment Period Rent Amount and the Annual Rent which would have been payable for the Initial Payment Period based on the Appraised Land Value for the Initial Payment Period (the "Initial Payment Period Rent Differential"), shall either be added to or subtracted from the total amount of Annual Rent payable during the five-year period commencing immediately following the Initial Payment Period, with the monthly installments of Annual Rent during such period to be adjusted ratably to amortize the amount of the Initial Payment Period Rent Differential. The Retention Pond Credit (as defined below) shall not be taken into account in calculating the Initial Payment Period Rent Differential.

(ii) Lessee shall receive credits (collectively, the "Retention Pond Credit") against the amount of Annual Rent (a) payable during the Initial Payment Period in the amount of $20,000 per year ($100,000 in the aggregate) to offset costs incurred by Lessee in connection with the construction of the Retention Facilities (as defined in the Declaration of Easement), and (b) payable during the five-year period immediately following the Initial Payment Period in an amount per year equal to one-fifth of the costs to be incurred by Lessee (and approved by Lessor) for implementation of the Approved Grading Plan (as defined in the Declaration of Easement) pursuant to the Declaration of Easement. The Retention Pond Credit shall not be subject to the provisions regarding the subordination or deferral of Annual Rent set forth in Sections 3.1 and 3.2 below

Subordination of Rent.

3.1 Annual Rent is subordinate in all respects to any and all payments owed by Lessee with respect to certain revenue bonds to be issued by the Illinois Finance Authority or other authorized issuers (collectively, the "Bonds") on behalf of Lessee to finance or refinance a portion of the costs of the Improvements, all reimbursement and other payment obligations of Lessee to one or more providers of a letter of credit or other liquidity or credit enhancement with respect to any of the Bonds (collectively, the "Bank") under one or more agreements (collectively, the "Reimbursement Agreement") relating thereto, and all obligations of Lessee under a master trust indenture to be entered into in connection with the issuance of certain of the Bonds (the "Master Indenture") among the Lessee and any other obligated entity thereunder (collectively, the "Obligated Group") and a bank or trust company serving as master trustee thereunder, including any successor thereto (the "Master Trustee") (all such payments and obligations described in this sentence, whenever incurred, collectively referred to herein as the "Financing Obligations"). In the event Lessee is in default in the payment of any of the Financing Obligations, and written notice of such default is provided to Lessor, then the obligation of Lessee to pay Annual Rent shall be suspended until such payment default is cured and the payment of any amounts of Annual Rent accruing during the period of such default ("Suspended Rent") shall be deferred until such time as such default is cured and thereafter added to the amount of Annual Rent payable pursuant to this Lease. In the event a Leasehold Mortgagee forecloses on its Leasehold Mortgage, the obligation to pay previously accrued amounts of Suspended Rent shall be forgiven. Notice of a payment default with respect to the financing obligations may be provided by Lessee, Master Trustee or Bank and shall be effective if provided by any of such parties.

Deferral of Rent.

3.2 (a) All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Master Indenture. With respect to each Fiscal Year of Lessee commencing after the date Stable Occupancy for the initial Improvements has been achieved, the amount of Annual Rent payable under this Lease shall be restricted and reduced by deferring the payment of any amounts thereof ("Deferred Rent") which, if paid, would result in (i) the Debt Service Coverage Ratio being less than 1.30:1.00, and (ii) the Days Cash on Hand or the Cash to Indebtedness Ratio of the Obligated Group, whichever is applicable, being less than the Liquidity Requirement pursuant to the Master Indenture. All scheduled monthly installments of Annual Rent payable hereunder with respect to each Fiscal Year of Lessee commencing after the date Stable Occupancy for the initial Improvements have been achieved shall be paid to the Master Trustee and held by the Master Trustee in a segregated account and released to Lessor, net of any Deferred Rent, within ten business days following the completion and approval of the audited financial statements of Lessee and the calculation of the Debt Service Coverage Ratio and Cash to Indebtedness Ratio or Days Cash on Hand, whichever is applicable, as required pursuant to the terms of the Master Indenture. Amounts of Deferred Rent shall be released by the Master Trustee to Lessee in accordance with the terms of the Master Indenture. Lessee shall cause a copy of its audited financial statements to be provided to Lessor promptly upon receipt by Lessee.

(b) Deferred Rent for a Fiscal Year of Lessee shall be paid in subsequent Fiscal Years of Lessee within ten Business Days following the completion and approval of the audited financial statements of Lessee and the calculation of the Debt Service Coverage Ratio and Cash to Indebtedness Ratio or Days Cash on Hand, whichever is applicable, as required pursuant to the terms of the Master Indenture for such subsequent Fiscal Years, to the extent that, after payment of all Annual Rent accruing in such subsequent Fiscal Year of Lessee, payment thereof would not result in (i) the Debt Service Coverage Ratio being less than 1.30:1.00, and (ii) the Cash to Indebtedness Ratio or Days Cash on Hand of Lessee, whichever is applicable, being less than the applicable Liquidity Requirement, pursuant to the Master Indenture.

Rent Deposit

3.3 Lessee shall deposit with Lessor prior to the Rent Commencement Date a deposit in the amount of $120,000 (the "Rent Deposit") to be held and applied as set forth in this Section 3.3. The Rent Deposit shall be deposited by Lessor in a segregated federally insured deposit account (the "Rent Deposit Account") maintained at a State of Illinois or Federal chartered bank selected by Lessor, with all interest thereon to be for the benefit of Lessee and added to and considered part of the Rent Deposit for purposes hereof. In the event that Annual Rent is not paid when due pursuant to the terms of Section 3 above (following the expiration of any notice and grace periods), whether due to the default of Lessee, the subordination of Annual Rent pursuant to Section 3.1 above or the deferral of Annual Rent pursuant to Section 3.2 above, Lessor may withdraw from the Rent Deposit Account and apply to the obligations of Lessee the amounts of such installments of Annual Rent which are due and unpaid (following the expiration of any notice and grace periods) from time to time. In the event that Lessor has withdrawn funds from the Rent Deposit Account to satisfy the obligation of Lessee to pay an installment of Annual Rent, and Lessor later receives payment of such installment of Annual Rent from Lessee or any other source, Lessor shall deposit in the Rent Deposit Account within ten (10) business days of receipt the amount of any such payments subsequently received by Lessor for which funds have been withdrawn from the Rent Deposit Account, it being the intent of the parties that the Rent Deposit shall be used to offset the effect of any subordination, suspension or deferral of Annual Rent and shall be replenished if any such subordinated, suspended or deferred amounts are subsequently paid to Lessor. Lessor shall provide to Lessee notice within ten (10) business days of any such withdrawals from the Rent Deposit Account and shall provide annual reconciliations of all withdrawals from and deposits to the Rent Deposit Account to Lessee not later than thirty (30) days following the end of each calendar year. All funds remaining on deposit in the Rent Deposit Account shall be paid to Lessee upon the first to occur of (a) the repayment in full of all Financing Obligations and the release of the Mortgage (as defined in Section 28 below) and all other liens and security instruments securing the Financing Obligations which encumber the interest of Lessee under this Lease, or (b) the expiration of the term of this Lease.

FIRST RIGHT OF REFUSAL; COVENANT NOT TO COMPETE:

4. (a) During the lease term, Lessor shall have a right of first refusal with regard to the sublease by Lessee of any portion of the leased premises other than the Improvements (and the portion of the Premises on which the Improvements are located) and/or accessory service facilities (laundry, food service, parking and maintenance, etc.). The first rights of refusal provided in this paragraph 4(a) shall be exercised as follows:

(i) Notice of the proposed sublease or use shall be provided in writing to Lessor. The notice shall include the price, terms and conditions of the proposed sublease and a description of the use proposed.

(ii) Lessor shall give written notice of its election to exercise the first right of refusal within 30 days after its receipt of the aforementioned notice of the proposed sublease or use.

(iii) Lessor shall consummate the sublease within 60 days after its exercise of its right of first refusal and/or shall implement the use within one year after its exercise of its right of first refusal.

(iv) Failure to exercise the first right of refusal shall permit the proposed sublease, lease, sale or alternative use on the terms specified. Failure to conclude the transaction within 180 days after the notice to Lessor of the proposed sublease or use shall terminate the waiver and the first right of refusal shall be reinstated.

(b) Lessor agrees on its own behalf and on behalf of all subsidiaries and entities controlled by Lessor (the "Lessor Parties"), not to use or permit to be used during the term of this Lease any property owned, leased or controlled by Lessor and the Lessor Parties located within the Bloomington metropolitan area, for any continuing care retirement community or other senior living facility which is "competitive" to the operations of Lessee on the Premises , including without limitation any residential facility marketed to senior citizens that includes independent living, assisted living, or nursing care components. The provisions of this Section 4(b) shall not apply to any of Lessor's property that is sold to an independent third party and no longer directly or indirectly owned, leased or controlled by Lessor or Lessor Parties. The provisions of this Section 4(b) may be specifically enforced by Lessee.

LEASE TERM:

5. The term of this Lease shall be for ninety-nine (99) years commencing March 15, 2006, and terminating March 15, 2105, unless sooner terminated as hereafter set forth.

(c) Lessee shall promptly upon request deliver to Lessor certified copies of all insurance policies (or, in the case of blanket policies, certificates thereof) with respect to the Premises which Lessee is required to maintain pursuant to this paragraph 8.

SALE, DEBT RESTRICTIONS, SUBLETTING AND ASSIGNMENT:

9. (a) Lessor shall not sell, transfer, assign or otherwise convey legal or beneficial interest in the Premises during the lease term without the prior written consent of Lessee, which consent shall not be unreasonably withheld or delayed.

(b) Lessee shall not sublet or assign all or any part of the Premises without the prior written consent of Lessor, which consent shall not be unreasonably withheld or delayed. Consent by Lessor to a subletting or assignment shall not relieve Lessee from the obligations under this Lease to obtain Lessor's written consent to any further subletting or assignment.

LESSEE NOT TO MISUSE:

10. Lessee shall not permit any unlawful or immoral act, practice, or nuisance, with or without its knowledge or consent, to take place in the Premises by itself or any other person.

ACCESS TO PREMISES:

11. Lessor or any person acting as Lessor's agent may have reasonable access to the Premises for the purpose of examining, exhibiting, repairing or making alterations which Lessor deems necessary and which Lessee has failed to make after written notice and reasonable opportunity to cure. Lessor shall give Lessee reasonable advance notice, except in the case of an emergency, to the above action when possible. Lessor shall not materially interfere with the operation of the continuing care retirement community to be operated in the Improvements, including the rights of residents of the Improvements.

LESSOR'S NON-LIABILITY:

12. To the full extent now, or hereafter, permitted by law, Lessee waives and releases all claims against Lessor, its officers, directors, members, agents and employees for any cause whatever including, but not limited to, injury to person or damage to property sustained by Lessee or by any occupant of the Premises or property, or any other person, occurring in or about the Premises resulting directly or indirectly from any existing or future legal relationship or from a condition, defect, matter or thing in the Premises, or any part of it, or from equipment or appurtenances therein, or from accident or from any occurrence, act or from negligence or omission of any other tenant or occupant of the Premises or any other person, including Lessor, its officers, directors, members, agents and employees. All property in the Premises belonging to Lessee, its agents, employees or invitees, or to any occupant of the Premises shall be there at the risk of Lessee or other person only, and Lessor shall not be liable for damage thereto or theft, misappropriation or less thereof. Lessee agrees to hold Lessor harmless and to indemnify it

CONDITION ON POSSESSION:

6. Possession of the Premises shall be delivered by Lessor to Lessee as of the date hereof. Lessee has examined and knows the condition of the Premises and has received the same in good order and repair, and acknowledges that no representations as to the condition and repair thereof, and no agreements or promises to alter, repair or improve the Premises have been made by Lessor or its agents.

LESSEE'S REPAIRS AND MAINTENANCE:

7. Lessee shall keep the entire Premises, including any buildings or improvements constructed on the Premises, in good order, repair and condition. Lessee shall make any and all alterations or improvements any time during the lease term required by any governmental agency or authority. Lessee shall be responsible for paying all costs of repair, maintenance and replacement of any buildings or improvements constructed on the Premises whether external or internal, structural or nonstructural, ordinary or extraordinary. Lessor shall not be obligated to make any repairs, replacements or improvements of any kind upon the Premises, or any buildings or improvements constructed therein, which shall be the sole responsibility of Lessee.

Upon termination of this Lease, whether such termination shall occur by expiration of the lease term or in any other manner whatsoever, Lessee shall deliver possession of the Premises, including any buildings or improvements constructed on the Premises to Lessor in good order and repair, subject to ordinary wear and tear, or at Lessor's request given in writing not less than 180 days before the lease termination date, shall demolish and remove all such improvements within 180 days from the termination of the lease, in a way that keeps Lessor's property free from all liens and encumbrances.

INSURANCE:

8. (a) So long as this Lease remains in effect, Lessee, at its expense, shall maintain or cause to be maintained (1) insurance with respect to any buildings or improvements constructed on the Premises against loss or damage by fire, lightning, and other risks from time to time included under extended coverage endorsements, for their full replacement cost; and (2) comprehensive general liability insurance applicable to the Premises with limits of liability in amounts reasonable and customary for such property and improvements in amounts of not less than $1,000,000.00 per person, $3,000,000.00 per occurrence.

(b) All insurance required to be maintained pursuant to this paragraph 8 shall name Lessor, and Lessee and the Master Trustee under the Master Indenture and Bank, as insureds, as their respective interests may appear. Any insurance required to be maintained by Lessee pursuant to this paragraph 8 may be evidenced by blanket insurance policies maintained by Lessee or its affiliated entities covering the Premises and other property or assets of Lessee and/or its affiliated entities.

against claims and liability for injuries to all persons and for the damage to, or the theft, misappropriation or loss of all property or business occurring in or about the Premises, or due to any act or omission of Lessee, its agents or employees or invitees.

SIGNS:

13. Lessee may place signs on the Premises, but all signs on the Premises shall be in good taste, at locations and with form, color, size and content approved by Lessor in advance, which approval will not be unreasonably withheld or delayed. At the end of the lease term, Lessee shall remove such signs and repair all damage caused by the installation, maintenance and/or removal of such signs to the reasonable satisfaction of Lessor.

CASUALTY:

14. (a) If, at any time during the term of this Lease, the Improvements or any part thereof, shall be damaged or destroyed by fire or other casualty (including any casualty for which insurance coverage was not obtained or obtainable) of any kind or nature, ordinary or extraordinary, foreseen or unforeseen, Lessee, to the extent that insurance proceeds shall be sufficient for the purpose, shall proceed with reasonable diligence to repair, alter, restore, replace or rebuild the same as nearly as possible to its value, condition and character immediately prior to such damage or destruction with such enhancements as may be required by law or desired by Lessee and all such insurance proceeds shall be made available to Lessee for such purpose. Such repairs, alterations, restoration, replacement or rebuilding, including such changes and alterations as aforementioned and including temporary repairs or the protection of other property pending the completion of any thereof, are sometimes referred to in this paragraph as the "Work".

(b) The conditions under which any repairs, alterations, restoration, replacement or rebuilding Work are to be performed and the method of proceeding with and performing the same shall be governed by all of the provisions of this Lease.

(c) Any and all insurance money paid to Lessor or Lessee on account of such damage or destruction under the policies of insurance provided for in paragraph 8 hereof (herein sometimes referred to as the "insurance proceeds"), shall be applied exclusively to the payment of the cost of the Work.

(d) Under no circumstances shall Lessor be obligated to make any payment, disbursement or contribution toward the cost of the Work except to the extent of the insurance proceeds actually received by Lessor.

(e) In no event shall Lessee be entitled to any abatement, allowance, reduction or suspension of rent because part or all of the Premises shall be untenantable owing to the partial or total destruction thereof, and anything herein to the contrary, no such damage or destruction shall affect in any way the obligation of Lessee to pay the rental and other charges herein reserved or required to be paid, nor release Lessee of or from any obligation imposed upon Lessee under this Lease.

(f) It is understood and agreed that the terms of this Section 14 shall be expressly subject to (and the use and disposition of insurance proceeds shall be governed by) the Master Indenture.

CONDEMNATION:

15. If the whole or any substantial part of the Premises is taken or condemned by any competent authority for any public use or purpose, or if any adjacent property or street shall be so condemned or improved in such a manner as to require the use of any part of the Premises, the term of this lease shall, at the sole option of Lessee, be terminated upon, and not before, the date when possession of the part so taken shall be required for such purpose. Rent shall be apportioned as of the date of Lessee's vacating as the result of said termination. If any order or decree in any condemnation or similar proceedings shall fail separately to state the amount to be awarded Lessor and the amount to be awarded Lessee and the Lessor and Lessee cannot agree within thirty (30) days after the final award shall have been determined, any such dispute shall be determined in the manner provided in paragraph 23 of this Lease. In apportioning and obtaining any condemnation awards resulting from a taking or condemnation of the whole or any substantial part of the Premises (or any taking or condemnation which materially interferes with the use of the Premises and Improvements by Lessee), Lessor and Lessee shall cause such awards to be allocated as follows: (i) to Lessee, the portion of any such awards representing the loss of value and use of the Improvements through the end of the Lease term, and (ii) to Lessor, the portion of any such awards representing the loss of value and use of the Premises and the value of Lessor's reversionary interest in the Improvements. It is understood and agreed that the terms of this Section 15 shall be expressly subject to (and the use and disposition of condemnation awards shall be governed by) the Master Indenture.

The taking of road right-of-way along the southerly edge of the property shall not be considered a substantial taking provided it takes no more than the southerly sixty (60') feet of the premises.

TERMINATION AND HOLDING OVER:

16. At the termination of the term of this Lease, by lapse of time or otherwise, Lessee shall deliver immediate possession of the Premises to Lessor, in good condition and repair, subject to ordinary wear and tear. If Lessee retains possession of the Premises or any part thereof after the termination of the term by lapse of time or otherwise, then Lessor may at its option within thirty (30) days after termination serve written notice to Lessee that said holding over constitutes either (a) renewal of this Lease for one year, and from year to year thereafter, or (b) creation of a month to month tenancy, upon the terms of this Lease except at double the monthly rental at termination for however many months Lessor chooses. Lessee shall also pay to Lessor all damages sustained by Lessor resulting from retention of possession by Lessee. The provision of this paragraph shall not constitute a waiver by Lessor of any right of re-entry as hereafter set forth, nor shall receipt of money or any other act in apparent affirmance of tenancy operate as a waiver of the right to terminate this Lease or breach any of the covenants herein. At the termination of this Lease by lapse of time or otherwise if Lessee fails to remove from the

Premises any personal property by Lessee, all such personal property shall be deemed abandoned by Lessee and title thereto shall pass to Lessor and Lessor may remove any or all of such personal property from the Premises and may, at Lessor's option and without liability to Lessee, store and/or dispose of such personal property.

LESSOR'S REMEDIES:

17. Lessee's right to possession of the Premises shall terminate with the following events which constitute a default of the terms of this Lease: (a) Lessee fails to timely pay rent or any payment due Lessor under the terms of this Lease and after thirty (30) days' written notice to cure such default, and/or (b) Lessee breaches any covenant in this Lease and after thirty (30) days' written notice to cure such default and Lessee shall not be proceeding diligently to cure such default, except in the event of an emergency.

If non-payment of rent or other charges which Lessee is obligated to pay under this Lease are stated in said notice as grounds for termination, Lessee shall have thirty (30) days from service of the notice in which to cure said default payment specified in the notice. If Lessee fails to pay rent or other charges due in the time period specified, Lessor may consider this Lease terminated and sue for possession and/or rent due under the Illinois statute in relation to forcible entry and detainer, without further notice and demand.

If the failure of Lessee to perform any other covenant of this Lease is stated in said notice as grounds for termination, Lessee shall promptly commence to cure said default and shall have thirty (30) days from service of the notice in which to cure said default, and such time shall be extended as long as Lessee shall be proceeding diligently to cure such default, except in the event of an emergency.

If Lessee fails to cure any default in the specified time, Lessor may then immediately declare this Lease forfeited and terminated or may terminate Lessee's right of possession without terminating this Lease. Mere retention of possession thereafter by Lessee shall constitute forcible detainer of the Premises and if Lessor so elects, with or without notice of said election being given, it may thereupon terminate this Lease.

Upon termination of Lessee's right of possession, whether the Lease is terminated or not, Lessee agrees to deliver possession immediately, and hereby grants Lessor full and free license to enter the Premises or any part thereof, to take possession thereof with or without process of law, to expel Lessee or any other person who may be occupying the Premises or any part thereof and Lessor may use such reasonable force as may be necessary. Repossession of the Premises by Lessor shall not constitute a trespass, forcible entry or detainer, nor shall it cause a forfeiture of rents or other payments due Lessor or a waiver of any covenant, agreement or promise contained in this Lease to be performed by Lessee. The acceptance of rent, whether in a single instance or repeatedly, after it falls due, or after knowledge of any statutory provision or not, or any act or series of acts except an express written waiver, shall not be construed as a waiver of Lessor's rights hereby given Lessor, or as an election not to proceed under the provisions of this Lease.

Any default by Lessee or any provision of this Lease shall not relieve Lessee of any obligation, financial or otherwise, under this Lease.

LESSOR'S RIGHT TO RELET:

18. If Lessee's right to possession of the Premises, or any part thereof, shall be terminated in any way, excepting the natural expiration of the lease term, Lessor shall make reasonable efforts to relet for the account and benefit of Lessee, for such rent, terms and time period and to such tenant as may seem proper to Lessor, but Lessor shall not be required to accept any tenant offered by Lessee. If a sufficient sum shall not be received from such reletting to satisfy the rent hereby reserved, after paying all expenses of reletting, including cleaning, redecorating, refurbishing and altering of the Premises if needed, Lessee agrees to pay and satisfy. all deficiencies.

COSTS AND FEES:

19. Lessee shall pay upon demand all Lessor's costs, charges and expenses, including actual fees of attorneys, agents and others retained by Lessor, incurred in enforcing any obligations of Lessee under this Lease or any arbitration, litigation, negotiation or transaction in which Lessor shall, without Lessor's fault, become involved through or on account of this Lease. Lessor shall pay upon demand all Lessee's costs, charges and expenses, including actual fees of attorneys, agents and others retained by Lessee, incurred in enforcing any obligations of Lessor under this Lease or any arbitration, litigation, negotiation or transaction in which Lessee shall, without Lessee's fault, become involved through or on account of this Lease.

LESSOR'S LIEN:

20. Subject to all Lessee financing, including without limitations the liens and security interests granted by Lessee pursuant to the Reimbursement Agreement and Master Indenture and all collateral and security instruments provided in connection therewith, Lessor shall have a subordinate lien upon the leasehold interest of Lessee under this Lease to secure payment of all moneys due and all other obligations of Lessee under this Lease. Said lien may be foreclosed in equity at any time when money is overdue under this Lease or if Lessee is in default of any terms of this Lease and Lessor shall be entitled to name a receiver of leasehold interest, to be appointed in any foreclosure proceeding, who shall take possession of the Premises and who may relet same under orders from the court appointing him.

OTHER LIENS:

21. Lessee hereby covenants and agrees not to do or cause any act which shall in any way encumber the title of Lessor in and to the Premises, whether claimed by operation of law or by virtue of any express or implied contract by Lessee, except only against the leasehold estate of Lessee, and shall in all respects be subject and subordinate to paramount title and rights of Lessor in and to the Premises and the buildings and improvements thereon. Any claim to a lien upon the Premises, arising from any act or omission of Lessee, shall accrue only against the

leasehold estate of Lessor, and shall, in all respects, be subject and subordinate to the paramount title and rights of Lessor in and to the Premises and the buildings and improvements thereon.

REMEDIES NOT EXCLUSIVE:

22. The obligation of Lessee to pay rent reserved hereby or any of Lessee's other obligations during the balance of the lease term, or during any extension thereof, shall not be waived, released or terminated by the service of any notice, notice to collect, demand for possession, notice that tenancy will be terminated, the institution of any action of forcible detainer or ejection or any judgment for possession that may be rendered in such action or any other act resulting in termination of Lessee's right to possession of the Premises. Lessor may collect and receive any rent or other monies due from Lessee and payment or receipt thereof shall not waive or affect in any way the above-mentioned notices, demands and judgments, nor in any manner waive, affect or alter any rights or remedies which Lessor may have by virtue hereof.

ARBITRATION:

23. Any and all disputes arising out of this Lease which cannot be amicably resolved by Lessor and Lessee after thirty (30) days shall be resolved first by mediation and if unsuccessful, then by arbitration as herein provided. When this Lease provides for the determination of any matter by arbitration, the same shall be settled and finally determined by arbitration, including the selection of any arbitrator, conducted in the City of Bloomington, Illinois in accordance with the Rules of the American Arbitration Association, or its successor, and the judgment upon the award rendered may be entered in any court having jurisdiction. However, such award shall be final and binding notwithstanding failure of such entry.

NOTICES:

24. All notices to be given by one party to the other party under this Lease shall be given in writing, mailed or delivered as follows:

(a) To Lessor at Trinity Lutheran Church/School, 801 South Madison St., Bloomington, Illinois, with a copy to 1102 W. Hamilton Rd., Bloomington, Illinois, or such other address as designated by Lessor.

(b) To Lessee at Lutheran Senior Living of Illinois, Inc., Attn: Roger W. Paulsberg, President, 800 West Oakton Street, Arlington Heights, Illinois 60004, with a copy to Lawrence A. Manson, 1445 St. Johns Avenue, Highland Park, Illinois 60035, or such other address as designated by Lessee.

Mailed notices shall be sent by United States Certified or Registered Mail postage prepaid. Such notices shall be deemed to have been given upon posting in the United States Mails.

LESSEE'S RESPONSIBILITY REGARDING HAZARDOUS SUBSTANCES:

25. (a) The term "Hazardous Substances" as used in this Lease shall include, without limitation, the following: flammables, explosives, radioactive materials, asbestos, Freon, chlorofluorocarbons (CFS5), polychlorinated biphenyls (PCBs), chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, toxic substances or related materials, petroleum and petroleum products, and substances declared to be hazardous or toxic under any law, ordinance, regulation, rule or order; now or hereafter enacted or promulgated by any federal, state, county or local governmental authority (the "Authorities") or those maintained in the ordinary and customary operation of improvements constructed on the leased premises and used and stored in accordance with applicable governmental regulation.

(b) Lessee shall not cause or permit the following to occur:

(i) any violation of any federal, state, county or local law, ordinance, regulation, rule or order now or hereafter enacted, regulating the use, generation, storage, transportation, or disposal of Hazardous Substances (the "Laws"), relating to environmental conditions on, under, or about the Premises, or arising from Lessee's use or occupancy of the Premises including, but not limited to, soil and groundwater conditions.

(ii) the use, generation, release, manufacture, refining, production, processing, storage, or disposal of any Hazardous Substance on, under, or about the Premises, or the transportation to or from the Premises of any Hazardous Substance.

(c) Lessee shall, at Lessee's sole expense, comply with all Laws.

Lessee shall, at Lessee's sole expense, make all submissions to, provide all information required by, and comply with all requirements of all Authorities under the Laws. Lessee shall promptly provide to Lessor copies of all submissions made to the Authorities, and shall provide to Lessor all information regarding the use, generation, storage, transportation, or disposal of Hazardous Substances that is requested by Lessor. If Lessee fails to fulfill any duty imposed under this paragraph within a reasonable time, Lessor shall have the right, but not the duty, to do so at Lessee's sole expense. In any case where Lessor elects to do so, Lessee shall cooperate with Lessor in order to prepare all such documents that Lessor deems necessary or appropriate to determine the applicability of the Laws to the Premises and Lessee's use thereof, and for compliance therewith. Lessee shall execute all documents promptly upon Lessor's request. No such action by Lessor and no attempt by Lessor to mitigate damages under any Law shall constitute a waiver by Lessor of any of Lessee's obligations under this paragraph.

Should any of the Authorities or any third party demand that a clean-up plan be prepared and that a clean-up be undertaken because of any deposit, spill, discharge, or other release of any Hazardous Substance that occurs at or from the Premises during the term of this Lease, or which arises at any time from Lessee's use or occupancy of the Premises, then Lessee shall, at its sole expense, prepare and submit the required plans and all related bonds and other financial assurances; and Lessee shall carry out all such clean-up plans at its sole expense.

(d) Lessee shall indemnify, hold harmless, and defend Lessor, its officers, directors, members, agents, and employees, and the managing agent of the Premises, if any, from and against all fines, suits, proceedings, claims, and actions of every kind and nature, and all costs, fees and expenses associated therewith (including attorney's and consultant's fees, court costs, penalties, fines, and lost profits) arising out of or in any way connected with or relating to personal injury, property damage, or economic loss resulting from any deposit, spill, discharge, or other release of any Hazardous Substance that occurs at or from the Premises during the term of this Lease, or which arises at any time from Lessee's use or occupancy of the Premises, or from Lessee's failure to provide all information, make all submissions, and take all steps required by the Authorities under the Laws.

(e) Lessee's obligations and liabilities under this paragraph shall survive the termination of this Lease by lapse of time or otherwise.

(f) Lessor represents and warrants to Lessee that it has no actual knowledge of Hazardous Substances on the Premises and has received no governmental notification of alleged environmental contamination or the presence of Hazardous Substances on the Premises.

SPECIAL LEASE TERMINATION PROVISIONS:

26. A. Lessor and Lessee agree that there are many issues to be surmounted in the development of the Premises as a senior living community and accordingly, the parties hereto agree that if financing for the senior living community cannot be obtained, in the reasonable judgment of the Lessee, within 180 days after the execution hereof, the Lessee at its option may terminate this Lease. This option to terminate this Lease shall expire upon issuance of Bonds for the Improvements.

B. Until the earlier of (i) termination of the Lease pursuant to the preceding paragraph or (ii) issuance of Bonds for the Improvements, Lessee shall perform the obligations of Lessee, including specifically not without limitation, the obligation to pay taxes and utilities to the leased premises, and Lessor shall perform the obligations of Lessor. Lessee has paid Lessor $20,000.00 as consideration for entering into the original Ground Lease dated November 21, 2004 entered into by Lessor and Lessee. The consideration is intended to reimburse the Lessor for all expenses incurred to date connected with this senior housing project. Moving forward from this date, any services requested by the Lessee or initiated by the Lessor that may involve consideration or reimbursement will be defined and agreed to in writing between the parties before any such liability shall exist.

MISCELLANEOUS:

27. A. All covenants, promises, representations and agreements contained herein shall be binding upon and apply to the benefit of Lessor and Lessee and their respective successors and assignees.

B. The rights and remedies hereby created are cumulative and use of one shall not exclude or waive the right to use another.

C. The words "Lessor" and "Lessee" wherever used in this Lease shall apply to Lessors or Lessees in all cases where there is more than one Lessor or Lessee and shall apply to individuals, male or female, firm or corporation and the necessary grammatical changes shall be assumed in each case as though fully expressed.

D. At the request of either party to this Lease, the other party shall execute and acknowledge a memorandum of this Lease for recording in the county office of recorder where the Premises are located.

E. Whenever the consent of either Lessor or Lessee shall be required under the terms of this Lease, such consent shall not be unreasonably withheld or delayed by such party. The parties agree to use their best efforts to make decisions requiring "consent" within 30 days.

F. This Lease contains the entire agreement between the parties, and supercedes any and all discussions, agreements, outlines or other writings between the parties relating to the subject matter hereof. No amendment or modification of the terms of this Lease shall be binding upon to parties hereto unless in writing and signed by Lessor and Lessee.

G. The laws of the State of Illinois shall govern the validity, performance and enforcement of this Lease. If any clause, phrase, provision or portion of this Lease or the application thereof to any person or circumstance shall be invalid or unenforceable under applicable law, the remainder of this Lease shall still be valid, enforceable and applicable, and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

H. The persons executing and delivering this Lease on behalf of Lessor and Lessee have been duly authorized to do so on behalf of their respective boards of directors.

LEASEHOLD MORTGAGEE RIGHTS:

28. Lessor acknowledges, consents to and agrees that, in connection with the financing of the Project, Lessee intends to grant a mortgage upon its leasehold estate in the Premises to the Master Trustee, pursuant to the terms of that certain Leasehold Mortgage and

Security Agreement (the "Mortgage") being entered into between Lessee and the Master Trustee. Notwithstanding any provisions to the contrary herein, during the period that the Mortgage or any other mortgage or mortgages which encumber the leasehold estate of the Lessee (the Master Trustee and the respective holders of any other such mortgage being hereinafter referred to as the "Leasehold Mortgagee"):

I. Lessor shall provide to the Leasehold Mortgagee a copy of all notices given by Lessor to Lessee pursuant to the terms hereof. Any such notice shall be sent via certified or registered mail, return receipt requested or by nationally recognized overnight courier service to Leasehold Mortgagee at the address or addresses designated in writing by Leasehold Mortgagee to Lessor from time to time. No notice of default sent by Lessor to Lessee shall be effective as against Leasehold Mortgagee unless a copy thereof is also sent to Leasehold Mortgagee as provided herein.

II. Lessor shall not exercise any of its rights under Section 17 hereof, or as a matter of law or equity, to terminate this Lease or the lease of any tenant of Lessee or the residency agreement of any resident of the Improvements, or to claim, from Lessee any damages unless (i) after expiration of the first applicable notice period specified in Section 17, Lessor shall have given a second written notice to the Leasehold Mortgagee of the existing default and stating that Lessee has failed to cure or to proceed with reasonable promptness and diligence to cure the same as the case may be (and if the default has to the knowledge of Lessor been partially cured, specifying the extent to which cured), and (ii) Leasehold Mortgagee within thirty (30) days after the receipt of such second written notice shall fail to pay the rent or other sums payable as additional rent, or otherwise, or to perform such other of the terms, covenants, or conditions of the Lease which are specified as in default; and provided further that if such default cannot reasonably be cured in thirty (30) days, Leasehold Mortgagee shall have the right to begin to cure such default within said thirty-day period and to proceed with reasonable promptness and diligence thereafter and if Leasehold Mortgagee so proceeds with the curing of the default until such cure is appropriately completed, Lessor shall not exercise any of the aforesaid rights or remedies hereinbefore referred to in Section 17, it being agreed that (x) in case of a default which by its nature can be cured by Leasehold Mortgagee only after obtaining possession of the demised area or foreclosure of the Mortgage, Leasehold Mortgagee's commencement of appropriate legal or other action to obtain such possession or to foreclose the Mortgage shall be considered a commencement of the cure of such default, and (y) in case of a default which by its nature cannot be cured by Leasehold Mortgagee, the conditions of this proviso shall be satisfied so long as Leasehold Mortgagee cooperates in good faith in any legal or other action taken by Lessor to compel Lessee or otherwise to cure such default, and further provided that upon foreclosure or other acquisition of the Lessee's interest in the Lease by the Leasehold Mortgagee or its designee, all such defaults under the Lease shall be deemed to have been fully cured as to Leasehold Mortgagee, its designee and its successors and assigns, provided that the foregoing shall not waive or release Lessee personally with respect to such default.

III. If Lessor shall terminate this Lease by reason of a default or defaults hereunder by Lessee after expiration of all applicable notice and cure periods herein provided, or in the event of the termination of the Lease, or of any succeeding lease made pursuant to the provisions of the Lease, prior to its stated expiration date by reason of a default of Lessee or rejection of the Lease by Lessee in a bankruptcy proceeding or otherwise, Lessor shall provide written notice of such termination to Leasehold Mortgagee and will lease the demised area, building or other improvements to the Leasehold Mortgagee or to its subsidiary, nominee or designee upon the same terms and conditions as are set forth in this Lease for the balance of the unexpired term, including the options of renewal hereinafter set forth, provided the Leasehold Mortgagee or its subsidiary, nominee or designee shall be ready and willing to enter into such Lease within thirty (30) days after the notice of termination of this Lease; and provided further that the Leasehold Mortgagee or such new lessee shall undertake to cure any defaults of Lessee which would exist under the terms of this Lease if it had not been terminated, other than any default which by its nature cannot be cured by Leasehold Mortgagee or such subsidiary, nominee or designee. If such defaults cannot reasonably be cured in thirty (30) days, the new lessee shall have the right to begin to cure such defaults within said thirty-day period (or, in case of any default which by its nature can be cured by the new lessee only after obtaining possession of the demised area, within thirty (30) days after such possession is available to it) and to proceed with reasonable promptness and diligence thereafter. If the new lessee so proceeds with the curing of the defaults of Lessee until such cure is appropriately completed, Lessor shall not terminate the new lease by reason of any of the defaults of Lessee hereunder, it being agreed that, in case of default which by its nature cannot be cured by a new lessee, the conditions of this proviso shall be satisfied so long as the new lessee cooperates in good faith in any legal or other action taken by Lessor to compel Lessee or others to cure such default. If there shall be more than one Leasehold Mortgagee, the rights under this subparagraph may be exercised by them only in the order of their priority.

IV. Any Leasehold Mortgagee, its designee or agent may, but is not required to, make any payment or perform any act as required hereunder to be made or performed by Lessee with the same effect as if made or performed by Lessee provided that no entry by the Leasehold Mortgagee upon the Premises for such purpose shall constitute or be deemed to be an eviction of Lessee and shall not waive or release Lessee from any obligation or default hereunder (except any obligation or default which shall have been fully performed or corrected by such payment or performance by the Leasehold Mortgagee).

V. There shall be no merger of this Lease nor of the leasehold estate created by the Lease with the fee simple estate in the Premises or any part thereof by reason of the fact that the same person, firm, corporation or other entity may acquire or own or hold, directly or indirectly (i) the Lease or the leasehold estate created by the Lease or any interest in the Lease or in any such leasehold estate, and (ii) the fee simple estate in the Premises or any part thereof or any interest in such fee estate. For any such merger to occur, all persons, corporations, firms and other entities, having (A) any interest in the Lease or the leasehold estate created by the Lease (excluding subtenants but including any Leasehold Mortgagee) and (B) any fee simple interest in the Premises or any part thereof, must join in a written instrument effecting such merger which shall be duly recorded in the appropriate public records.

VI. Leasehold Mortgagee (or its designee as may have acquired Lessee's leasehold estate) shall not become personally liable under the agreements, terms, covenants or conditions of the Lease unless and until it becomes the holder of Lessee's leasehold estate. Upon any assignment of the Lease by Leasehold Mortgagee, or such designee, the assignor shall be relieved of any liability first arising hereunder after the date of such assignment provided that the assignee shall execute and deliver to Lessor a recordable instrument of assumption wherein such assignee shall assume and agree to perform and observe the covenants and conditions in the Lease contained on Lessee's part to be performed and observed, it being the intention of the parties that once the Leasehold Mortgagee (or such designee) shall succeed to Lessee's interest under the Lease, a subsequent assignment by Leasehold Mortgagee (or such designee) shall effect a release of Leasehold Mortgagee or its designee from any liability hereunder first arising after the date of any such assignment.

VII. Notwithstanding any provision of the Lease to the contrary, during any period when a Leasehold Mortgage is in effect the provisions of such Leasehold Mortgage relating to the settlement of insurance claims resulting from fire or other casualty to the improvements located on the Premises or to the settlement of any condemnation awards, to the payment of such insurance proceeds or awards, or to the application of such insurance proceeds or awards to the reconstruction or restoration of the improvements or to the repayment of any debt secured by the Leasehold Mortgage, the terms and provisions of the Leasehold Mortgage shall control.

VIII. Notwithstanding any provision of the Lease to the contrary and without the need to obtain any consent or approval from Lessor, the Leasehold Mortgagee or its assigns may enforce the Mortgage and acquire Lessee's interest in the Lease in any lawful way, and pending foreclosure of the Mortgage (or pending sale of the Lease in lieu of foreclosure of such Mortgage), may take possession of and rent the Premises, and upon succeeding to the interest of Lessee in the Lease through foreclosure thereof (or upon assignment of the Lease in lieu of foreclosure thereof), may without further consent of Lessor sell and assign the Lessee's interest in the Lease by assignment in which the assignee shall expressly assume and agree to observe and perform all the covenants of Lessee herein contained, provided that upon execution of any such assignment, a copy thereof shall be delivered to the Lessor. The Leasehold Mortgagee or its assignee shall be liable to perform the obligations herein imposed on Lessee only during the period such person has possession of the Premises.

IX. No amendment, cancellation by agreement between the parties, termination by agreement between the parties (other than the expiration of the stated term), surrender or modification of this Lease shall be effective as to the Leasehold Mortgagee unless it has consented thereto, in writing.

LESSOR	LESSEE
TRINITY LUTHERAN CHURCH	LUTHERAN SENIOR LIVING OF ILLINOIS, INC.
By: ______________________ Kraig Komnick, Congregation President	By: ______________________ Roger W. Paulsberg, its President and duly authorized officer
Attest: ______________________ Elizabeth Fry, Secretary	

Doc #:CHI01 (251863-00015) 50331682v9;03/02/2006/Time:11:22

ATTACHMENT 2-A

EXHIBIT A

DESCRIPTION OF LEASED PREMISES

A part of the Southwest Quarter of Section 17, Township 23 North, Range 2 East of the Third Principal Meridian, McLean County, Illinois more particularly described as follows: Commencing as a point of reference at a stone marking the Southeast corner of the Southwest Quarter of said Section 17, thence North 1 degrees 34 minutes 05 seconds West (assumed bearing) 40.02 feet along the East line of the Southwest Quarter of Section 17 to the point of beginning. From said point of beginning thence North 90 degrees 00 minutes 00 seconds West 381.51 feet parallel with the South line of the East Half of the Southwest Quarter of Section 17; thence North 1 degrees 51 minutes 29 seconds West 241.98 feet; thence North 90 degrees 00 minutes 00 seconds West 285.95 feet; thence North 1 degrees 34 minutes 05 seconds West 504.27 feet; thence North 88 degrees 25 minutes 55 seconds East 668.43 feet to the East line of the Southwest Quarter of Section 17; thence South 1 degrees 34 minutes 05 seconds East 764.50 feet to the point of beginning, in McLean County, Illinois.

P.I.N. Part of: 21-17-376-004

EXHIBIT B

APPROVED PLANS

CITY OF BLOOMINGTON

C-1

ENGINEERING

MEMORANDUM

March 1, 2006

TO: Tracey Covert, City Clerk

FROM: Greg Kallevig, Engineering

RE: Performance Guarantees and Tap-On Fees

The following are the Performance Guarantee and Tap On fees required from the developer for: that part of the Trinity Lutheran School site to be **Luther Oaks Subdivision.**

A: Tap-On Fees:

The following tap-on fees are due for that part of the Trinity Lutheran School site to be **Luther Oaks Subdivsion,** per the annexation agreement approved September 26, 2000.:

		Fund	*Principal*	*Interest*	*Total*
1	Southwest Sanitary Sewer	52200-57320	$3,500.00	$5,460.00	$8,960.00
2	Pump Station and Force Main	52200-57320	$0.00	$0.00	$0.00
3	Watermain in Hamilton Rd.	50200-57320	$0.00	$0.00	$0.00
4	Hamilton Rd. pavement (mft)	20300-57320	$0.00	$0.00	$0.00
5	Heidloff Rd./Greenwood pav't (mft)	20300-57320	$0.00	$0.00	$0.00
6	Lutz Road pavement	40100-57320	$0.00	$0.00	$0.00
7	Fee in lieu of Park Land Ded.	70300-57320	$47,880.00	$0.00	$47,880.00
	TOTAL :		$51,380.00	$5,460.00	***$56,840.00***

Area of Sub. = 10.00 acs.
Watermain Frontage on Hamilton = 0
Pavement Frontage on Heidloff (formerly Greenwood) = 0
Pavement Frontage on Lutz Road = 381.21 ft.
Parkland: 1.90 ac req'd @ $25,200 per ac.

1) Southwest Sanitary Sewer @ $350/ac +6% SI from Feb. 1980.
2) Pump Station and Force Main, Trinity Lutheran to pay Prenzler directly when they connect.
3) Watermain @ $20/ft.
4) Hamilton Road pavement: no fee per agreement.
5) Greenwood Ave. pavement @ $75/ft of frontage (less credit of $15,681.00 per agreement).
6) Lutz Rd. pavement @ $75/ ft of frontage.
7) Park Land Ded. fee = $47,880 for retirement development per agreement.

401 ½ South East Stree
Post Office Box 3157
Bloomington, Illinois
61702-3157
309.434.2225 tel
309.434.2201 fax
For Hearing Impaired
TTY 309.829.5115

B: Performance Guarantee:

110% of incomplete public improvement construction costs as of 3/1/06:	$ 271,143.00
10% of all completed public improvement construction costs:	$ 0.00
Total (Amount of the bond):	***$ 271,143.00***

ATTACHMENT 2

CITY OF BLOOMINGTON

ENGINEERING

C-2

C: Bond for adjacent substandard street improvement:

Lutz Rd.:381.21ft. x $75/ft. = $28,590.75

cc: Doug Grovesteen, Director of Engineering
Kevin Kothe, Design Engineer
Tim Ervin, Finance
Engineer: Shive Hattery, fax: 662-5808
Frank Miles, fax: 827-7423

AMENDMENT TO GROUND LEASE

THIS AMENDMENT TO GROUND LEASE (the "Amendment") is executed by and between Trinity Lutheran Church of Bloomington, Illinois ("Lessor"), and Luther Oaks, Inc., formerly known as Lutheran Senior Living of Illinois, Inc., an Illinois not-for-profit corporation ("Lessee"), as of this ____ day of ___________, 2013.

RECITALS

WHEREAS, Lessor leases to Lessee and Lessee leases from Lessor real estate encompassing, approximately ten acres (the "Premises") pursuant to the terms of a certain Ground Lease dated November 21, 2004, as amended and restated as of March 1, 2006 ("Lease"); and

WHEREAS, Lessor and Lessee desire to amend the terms of the Lease in accordance with the terms of this Amendment; and

WHEREAS, pursuant to the Lease, Lessee pays Lessor $80,000 in rent per year for the ten acres which constitute the Premises prior to this Amendment; and

WHEREAS, Lessee and Lessor wish to add approximately 2.8 acres to the Premises and increase the rent proportionately;

NOW, THEREFORE, in consideration of mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENTS

1. Definitions. Any capitalized term used in this Amendment which is not expressly defined shall have that meaning as set forth in the Lease, unless the context otherwise requires. Additionally, the following terms shall have the following meanings:

> The term "Effective Date" shall mean the earlier of the date when: (i) Lessee has obtained all regulatory approvals needed to construct and operate a skilled nursing facility on Parcel #2 and when Lessee has obtained financing to construct the skilled nursing facility on Parcel #2; or (ii) Lessor tenders possession of Parcel #2 to Lessee, which shall occur on such date as requested by Lessee. The Lessee has initiated efforts to obtain said approvals and financing. If such approvals and financing are not obtained prior to April 15, 2014, then this Amendment shall be null and void.
>
> The term "Parcel #2" shall mean that parcel of real estate which is approximately 2.8 acres in size and which is legally described on "Exhibit A" attached hereto and made a part hereof and which is illustrated on the Plat attached hereto and made a part hereof as "Exhibit B". The parties shall mutually complete the legal description on Exhibit A after a survey has been completed. Lessee shall obtain a survey of Parcel # 2 at Lessee's expense.

2. Lease of Parcel #2. Effective as of the Effective Date, the term "Premises" shall also encompass Parcel #2.

3. Increased Rent. The parties hereby acknowledge that, as a result of the expansion of the Premises to encompass Parcel #2, the amount of Annual Rent required to be paid by Lessee to Lessor shall increase effective as of the Effective Date from an annual rate of $80,000 to an annual rate of $102,400. For the first full month immediately following the Effective Date, rent shall be $8,533.34. After the survey of Parcel #2 is completed, the parties shall adjust the rent to be paid for the Premises to the extent that Parcel #2 is more or less than 2.8 acres by multiplying the actual number of acres of the Premises times a rental rate of $8,000 per year per acre, and any adjustment shall be retroactive to the Effective Date. In addition, after the survey is completed, Lessee and Lessor shall mutually determine the additional acreage which will be used by the retention area, and that additional acreage will be added to the existing 1.3 acres of retention area for purposes of calculating the "Annual Retention Pond Fee". The Annual Retention Pond Fee shall be adjusted retroactive to the Effective Date.

4. Possession. Lessor shall tender possession of Parcel #2 to Lessee on the Effective Date.

5. Other Terms. All terms and provisions set forth in the Lease shall be applicable to Parcel #2 and shall be binding upon the parties effective as of the Effective Date.

6. Notices. Paragraph 24 of the Lease is revised by changing the address for notices to Lessee. The address of the Lessee is changed to the following:

Lutheran Life Communities
Attention: Roger W. Paulsberg, President
3150 Salt Creek Lane
Arlington Heights, Illinois 60005

with a copy to:

Andrew P. Tecson
Chuhak & Tecson
30 S. Wacker Dr.
Suite 2600
Chicago, IL 60606

7. Acknowledgement of Facts and Status. Lessor and Lessee hereby acknowledge the following facts and status of the Lease:

a. The Lease is in full force and effect.

b. Lessor has not issued and Lessee has not received any notice of default from the Lessor which has not previously been cured in its entirety by Lessee.

c. Except for this Amendment, the Lease has not previously been amended by the Lessor and Lessee.

8. Statements and Representations of Lessor. Lessor hereby states and represents to Lessee as follows:

a. This Amendment has been duly authorized and executed on behalf of Lessor.

b. Lessor is not contemplating issuing any written notification to Lessee that alleges that Lessee has failed to satisfy any of its duties or obligations as set forth in the Lease.

c. The terms of this Amendment do not violate or constitute a default under any document or other agreement to which the Lessor is a party.

d. Lessor is not aware of any mortgage, trust deed, lease (other than the Lease as amended by Amendment) or other lien affecting Parcel #2.

e. Lessor has no reason to believe that it is not the owner of Parcel #2.

9. Representations and Statements of Lessee. Lessee hereby states and represents to Lessor as of the date hereof, as follows:

a. This Amendment has been duly authorized and executed on behalf of Lessee.

b. The terms of this Amendment do not violate or constitute a default under any document or other agreement to which Lessee is a party.

10. Captions. The captions of this Amendment are inserted for convenience or reference only and in no way define, describe or limit the scope or intent of this Amendment or any of the provisions hereof.

11. Miscellaneous.

A. It is the intention of the parties that this Amendment shall be executed in duplicate with each party retaining one fully executed and original Amendment.

B. This Amendment is for the sole and exclusive benefit of the parties hereto and their respective successors and assigns, and no third party is intended to or shall have any rights hereunder.

C. This Amendment shall not be construed more strictly against one party hereto than against the other party rely by virtue of the fact that it may have been prepared by counsel for one of the parties. It is understood and recognized that both parties have contributed substantial material to the preparation of this Amendment.

12. Time and Binding Effect. Time shall be of the essence of this Amendment and the covenants and agreements herein contained shall be binding upon and shall inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns.

13. Partial Invalidity. The parties intend and believe that each provision of the Lease as amended by this Amendment comports with all applicable local, state and federal laws and judicial decisions. However, if any provision or provisions, or any portion of any provision or provisions, of the Lease as amended is found by a court of law to be in violation of any applicable local, state or federal ordinance, statute, law, administrative or judicial decision, or public policy, and if such court should declare such portion, provision or provisions of the Lease as amended to be illegal, invalid, unlawful, void or unenforceable as written, then it is the intent of the parties that any such portion, provision or provisions shall be given force to the fullest possible extent that they are legal, valid and enforceable, that

the remainder of the Lease as amended shall be construed as if such illegal, invalid, unlawful, void or unenforceable portion, provision or provisions were not contained herein, and that the rights, obligations and interest of Lessor and Lessee under the remainder of the Lease as amended shall continue in full force and effect.

14. Conflict. In the event of any conflict between the terms of this Amendment and the terms of the Lease, the terms of this Amendment shall prevail.

15. Purpose. The first sentence of Section 2 of the Lease is amended to read: "Lessee shall have the right to construct, operate, maintain, repair and replace the Improvements for use as independent living facilities for seniors and other types of senior living, such as assisted living, skilled nursing care, intermediate care, memory support, inpatient and outpatient rehabilitation, health care services and related legal uses permitted by law, on the Premises; provided that from after the time that the interest of the Lessee is acquired by the Leasehold Mortgagee (as defined below), the Premises and the Improvements may be used for any lawful purpose other than purposes which are contrary to the teaching of the Lutheran Church, Missouri Synod."

16. Detention Expansion. Lessee shall at Lessee's cost expand the detention pond which is to the northwest of the existing Premises. The preliminary location of the expanded detention area is illustrated on Exhibit C attached hereto. Lessee shall obtain Lessor's approval of the final plans for the expansion of the detention area, which approval shall not unreasonably be withheld. Lessor acknowledges that grading/site work may occur outside of the proposed lease boundary and the walkway path will be designated outside of the proposed boundary. Lessee shall install at Lessee's expense appropriate underground storm water piping for a portion of the system. The piping will be conventional storm piping: most likely HDPC or concrete material. At some point, there will be open drainage into the detention basin. This location will be determined based upon final grading and the amount of storm water to be managed. The design approach will be mutually determined by Lessor and Lessee and will be sensitive to the current conditions and use of all adjoining parcels. The design of the expansion of the detention basin shall retain a swath of at least thirty feet in width between the detention basin and the western boundary of the property leased to Lessee.

IN WITNESS WHEREOF, the undersigned have executed this Amendment to Ground Lease as of the day and year first above written.

LESSOR:

Trinity Lutheran Church of Bloomington, Illinois

By: Scott J Black

Congregation President

Attest: Lorrain Gould

Secretary

LESSEE:

Luther Oaks, Inc., formerly known as Lutheran Senior Living of Illinois, Inc., an Illinois not-for-profit corporation

By: ______________________

Roger W. Paulsberg
Its: President

STATE OF ILLINOIS)
) SS.
COUNTY OF McLEAN)

I, NORMAN H. EBORG, a Notary Public in and for the County and State aforesaid, DO HEREBY CERTIFY that SCOTT J. BLACK, who is the Congregation President of Trinity Lutheran Church of Bloomington, Illinois, is personally known to me to be the person whose name is subscribed to the foregoing instrument as such Congregation President, appeared before me this day in person and acknowledged that he signed, sealed and delivered the said instrument as his free and voluntary act set forth and as the free and voluntary and of such corporation.

Given under my hand and official seal this 14th day of JULY, 2013.

Norman H Eborg
NOTARY PUBLIC

My Commission Expires: 12·17·2013

OFFICIAL SEAL
NORMAN H. EBORG
Notary Public - State of Illinois
My Commission Expires Dec 17, 2013

STATE OF ILLINOIS)
) SS.
COUNTY OF ________)

I, Angela M Pazera, a Notary Public in and for the County and State aforesaid, DO HEREBY CERTIFY that Roger W. Paulsberg, who is the President of Luther Oaks, Inc., formerly known as Lutheran Senior Living of Illinois, Inc., an Illinois not-for-profit corporation, is personally known to me to be the person whose name is subscribed to the foregoing instrument as such President, appeared before me this day in person and acknowledged that he signed, sealed and delivered the said instrument as his free and voluntary act set forth and as the free and voluntary act of said corporation.

Given under my hand and official seal this 16 day of July, 2013.

Angela M Pazera
NOTARY PUBLIC

My Commission Expires:

10/25/2017

ANGELA M. PAZERA
NOTARY
MY COMMISSION EXPIRES 10/25/2017
SEAL
NEWTON COUNTY, INDIANA

STATE OF ILLINOIS)
) SS.
COUNTY OF McLEAN)

I, NORMAN H. EBORG, a Notary Public in and for the County and State aforesaid, DO HEREBY CERTIFY that SCOTT J. BLACK, who is the Congregation President of Trinity Lutheran Church of Bloomington, Illinois, is personally known to me to be the person whose name is subscribed to the foregoing instrument as such Congregation President, appeared before me this day in person and acknowledged that he signed, sealed and delivered the said instrument as his free and voluntary act set forth and as the free and voluntary and of such corporation.

Given under my hand and official seal this 14th day of JULY, 2013.

Norman H Eborg
NOTARY PUBLIC

My Commission Expires: 12·17·2013

OFFICIAL SEAL
NORMAN H. EBORG
Notary Public - State of Illinois
My Commission Expires Dec 17, 2013

STATE OF ILLINOIS)
) SS.
COUNTY OF ________)

I, ______________________, a Notary Public in and for the County and State aforesaid, DO HEREBY CERTIFY that Roger W. Paulsberg, who is the President of Luther Oaks, Inc., formerly known as Lutheran Senior Living of Illinois, Inc., an Illinois not-for-profit corporation, is personally known to me to be the person whose name is subscribed to the foregoing instrument as such President, appeared before me this day in person and acknowledged that he signed, sealed and delivered the said instrument as his free and voluntary act set forth and as the free and voluntary act of said corporation.

Given under my hand and official seal this ____ day of ______________, 2013.

____
NOTARY PUBLIC

My Commission Expires:

____

ATTACHMENT 2-A

Exhibit A

LEGAL DESCRIPTION – PARCEL #2

To be inserted by Lessor and Lessee by mutual agreement after a survey is completed.

Exhibit B

PLAT

Exhibit C

Illustration of Expansion of Detention Pond

File Number 6338-988-9

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

UNION NATIONAL SOVEREIGNTY 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

LUTHER OAKS, INC., A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON MARCH 04, 2004, 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* 25TH *day of* OCTOBER *A.D.* 2013 .

SEAL OF THE STATE OF ILLINOIS
UNION NATIONAL SOVEREIGNTY STATE 1868 1818
AUG. 26TH 1818

Authentication #: 1329802376

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

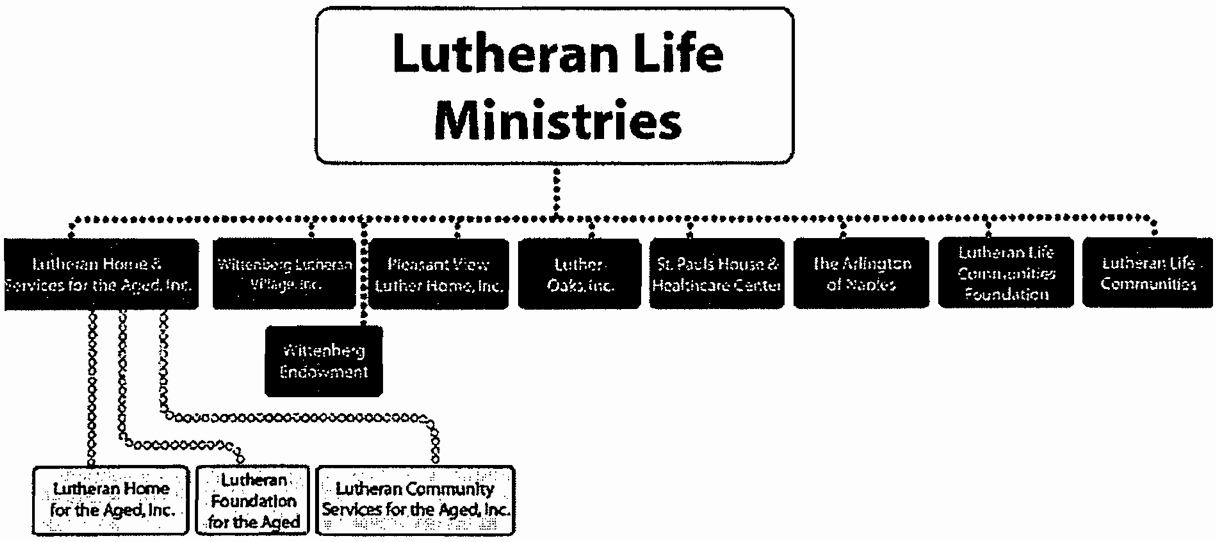
Jesse White

SECRETARY OF STATE

ATTACHMENT 3

LUTHER OAKS, INC.
CON APPLICATION
ORGANIZATIONAL RELATIONSHIPS

Luther Oaks, Inc. is the applicant because it will be the owner and operator of the new skilled nursing facility. Lutheran Life Ministries is the sole corporate member and parent of Luther Oaks, Inc. and therefore, it is a co-applicant. An organizational chart showing the relationships described above follows.



ATTACHMENT 4

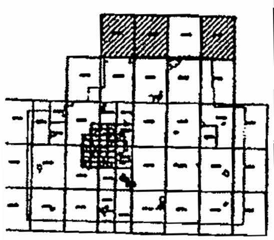
2073809\2\17364\48763

LUTHER OAKS, INC.
CON APPLICATION
FLOOD PLAIN REQUIREMENTS

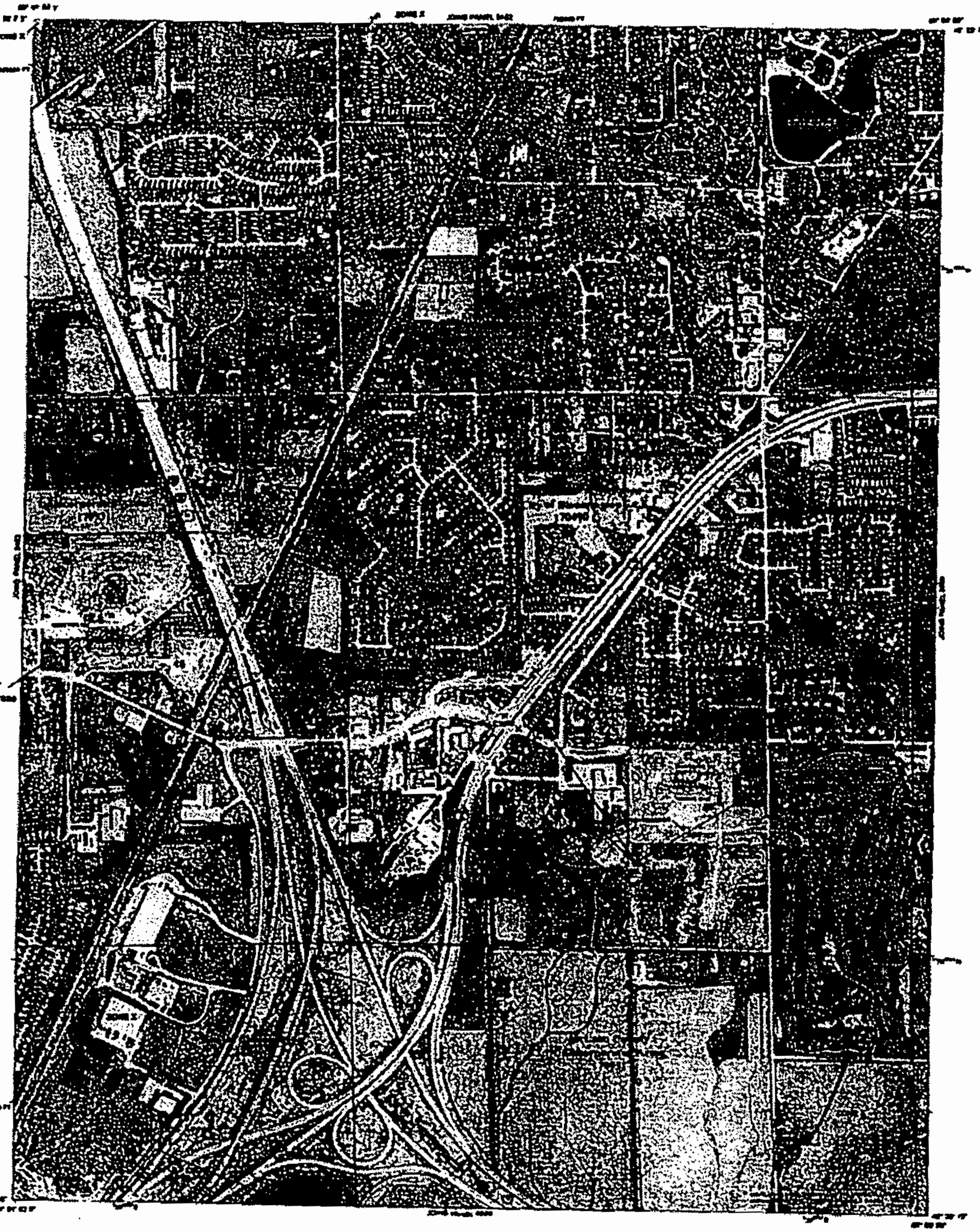
Appended as Attachment 5 is a map of the proposed construction of the skilled care nursing facility ("Project") location showing any identified floodplain areas. The applicant attests that the proposed Project is not located in a special flood hazard area and the proposed Project complies with the requirements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

NOTES TO USERS

PANEL INDEX



Panel Not Printed



LEGEND

OTHER FLOOD AREAS

OTHER AREAS

COASTAL BARRIER RESOURCES SYSTEM (CBRS) AREAS

OTHERWISE PROTECTED AREAS (OPAs)

MAP SCALE 1" = 500'

NFIP

NATIONAL FLOOD INSURANCE PROGRAM

FIRM

FLOOD INSURANCE RATE M

MCLEAN COUNTY, ILLINOIS

AND INCORPORATED AREA

PANEL 434 OF 825

MAP NUMB 17113C04

MAP REVIS JULY 16, 2

Federal Emergency Management Ag

ATTACHMENT

0078

Illinois Historic
Preservation Agency

FAX (217) 782-8161

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

McLean County
Bloomington
CON - New Addition of Long-Term Care Facility, Luther Oaks, Inc.
601 Lutz Road
IHPA Log #001032713

April 10, 2013

Prashanthi Rao Raman
Chuhak & Tecson, P.C.
30 S. Wacker Dr., Suite 2600
Chicago, IL 60606

Dear Ms. Raman:

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 known historic, or historically significant architectural properties exist within the project area. This project area is exempt from archaeological review in accordance with Section 6 of the Illinois State Agency Historic Resources Preservation Act (20 ILCS 3420/1 et. seq.).

Please note that the state law is less restrictive than the federal cultural resource laws concerning archaeology. If your project will use federal loans or grants, need federal agency permits, use federal property, or involve assistance from a federal agency, then your project must be reviewed under the National Historic Preservation Act of 1966, as amended. Please notify us immediately if such is the case.

Please retain this letter in your files as evidence of compliance with Section 4 of the Illinois State Agency Historic Resources Preservation Act.

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

LUTHER OAKS, INC.
CON APPLICATION
CRITERION 1125.320
PURPOSE OF THE PROJECT

1. The applicant shall document that the project will provide health services that improve the long-term nursing care or well-being of the market area population to be served.

Luther Oaks requests approval to establish an 18-bed skilled nursing facility pursuant to the continuum of care variance, which restricts admissions to the proposed skilled nursing facility to residents of Luther Oaks. Upon completion of the project, Luther Oaks will offer the full continuum of care to its existing residents on its campus, which will ease their transition from independent and assisting living to a skilled nursing environment. The goal of Luther Oaks in providing the full continuum of care is to allow residents to "age in place" without requiring them to move off-site if they require skilled nursing care.

The project will consist of 18 private skilled nursing beds, each with a private bathroom with a private shower. Nine of the proposed skilled nursing beds in the project will be dedicated to caring for patients in need of short-term rehabilitative care and long-term care. The remaining 9 proposed skilled nursing suites will be dedicated to serving Luther Oaks' memory care patients. With all private rooms with private bathrooms and private showers, the project will increase the residents' comfort and privacy. In addition, private rooms will allow Luther Oaks to more effectively control infections, such as MRSA and the flu.

The project will also provide an enhanced resident experience because the project has been designed to promote a person-centered care model for the delivery of skilled nursing care services. The project will organize the residents into person-centered households, which include living, dining, and social spaces in order to create a home-like setting. As discussed in the article entitled Person-Centered Care for Nursing Home Residents: The Culture-Change Movement, published in Health Affairs on January 7, 2010, which is attached hereto as **ATTACHMENT 10-A**, the person-centered care model can help improve the quality of life and quality of care for residents in nursing homes. In addition, providing the full continuum of care in a CCRC can help residents to have longer, healthier lives by providing a sense of community and belonging and by keeping them physically and mentally active, as described in the report entitled An Integrative Approach to Successful Aging within a Continuing Care Retirement Community, which is also attached hereto as **ATTACHMENT 10-A.**

In addition to the purposes described above, the project will also allow Luther Oaks to provide quality dementia care programs for its skilled nursing residents. Luther Oaks currently provides dementia care in its assisted living facility using dementia care programming that includes the Reality Comprehension Clock Test ("RCCT"). The RCCT is used as a tool specifically designed for the life enrichment or activity department to achieve a greater understanding of each individual's cognitive level in order to plan appropriate programming. The assessment allows for individuals with similar cognitive levels to be grouped into smaller groups for activities in which they would be successful. This tool promotes a person-centered approach that helps Luther Oaks' caregivers focus on residents' remaining skills and abilities.

2. The applicant shall define the planning area or market area, or other, per the applicant's definition.

The market area for the proposed project is the McLean County Planning Area within Health Service Area 4; provided that the project will only serve individuals residing on the Luther Oaks campus.

3. The applicant shall identify the issues or problems that the project is proposing to address or solve.

The project is designed to establish skilled nursing beds on Luther Oaks' existing campus, so that residents of Luther Oaks can receive the full continuum of care in their community. At the current time, Luther Oaks' residents need to relocate to skilled nursing facilities outside of the community and be separated from friends, spouses and loved ones in the event they need skilled care services. The project will allow residents of Luther Oaks to remain in close proximity to their friends and spouses who reside in the Luther Oaks community.

4. The applicant shall cite the source of the information.

Attached as **ATTACHMENT 10-A** is an article entitled Person-Centered Care for Nursing Home Residents: The Culture-Change Movement, which was published in Health Affairs on January 7, 2010 and a report entitled An Integrative Approach to Successful Aging within a Continuing Care Retirement Community dated September 23, 2011.

5. The applicant shall detail how the project will address or improve above mentioned issues.

The project will address or improve the above mentioned issues as follows:

- The project will allow Luther Oaks to provide skilled nursing care to residents of its assisted living and independent living units, which will allow Luther Oaks to provide the full continuum of care to its existing residents on its campus. The availability of skilled nursing care will facilitate the transition from independent and assisted living to a skilled nursing environment. The project will afford residents the security of knowing that they will remain in the same community even after they require additional levels of care. The project will allow residents in need of skilled nursing care to transition through the entire continuum of care in their own community.

- The project will provide skilled nursing services through a person-centered care model by organizing the residents into person-centered households, which includes living, dining and social spaces in order to create a home-like setting. The goal of the person-centered care model is to increase the quality of life and quality of care for the residents of the community needing skilled nursing care services.

- The project will add 18 new private skilled nursing beds to the Luther Oaks' campus, which will provide the residents who need skilled care with comfort and privacy.

In addition, private rooms will allow Luther Oaks to more effectively control infections, such as MRSA and the flu.

- The project will allow Luther Oaks to bring its expertise in dementia care using the RCCT its residents in need of skilled nursing. In addition, residents that are currently receiving the benefit of dementia programming in the assisted living facility will be able to continue with such programming as they transition to skilled care.

6. The applicant shall provide goals with quantified and measurable objectives with specific time frames that relate to achieving the stated goals.

The goal of the project is to provide residents of Luther Oaks with access to skilled nursing care on the existing campus, including rehabilitation and dementia care, and to achieve and maintain 90% utilization by the second year after project completion.

An Integrative Approach to Successful Aging within a Continuing Care Retirement Community

EDRA43Seattle Conference

September 23, 2011

ABSTRACT

The primary purpose of this report was to determine which physical and social factors of long term care environments can promote successful aging for older adults. Successful aging is defined as "avoidance of disease and disability, maintenance of high physical and cognitive function, and sustained engagement in social and productive activities" (Rowe & Kahn, 2007, p.439). The fastest growing population in America is the elderly, and in order to live healthier and maintain a high quality of life many factors must be considered. The secondary purpose of this report was to integrate the determined factors into a continuing care retirement community prototype using principles of new urbanism and successful aging.

As a result of a review of related literature, the study found that a sense of community is defined by Schueller (2009) and McMillan (1996) as a feeling of belonging, involvement, and influence over decisions and actions within one's living environment. Engagement with life and social connection has a significant impact on one's ability to age 'successfully.' Both the physical and social environments of long term care play a significant role in creating a sense of community and a higher perceived quality of life.

Using traditional neighborhood development standards and the integration of principles for elder-friendly design, a prototypical continuing care retirement community was developed. This neighborhood was designed to promote successful aging by providing older residents with a long term care environment that helps establish a sense of community and involvement, rather than isolation and dependence. Taking into consideration the physical and social factors that have been shown to increase quality of life, a continuing care retirement community combined with traditional neighborhood principles, could provide a healthier, more satisfying community living option for older Americans of today and of future generations.

INTRODUCTION

This report will investigate the influence of the built and social environments on the psychological and physiological aspects of aging and on the quality of life for the elderly in the United States. The fastest growing demographic in the United States is the older population, and this demographic needs appropriately designed environments that meet their needs and desires (Perkins et al., 2004). Not only are there more older people than ever before, but there are significant differences in this elderly generation than previous generations due to the ability to have longer, healthier lives (Rowe & Kahn, 1998). Rowe and Kahn (1998) divided today's elderly population into two groups: young-old and old-old. Young-old are those aged sixty-five to seventy-four and are typically healthy and highly functional. Old-old elders are those aged seventy-five and older and are more likely to have less functioning and more health issues.

With the increased number of healthy, active 'young-old' seniors in retirement and open to relocation and exploring their financial options, it is important to provide them with communities that appeal to their lifestyle (Bookman, 1998; Squire, 2002). The goal of continuing care retirement communities is to provide this segment of the population with a lifestyle and living option that allows them to maintain their independence, sense of community, and activity levels in order to sustain a high quality of life through the later years, while at the same time, providing them with a sense of security about future health concerns and needs (Heisler, Evans, & Moen, 2004; Jenkins et al., 2002). Quality of life is defined as being linked to the physical, psychological, and social well-being of an individual (Galambos, 1997), so by understanding how these are affected during the aging process, elder care facilities can provide higher life satisfaction for elders, as well as, implement designs and methods that will help keep physical and mental ailments to a minimum for as long as possible (Dupuis-Blanchard, Neufeld, & Strang, 2009; Morgan & Kunkel, 1998).

By researching exactly how a sense of community and the promotion of successful aging impact elderly well-being and quality of life, designers and planners can better develop elder living facilities and environments that provide services from independent living to full care and amenities ranging from walking paths and workout facilities, to on-site cafés and outdoor seating areas. Designing more appropriate environments for the fastest growing population sect of America is not only necessary due to numbers but also due to the fact that older people dread the idea of long term care for reasons that are a lot of times controllable and dependent on the social and built environments of these living facilities (Shippee, 2009).

PROBLEM STATEMENT

As people age, their quality of life may be impacted, and this is due to many factors, including physical, psychological, and social (Netuveli & Blane, 2008). One set of physical factors depends on the built environment of one's living situation, and this includes the type of residence, location of the residence, room size, amenities, and other built environmental issues (Morgan & Kunkel, 1998). Different types of physical factors, which relate directly to the human body, range from loss of motor functions, loss of vision, disease, dementia, Alzheimer's, and other physical and mental impairments (Morgan & Kunkel, 1998; Salthouse, 2004). Psychological factors relating to the social and built environments are typically more controllable and consist of a loss of independence, autonomy, and control. These social factors are extremely important to perceived quality of life as well, and they include relationships, interaction in activities, feeling of belonging, and a sense of community (Dupuis-Blanchard, Neufeld, and

Strang, 2009). Each of these factors is related to both the built and social environments, whether it is in a private residence or a long term care facility (Coons & Mace, 1996).

PURPOSE

The purpose of this study is to investigate successful aging of elderly residents living in long term care environments. Based on preliminary research, one of the key components of successful aging is a sense of community found through the social and physical environments (Bookman, 2008; Heisler et al., 2004; Jenkins et al., 2002). The objectives of this study are as follows: (1) To determine the factors that comprise a sense of community. (2) To determine the components of the physical environment of continuing care retirement communities that increase the quality of life for the elderly. (3) To determine the components of the social environment of continuing care retirement communities that increase the quality of life for the elderly. (4) To make recommendations for promoting successful aging in long term care facilities by implementing new urbanism community concepts and designs for a conceptual continuing care retirement community, as well as designing typical residences for the three levels of care: independent living, assisted living, and full care.

The fourth objective provides this study with a secondary purpose once the primary purpose has been established through research. The secondary purpose is to implement new urbanism ideas (traditional neighborhood design) into a conceptual land-use design for a continuing care retirement community. The goal is to create a living environment for the elderly that promotes successful aging through interaction and activity within a close-knit, heterogeneous neighborhood that can provide for residents' needs and that can create a sense of community and belonging among residents. New Urbanism is a concept that has all of these characteristics in terms of physical design and social design. New urbanist designers and planners call for an "urban design that includes a variety of building types, mixed uses, intermingling of housing for different income groups, and a strong privileging of the 'public realm.' The basic unit of planning is the neighborhood, which is limited in physical size, has a well-defined edge, and a focused center" (Fainstein, 2000, p. 10).

METHOD

The method used for this study was a review of literature. The main areas of focus included the work of Rowe & Kahn on the concept of successful aging; Long term care and senior living facilities; new urbanism approaches or traditional neighborhood development, and neighborhood development in terms of a providing senior friendly community. Through the review of literature, there were multiple environmental design factors within each level of care that that were found to influence quality of life and promote successful aging.

FINDINGS

This study determined how successful aging of the elderly can be promoted through the built and social environments. Factors that were determined to promote successful aging and increase quality of life were implemented into a continuing care retirement community prototype. Sense of community was found to be the driving force behind successful aging. Factors that were found to comprise a sense of community included: sense of belonging and influence; ability to socialize and volunteer; ability to provide and receive informal support among neighbors and friends; promotion of intergenerational activity to give a higher sense of purpose and learning; having formal support systems within close proximity; and having access to outdoor environments that are safe, supportive, and promote activity (Carmen & Fox, 2009; Rowe & Kahn, 1998; Stafford, 2009).

The physical and social environments play a substantial role in establishing a sense of community within a long term care environment. In developing a neighborhood to facilitate a continuing care retirement community, the study found the following physical factors can positively affect the quality of life of older adults: accessibility of the neighborhood; design of a pedestrian-oriented environment to promote independence and safety; access to nature through parks and outdoor spaces that promote interaction and activity; and close proximity to public services and amenities to, once again, promote independence and activity (Carstens, 1993). The physical factors of one's home also have an influence on one's quality of life. The study found that having accessible features within the personal living environment promoted independence and safety (Carmen & Fox, 2009; Lawlor & Thomas, 2008). Another important factor within the residence was room to accommodate guests comfortably, as well as, providing areas for privacy and seclusion when desired (Stafford, 2009). Lastly, the design of the living arrangement within each level of care contributed to quality of life. Independent living homes, designed with traditional neighborhood development concepts in mind, helped encourage neighborly interaction and activity through the use of front porches, smaller yard setbacks, and smaller lot widths (Hall & Porterfield, 2001). Assisted living units also promoted a sense of community through an open concept design rather than the use of long, secluded corridors (Carmen & Fox, 2009; Carstens, 1993). Lastly, the nursing home unit design can contribute to a sense of community within that smaller environment through the use of cluster neighborhoods that promote interaction between residents in close proximity to one another. The social factors of the continuing care retirement community that were found to increase quality of life include: a sense of community and interaction with others; the promotion of physical activity; balance between privacy and community; the consideration of autonomy, dignity, and respect; perceived social support from friends and family; and the level and quality of assistance and care provided to the residents (Coons & Mace, 1996; Jenkins et al., 2002; Rowe & Kahn, 1998).

The design of the continuing care retirement community prototype for this report sought to create an elder-friendly community that implemented these physical and social components that were found to increase quality of life, along with concepts from traditional neighborhood design. The prototype CCRC was designed using the following four main aspects that were determined through the findings: accessibility of the neighborhood; providing a town center; providing parks and outdoor spaces; and providing diverse housing options to fit within the three levels of care: independent living, assisted living, and full care. Each of these areas of the neighborhood was designed based on the idea that physical activity, mental stimulation, and community are essential to a high quality of life and, in turn, a probable healthier, longer life for older Americans.

Components of the Physical Environment

The physical environment of CCRCs includes factors within one's living environment and living arrangement including outdoor mobility and access to outdoor spaces (Schaie et al., 2003). The way each of these factors is designed can increase or decrease quality of life for an older person.

One's living environment can range from his or her personal living space such as his or her home, to the larger scale living environment such as his or her neighborhood. The neighborhood or community design is just as important to a person's quality of life as the design of his or her home, because if the person cannot get out comfortably and interact with nature and others, it can be detrimental to physical and mental health (Jenkins et al., 2002). These factors found within a neighborhoods' built environment are shown to increase quality of life, primarily through accessibility and by helping to establish a greater sense of community: (1) **Accessibility of the neighborhood as a whole.** According to Carman and Fox (2009), the built environment should "maximize independence; enable full participation in society; enhance the provision and process of care; provide a platform for self-fulfillment; and enhance individual dignity" (p. 182). Making the community more pedestrian-friendly and incorporating universal design principles should be a top priority when designing for the elderly in order to provide greater levels of autonomy and independence, which is shown to increase quality of life (Coons & Mace, 1996). (2) **Pedestrian-oriented environment.** This is the foundation of the traditional neighborhood framework (Lund, 2002; Plaut & Boarnet, 2003). A pedestrian-friendly environment helps create a strong sense of belonging and safety in both the residential and public areas of the community. When an older person can walk, rather than drive, to his or her friend's house or to the local grocery store, it creates opportunity for safe physical activity and interaction with both the outdoors and with people (Stafford, 2009). This interaction and activity within the community is shown to increase quality of life (Jenkins et al., 2002; Kelly-Gillespie & Farley, 2007; Rowe & Kahn, 1997). (3) **Parks and outdoor areas**. Access to nature is essential to one's physical and mental well-being, and these spaces should be designed with ease of mobility and convenient proximity in mind (Joseph & Zimring, 2007; Schaie et al., 2003). The purpose of these outdoor spaces should be to provide residents with opportunities for physical activity by implementing walking paths, putting greens, shuffleboard areas and horseshoe pits, etc. The outdoor spaces should also offer passive opportunities for interaction and viewing such as abundant seating arrangements and park focal points (Carstens, 1993). (4) **Close proximity to public services and amenities.** According to Stafford (2009), an environment should challenge older people to remain active and independent as long as possible by making support areas within close proximity to residences. New urbanism neighborhoods feature a town center or main street (Hall & Porterfield, 2001) which is conducive to the design of an elderly neighborhood with the public needs and amenities within walking distance (1/2 to 1/3 of a mile) of elderly residents (Carstens, 1993; Walters, 2007).

Designing independent homes with front porches, alleys, smaller setback from the road, and smaller lot widths can encourage neighborly interaction (Fader, 2000; Hall & Porterfield, 2001). Suburban standards have greatly increased front yard depths and introduced large front garages that create a less pedestrian-oriented street. In terms of assisted living, designing apartments along an atrium or open community space, rather than face to face down long corridors, can open up the space and create visual access to others and to nature, which is important to one's well-being according to Joseph and Zimring (2007) and Zimring et al. (2008). According to Coons & Mace (1996) the environment of long term care facilities such as nursing homes should be stimulating, health-promoting, and community-feeling. It should not be institutional or desolate (Scocco et al., 2006). Coons and Mace (1996) believe that the nursing home environment should resemble a neighborhood that fosters relationships and a sense of belonging.

Components of the Social Environment

The social components can go hand in hand with the physical components, particularly of the neighborhood design. The design of the built environment can help establish the necessary social aspects of maintaining a higher quality of life and aging successfully. The following factors of the social environment were found to increase quality of life: **(1) Sense of community and interaction with others**. As defined earlier by Schueller (2009), a positive sense of community should create positive emotions, as well as, encourage engagement, meaning, and purpose for the people within that community. A lack of community or relationships can decrease quality of life due to disengagement from society and isolating one's self from others (Rook, 2000). Interaction with others or engagement with life is a key to successful aging (Rowe & Kahn, 1997). (2) **Promotion of physical activity.** Physical activity is not only good for an older person's body, but it is also important for maintaining cognitive functioning and independence in activities of daily living (Dupuis-Blanchard et al., 2009). In order to promote physical activity, passive and active, the built environment should allow accessible opportunities. The social environment should help condition or change older adults' lifestyles and behaviors to promote activity in order to maintain independence and prevent disease and impairment as much as possible (Brawley et al., 2003). (3) **Privacy.** A sense of community and belonging is beneficial to quality of life, but so are opportunities for privacy. Privacy is important for balancing one's need for social interaction, and one's need for territoriality and quietness. In terms of the built environment, separation of public and private spaces within the home and community provide residences with this social need (Stafford, 2009). (4) **Autonomy.** According to Kochera and Bright (2007) a long term care environment that promotes independence, dignity, and autonomy also promotes a higher quality of life. Nordenfelt (2003) states that "the object of self-respect in this sense of dignity is the fact that the subject has his or her integrity, physical identity, and autonomy preserved and that the subject retains his or her inclusion in the community" (p.101). By allowing elderly residents the freedom of choice and control, a design can promote personal identity and dignity. (5) **Social support.** The MacArthur study performed by Rowe and Kahn (1997) found that older people labeled as successful agers seemed to thrive due to maintaining important relationships with friends and family. Social interaction can have a significant impact on cognitive functioning (Seeman et al., 2001), and according to Bassuk et al. (2001), older adults lacking social ties are at a higher risk of cognitive decline and a lower quality of life. By encouraging relationships with family, friends, and members of different generations (intergenerational), one's quality of life and sense of purpose will increase. **(6) Assistance and care.** Support and assistance through the continuing care retirement community facilities and staff is also essential to maintaining a higher quality of life. This section combines the social needs for autonomy, privacy, and social support in terms of a resident's care particularly in the high levels of care. There should be a level of control, respect, and dignity with one's care so as not to create a level of dependence, depression, or feeling of uselessness (Scocco et al., 2006).

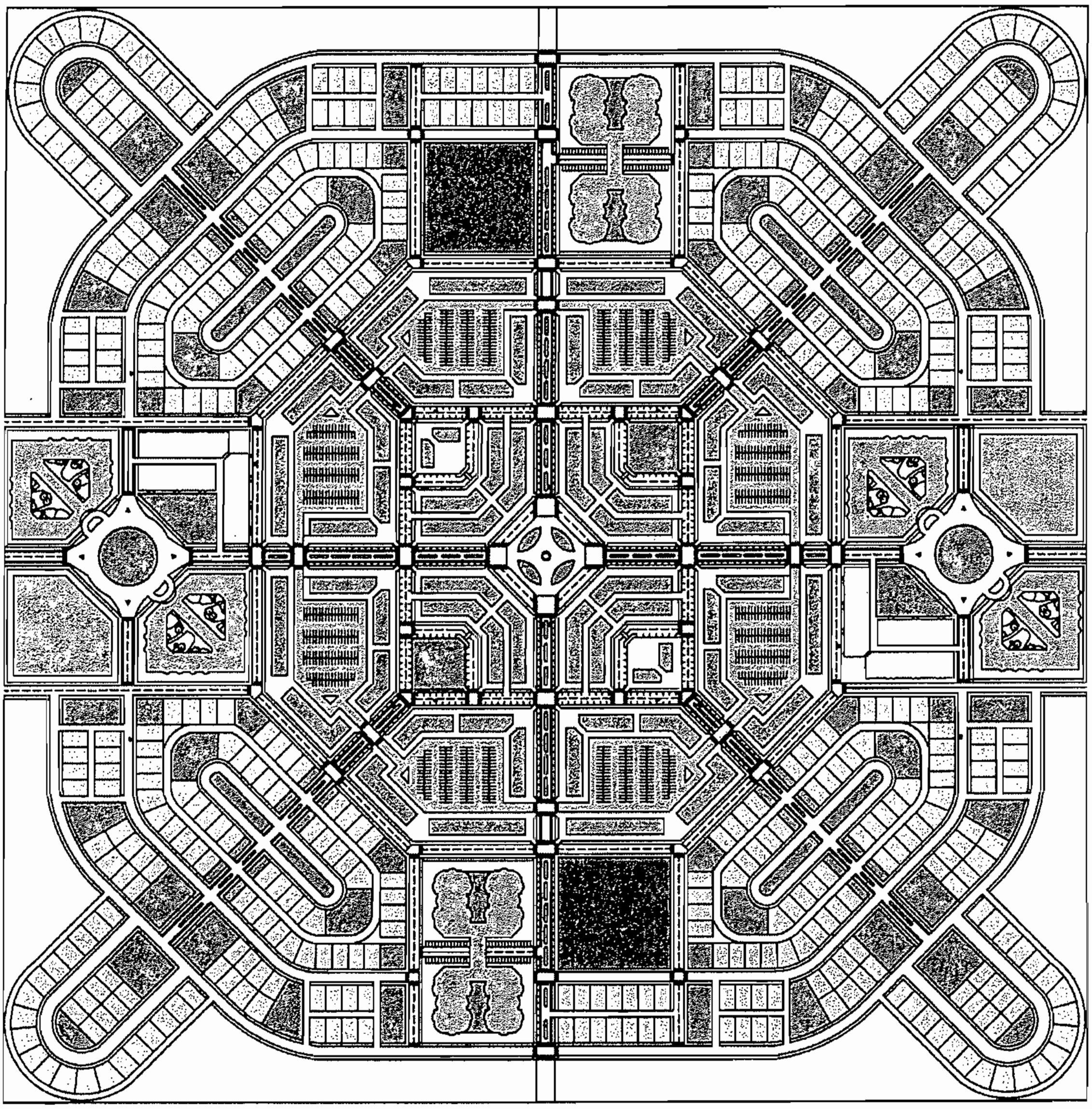
Elder-Friendly Communities

Alley et al. (2007) defined an elder-friendly community as a place where older people are actively involved, valued, and supported within the neighborhood and services are provided that effectively accommodate their needs. In order to make a neighborhood even more elderly-friendly, Carman & Fox (2009) suggested providing a variety of transportation choices; compact land use for shorter walking distances; distinctive and attractive places and architecture; universal design to accommodate all ages and handicaps; and security features such as higher lighting levels and slower traffic. Lastly, in order to promote neighborliness and social interaction, which is important to the sense of community and a higher quality of life, Stafford (2009) recommends these seven design approaches: (1) Promote opportunities for social interaction. Design elements can bring people together in conversation and interaction. (2) Promote intergenerational activity among elders and younger people. (3) Design homes with front porches and balconies within close distance to the sidewalk to promote conversation between residents and passers-by. Also, design the semi-private interior of homes with the idea of entertaining guests and neighbors. (4) Other ways to promote interaction: orient house fronts toward the street and use benches face to face or at right angles to prompt conversation in front of neighborhood gathering places. (5) Provide a sense of security through neighborly-watching. (6) Support the use of neighborhood community areas for public use and group gatherings. (7) Provide a degree of comfortable privacy that will allow a person the chance to not interact if so desired.

Findings and Implementation Summary

	Design Consideration	Standard Approach (Suburban neighborhoods, and long term care facilities)	Implemented New Urbanism & Community-Centered Approach	Sources
Neighborhood	Providing a sense of community and security to elderly residents, while maintaining an active lifestyle.	Wide streets, large front yards creating a gap between home and sidewalk, decreases feeling of neighborliness. Large home lots and homogenous land use make walking difficult and not practical. Isolation from others can occur due to the difficulty and lack of social/environmental motivation in leaving one's home.	Wider sidewalks and smaller street widths make for a more pedestrian friendly neighborhood, smaller yard setbacks and front porches to increase neighborliness. Mixed land-use and walkable town center adds to the sense of community and belonging by providing easily accessible entertainment, services, and amenities. Access to nature is provided through pocket parks and the encouragment of walking.	Carstens, 1993 Carmen & Fox, 2009 Fader, 2000 Stafford, 2009
Independent Living	Accessibility of the home is essential as it allows for a longer period of residing within the independent livign level of care. The home should allow for social interaction while allow providing the residents with necessary privacy when desired.	Multiple floors, narrow passageways and stairs. Risks and areas of difficulty within the kitchen and bathroom. Large homes and yards make maintenance more difficult.	Smaller single story homes and lots make maintaining one's property easier. Open concept floor plan and wide passageways make for easily nagivable spaces. Accessibility in mind when designing the areas of higher risk can prevent strain of reaching for things, risk of falling, fire, etc. Front porches and small setbacks from the sidewalk create a sense of neighborliness and friendly interaction.	Lawlor and Thomas, 2008 Hall & Porterfield, 2001 Stafford, 2009
Assisted Living	The facilities for assisted living should not have a feeling of institutionalism or seperation from society. They should provide much of the same aspects of indepdent living while providing a great sense of security and aid when necessary.	Long, closed corridors and institutionalized-feeling environment. Stark, unfriendly rooms. Sense of depression and seclusion.	Open floor plan design features use of large atriums and eliminates unfriendly, closed off hallways. Creates a sense of interaction and involvement with what is going on outside a resident's room. Access to nature through the atrium as well as personal balconies/sun rooms. Gathering spaces and "front porch" concept creates the idea of a community.	Carstens, 1993 Stafford, 2009. Joseph & Zimring, 2007
Nursing Home/Full Care	Full care residents are in need of a greater amount of aid with activities of daily living but are just as adament about maintaining independence and dignity.	Institutional setting. Lack of privacy but also a lack of positive interaction. Small, noncomforting rooms. Limited access to nature and outside interaction.	The nursing home residences should be located such that interaction with the rest of the community is maintained and promoted. Cluster design is used and beneficial as it helps create "neighborhoods" for the residents and a sense of community or belonging within their area of the facility. Within the "neighborhood" is a small dining area, staff handled kitchen, multiple lounge areas, "front porches" to each of the reisdent units, as well as acess to a solarium and courtyard	Carstens, 1993 Cnons & Mace, 1996 Hiatt, 1991

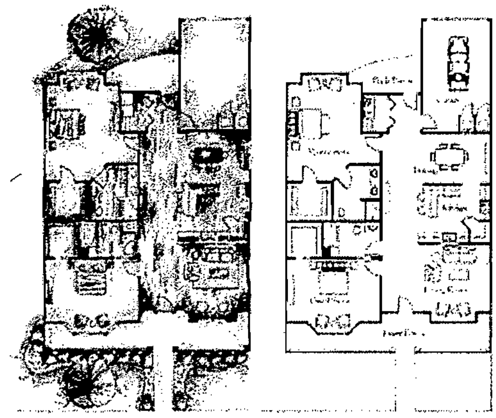
Community Prototype Design



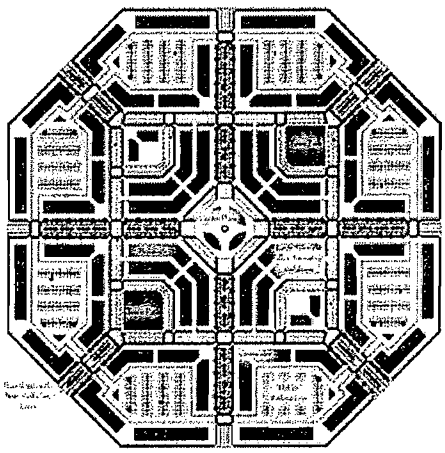
INDEPENDENT LIVING - SINGLE FAMILY DETACHED HOME LOT
INDEPENDENT LIVING - CONDOMINIUMS
ASSISTED LIVING APARTMENTS
FULL CARE HOUSING
EXPANSION SPACE
RETAIL, DINING, AND PUBLIC SERVICES
GREEN SPACE AND POCKET PARKS
PARKING LOTS/GARAGE

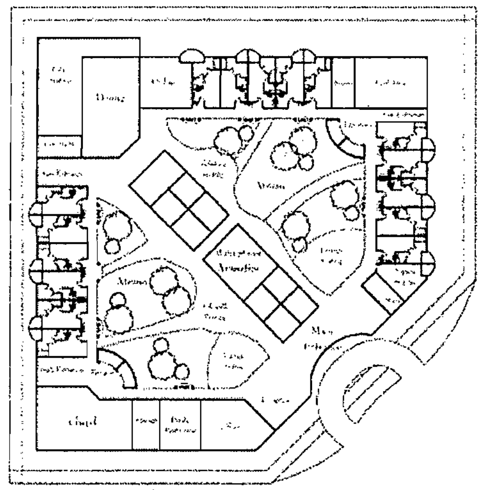
287 Acres – 2/3 of a square mile wide

Design of the Three Levels of Care & Town Center

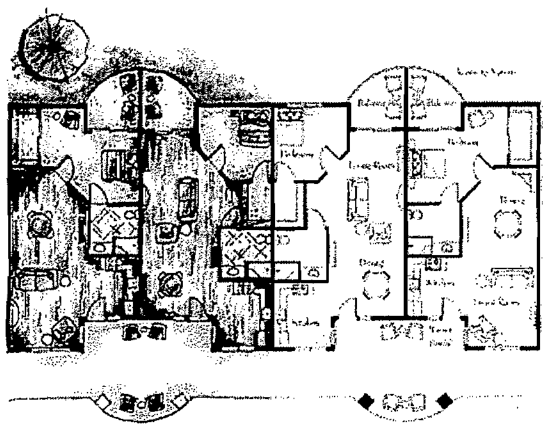


Single Story Independent Living 1880 sq. ft.

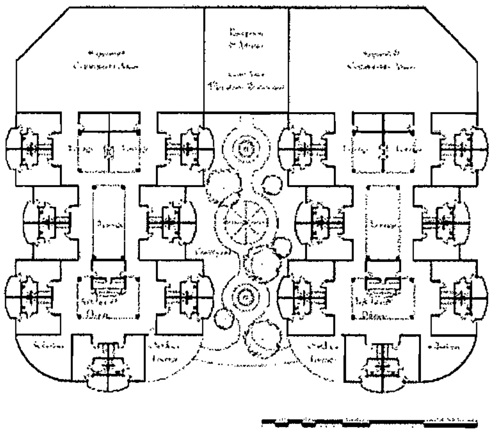


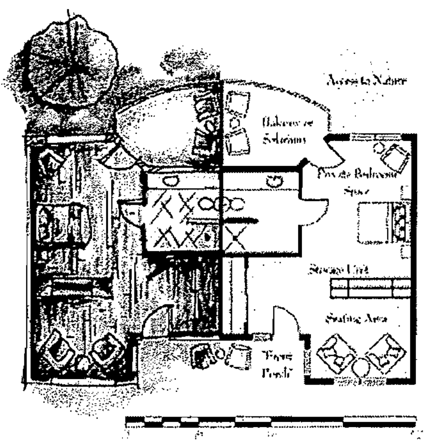


First Floor ~ 84,000 sq. ft.



Assisted Living Apartments ~ 750 sq. ft.





Nursing Home Unit: 480 sq. ft.

CONCLUSION

By 2050 there will be approximately 80 million people over the age of 65. This population is in need of appropriate living and supportive environments that take into consideration their desires and needs, and the existing long term care facilities are found to be lacking. Many older people are remaining active and productive in their later years and current environments are not conducive to successful aging. Suburban neighborhoods have been shown to create a feeling of isolation and a lack of security for older residents (Stafford, 2009). Ill-planned nursing homes have traditionally promoted dependence and depression through their social and physical characteristics (Scocco et al., 2006). In order to provide more appropriate and more desirable long term care environments, the social and physical factors that are shown to increase quality of life of residents should be implemented.

This study found that a community that integrates the physical and social components that increase quality of life, along with the concepts of traditional neighborhood development and the design principles that support successful aging, has the ability to provide older adults in the United States with a continuing care retirement community that provides a higher quality of life in general. A CCRC set in this type of environment can help its residents to have longer, healthier lives by providing a sense of community and belonging and by keeping them physically and mentally active. Successful aging within a community can be achieved by implementing design criteria that create a more elder friendly environment. By providing the three levels of care found within a CCRC, a person could move to this community well before his or her time for need of assistance. The attractiveness of new urbanism's architecture and planning integrated with the security and accessibility of an elder-friendly environment can provide a long term care solution that can help provide a higher quality of life for its older residents.

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By Mary Jane Koren

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

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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-

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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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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.

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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 10-A

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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0102

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ATTACHMENT 10-A

LUTHER OAKS, INC.
CON APPLICATION
CRITERION 1125.330
ALTERNATIVES TO THE PROPOSED PROJECT

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.

Alternative 1: Propose a project of greater or lesser scope and cost.

In evaluating the alternatives for the project, Luther Oaks reviewed the possibility of proposing a project of lesser scope and cost and determined that this was not a viable alternative.

Patient Access:

As of October 10, 2013, Luther Oaks had approximately 166 residents living on its campus. Luther Oaks anticipates that a significant number of its residents will be in need of skilled nursing care from time to time following project completion. Proposing a project consisting of less than 18 beds would not permit Luther Oaks to serve the existing need on its campus for skilled nursing beds.

Total Costs/Financial Benefits:

Based on Luther Oaks' internal finance department's review and calculation, a project consisting of at least 18 beds is needed to support the overall costs of the project. Proposing a project of lesser cost would not be feasible because 18 beds provides sufficient revenue to support the infrastructure necessary for a new building and permits efficient staffing.

Luther Oaks also reviewed the possibility of proposing a project of greater scope and cost and determined that this was not a viable alternative.

Patient Access:

Luther Oaks rejected this alternative due to its review of the financial cost of a project of increased scope. In addition, in looking at the projected need for skilled nursing care on its campus, Luther Oaks' concluded that internal referrals would likely not generate a need for greater than 18 skilled nursing beds.

Total Costs/Financial Benefits:

As a not-for-profit organization, Luther Oaks carefully reviews financial expenditures to ensure that in making such expenditures Luther Oaks is acting as a good steward of its charitable assets. In addition, the goal of the project is for Luther Oaks to achieve target utilization of 90% within twenty-four (24) months following the project completion. Luther Oaks' concluded that a project of greater scope would not be fully utilized.

Alternative 2: 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.

Luther Oaks also evaluated the viability of pursuing a joint venture to meet all or a portion of the project's intended purposes and concluded that this was not a viable alternative because it does not permit Luther Oaks' residents to age in place and receive skilled care on the existing campus.

Patient Access:

The primary purpose of this project is to provide a continuum of care for the residents on Luther Oaks' existing campus, which will give existing residents the ability to transition from independent and assisted living to a skilled nursing environment in their own community. If Luther Oaks pursued a joint venture, its residents would need to travel off-campus to receive needed skilled care services, which defeats the purpose of the entire project.

Alternative 3: Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project.

Luther Oaks evaluated the possibility of utilizing other health care resources in the community, but concluded that this was not a viable alternative because those resources are not located on the Luther Oaks campus.

Patient Access:

As of October 10, 2013, Luther Oaks had approximately 166 residents living on its campus. Luther Oaks anticipates that a significant number of its residents will be in need of skilled nursing care from time to time following project completion. Utilizing other health care resources in the area was not a viable alternative because utilizing other health care resources does not address the issue of Luther Oaks providing the full continuum of care to its existing residents on its campus.

Alternative 4: Proceed with the project as proposed.

Based on its evaluation of the alternatives, Luther Oaks made the decision that the project, as proposed, is the best alternative.

Total Costs:

As described above, the project as proposed is the most cost efficient way to provide skilled nursing services to Luther Oaks' existing residents so that they can receive the full continuum of care on Luther Oaks' existing campus. The cost of the project as proposed is $7,260,000 and is the only alternative that addresses resident access on the Luther Oaks campus, quality and potential financial benefits.

Patient Access:

The project will provide Luther Oaks' residents with access to skilled nursing care on the Luther Oaks' campus in the event they need such care. The concept of "aging in place" is an important consideration when an older adult chooses to live in a CCRC. The lack of skilled nursing care at Luther Oaks would prevent Luther Oaks from providing residents with the full continuum of care at a single location, because residents requiring skilled nursing care would be forced to leave the community to acquire such care, which can be stressful since much of their support network (such as spouses and friends) is located on the Luther Oaks campus.

Lastly, the project will give resident of Luther Oaks needing skilled care access to dementia care programming that includes use of the RCCT. This tool promotes a person-centered approach and helps Luther Oaks' caregivers focus on residents' remaining skills and abilities so that the quality of programming for such residents will be increased.

Person-Centered Care:

In addition to having all private rooms, the project will provide an enhanced resident experience because the project has been designed to promote a person-centered care model for the delivery of skilled nursing care services. The project will organize the residents into person-centered households, which includes living, dining and social spaces in order to create a home-like setting. The goal of the person-centered care model is to increase the quality of life and quality of care for the residents of the community needing skilled nursing care services.

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

Lutheran Life Ministries has a proven track record of low readmission rates to hospitals, which is indicative of the high quality of care they provide to their residents throughout the system. The average system readmission rate is 12.8%, which is lower than the average readmission rate for Medicare beneficiaries of 17.6%. In addition, the Lutheran Home, which is the largest skilled nursing facility in the system with 392 beds, has an average readmission rate of 9.5%. As part of the project, Luther Oaks will utilize the expertise of the Lutheran Life Ministries system in reducing hospital readmissions. In addition, Luther Oaks anticipates that the quality of care of its residents will be improved through its use of the person-centered care model (See **ATTACHMENT 10-A**).

LUTHER OAKS, INC.
CON APPLICATION
CRITERION 1125.520
BACKGROUND OF THE APPLICANT
HEALTH CARE FACILITIES OWNED AND OPERATED
BY APPLICANT AND CO-APPLICANTS

Luther Oaks, Inc. is the owner and operator of an existing assisted living facility and will be the owner and the operator of the new proposed skilled nursing facility. A copy of the current license for the assisted living facility listed below is included as part of this Attachment 12.

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

Lutheran Life Ministries is the ultimate parent company of and exercises ultimate control over Luther Oaks, Inc. Lutheran Life Ministries is also 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 12.

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

State of Illinois

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.

LA MAR HASBROUCK, MD, MPH
DIRECTOR

10/31/2014	BGBE	0005165

LONG TERM CARE LICENSE
SKILLED 110
SHELTERED 068

UNRESTRICTED 178 TOTAL BEDS

BUSINESS ADDRESS

LICENSEE

ST. PAULS HOUSE & HEALTH CARE CENTER

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

EFFECTIVE DATE: 11/01/12

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

ATTACHMENT 12

State of Illinois 2049347

Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

A5-A6

BUSINESS ADDRESS

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 20493

Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

A5-A6

FEE RECEIPT NO.

State of Illinois 2126266
Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

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

LA MAR HASBROUCK, MD, MPH
DIRECTOR

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

EXPIRATION DATE	CATEGORY	ID NUMBER
04/05/2014	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 HGTS IL 60004
EFFECTIVE DATE: 04/06/13

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 2126266
Department of Public Health
LICENSE, PERMIT, CERTIFICATION, REGISTRATION

EXPIRATION DATE	CATEGORY	ID NUMBER
04/05/2014	BGBE	0005090

LONG TERM CARE LICENSE
SKILLED 274
INTERMEDIATE 060
SHELTERED 058

UNRESTRICTED 392 TOTAL BEDS

REGION 9

03/20/13

LUTHERAN HOME FOR THE AGED
800 WEST OAKTON STREET
ARLINGTON HGTS IL 60004

FEE RECEIPT NO.

ATTACHMENT 12

State of Illinois 2125292

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.

LA MAR HASBROUCK, MD, MPH
DIRECTOR

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

EXPIRATION DATE	CATEGORY	I.D. NUMBER
02/27/2014	A-5	5102642

ASSISTED LIVING LICENSE
ISSUED: 02/27/13
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 •

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 13-000515-1 is effective January 1, 2013 and expires December 31, 2013.

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 FACI/CERT

ATTACHMENT 12

State of Illinois 2109786
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.

LA MAR HASBROUCK, MD, MPH
DIRECTOR

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

EXPIRATION DATE	CATEGORY	ID NUMBER
12/29/2013	A-1	5103681

ASSISTED LIVING LICENSE
ISSUED: 12/29/12
24 REGULAR UNITS
24 TOTAL UNITS

BUSINESS ADDRESS

STATUS: UNRESTRICTED
LICENSEE BUSINESS ADDRESS

PLEASANT VIEW HEARTHSTONE AL
505 COLLEGE AVENUE
OTTAWA IL 61350

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 2109786
Department of Public Health
LICENSE, PERMIT, CERTIFICATION, REGISTRATION

EXPIRATION DATE	CATEGORY	ID NUMBER
12/29/2013	A-1	5103681

ASSISTED LIVING LICENSE
24 REGULAR UNITS
24 TOTAL UNITS

11/27/12

PLEASANT VIEW HEARTHSTONE AL
505 COLLEGE AVENUE
OTTAWA IL 61350

FEE RECEIPT NO.

ATTACHMENT 12

State of Illinois 2126269
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.

LA MAR HASBROUCK, MD, MPH
DIRECTOR

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

EXPIRATION DATE	CATEGORY	I.D. NUMBER
04/05/2014	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: 04/06/13

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 2126269
Department of Public Health
LICENSE, PERMIT, CERTIFICATION, REGISTRATION

EXPIRATION DATE	CATEGORY	I.D. NUMBER
04/05/2014	BGBE	0012864

LONG TERM CARE LICENSE
SKILLED 090

UNRESTRICTED 090 TOTAL BEDS

REGION 2

03/20/13

PLEASANT VIEW LUTHER HOME
505 COLLEGE AVENUE
OTTAWA IL 61350

FEE RECEIPT NO.

ATTACHMENT 12

Luther Oaks
A Lutheran Life Community

October 31, 2013

Kathryn J. Olson
Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Luther Oaks, Inc. CON Application

Dear Chairwoman Olson:

Please be advised that no adverse action as defined under Sections 1125.140 and 1130.140 of the Health Facilities and Services Review Board ("HFSRB") Rules has been taken within three (3) years preceding the filing of the permit application against Luther Oaks, Inc. or against any health care facility controlled, owned or operated by it, directly or indirectly.

Furthermore, pursuant to 77 Ill. Admin. Code § 1125.520(c)(3), 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,

LUTHER OAKS, INC.

By:
Roger W. Paulsberg, Chair

Notarization:
Subscribed and sworn to before me
this 31st day of October, 2013

Patricia E. Walser
Signature of Notary Public

OFFICIAL SEAL
PATRICIA E WALSER
Notary Public - State of Illinois
My Commission Expires Nov 19, 2016

Seal

Vibrant, grace-filled living across all generations

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(309) 664-5940 · fax (309) 664-5999
www.LutherOaks.org

ATTACHMENT 12

Lutheran Life Communities

Kathryn J. Olson
Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Luther Oaks, Inc. CON Application

Dear Chairwoman Olson:

Please be advised that in the three (3) years preceding the filing of the permit application, one (1) adverse action as defined under Sections 1125.140 and 1130.140 of the Health Facilities and Services Review Board ("HFSRB") Rules has been taken against Lutheran Home for the Aged, Inc. ("LHA"), of which co-applicant Lutheran Life Ministries is the ultimate parent corporation.

On August 29, 2013, the Center for Medicare and Medicaid Services ("CMS") issued a final Disposition of Remedies to LHA denying payment for new Medicare and Medicaid admissions from June 23, 2013 through June 27, 2013. It should be noted that after a revisit, CMS concluded that LHA 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 Ministries 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 § 1125.520(c)(3), 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 MINISTRIES

By: ____________________
Roger W. Paulsberg, President/CEO

Notarization:

Subscribed and sworn to before me
this 31st day of October, 2013

Patricia E. Walser
Signature of Notary Public
Seal

OFFICIAL SEAL
PATRICIA E WALSER
Notary Public - State of Illinois
My Commission Expires Nov 19, 2016

3150 Salt Creek Lane · Arlington Heights, IL 60005
(847) 368-7400 · fax (847) 368-7320
www.LutheranLifeCommunities.org
2222199\1\17364\48763

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ATTACHMENT 12

LUTHER OAKS, INC.
CON APPLICATION
CRITERION 1125.560(a)(1)-(3)
CONTINUUM OF CARE

The applicant proposing a continuum of care project shall demonstrate the following:

1. **The project will provide a continuum of care for a geriatric population that includes independent living and/or congregate housing (such as unlicensed apartments, high rises for the elderly and retirement villages) and related health and social services. The housing complex shall be on the same site as the health facility component of the project.**

Luther Oaks is proposing to construct 18 new skilled nursing beds on its existing campus located at 610 Lutz Road, Bloomington, Illinois 61704. The project will enhance Luther Oaks' existing senior care campus, which consists of 90 independent living apartments, 40 assisted living apartments, and 18 assisted living memory support apartments. The parent organization, Lutheran Life Ministries, is the sole corporate member of several not for profit corporations that operate several retirement communities in Illinois, all of which include skilled nursing care. This project aims to continue to promote Lutheran Life Ministries' mission of empowering vibrant, grace-filled living across all generations. This will be accomplished through the person-centered care model, which aims to improve the quality of life and quality of care for residents in skilled nursing facilities (see **ATTACHMENT 10-A**). The person-centered care model offers unique living, dining, and social spaces that create a home-like setting for residents and provides a supportive environment for the current and future needs of residents.

2. **The proposal shall be for the purposes of and serve only the residents of the housing complex and shall be developed either after the housing complex has been established or as a part of a total housing construction program, provided that the entire complex is one inseparable project, that there is a documented demand for the housing, and that the licensed beds will not be built first, but will be built concurrently with or after the residential units.**

Appended as **ATTACHMENT 16-A** is the requested letter attesting to the above conditions.

3. **The applicant shall demonstrate that:**

   a. **The proposed number of beds is needed. Documentation shall consist of a list of available patients/residents needing the proposed project. The proposed number of beds shall not exceed one licensed LTC bed for every five apartments or independent living units;**

Luther Oaks' existing senior living campus has a total of 148 independent living and assisted living units. Pursuant to the continuum of care variance, one skilled nursing bed is allowed for every five residential units. The variance would allow for up to 29 skilled nursing beds. Luther Oaks is proposing to add 18 skilled nursing beds under the variance. Please see **ATTACHMENT 16-B** for a list of existing residents of Luther Oaks needing the project.

b. **There is a provision in the facility's written operational policies assuring that a resident of the retirement community who is transferred to the LTC facility will not lose his/her apartment unit or be transferred to another LTC facility solely because of the resident's altered financial status or medical indigency; and**

A copy of Luther Oaks' operational policies which state that a resident will not lose his/her unit and services will not be terminated solely because of their inability to pay is set forth on **ATTACHMENT 16-C.**

c. **Admissions to the LTC unit will be limited to current residents of the independent living units and/or congregate housing.**

A copy of Luther Oaks' admission policies that is proposed for this project is appended as **ATTACHMENT 16-D.**

Luther Oaks
A Lutheran Life Community

October 31, 2013

Ms. Kathryn J. Olson
Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Luther Oaks, Inc. CON Application – Section 1125.560(a) Certification

Dear Chairwoman Olson:

In compliance with section 1125.560(a) of the Illinois Health Facilities and Services Review Board Rules ("Review Board Rules"), Luther Oaks, Inc., as operator of the Project, attests that, (i) the proposed project will serve only the residents of the Luther Oaks community; (ii) the proposed skilled nursing beds are being developed after the housing complex has been established; (iii) there is a documented demand for the housing; and that (iv) the licensed beds are being built after the residential units.

Sincerely,

LUTHER OAKS, INC.

By:____________________
Roger W. Paulsberg, Chair

Notarization:
Subscribed and sworn to before me
this 31st day of October, 2013

Patricia E. Walser
Signature of Notary Public

OFFICIAL SEAL
PATRICIA E WALSER
Notary Public - State of Illinois
My Commission Expires Nov 19, 2016

Seal

Vibrant, grace-filled living across all generations

601 Lutz Road · Bloomington, IL 61704
(309) 664-5940 · fax (309) 664-5999
www.LutherOaks.org
1222933\2\7164\48763

ATTACHMENT 16-A

LIST OF EXISTING RESIDENTS NEEDING THE PROJECT

Resident Number	Gender	Current Unit #
1	F	H110
2	F	H111
3	M	H112
4	F	H113
5	F	H114
6	M	H114
7	F	H115
8	M	H116
9	M	H117
10	M	H118
11	F	H119
12	M	H120
13	F	H130
14	F	H131
15	M	H132
16	F	H133
17	M	H133
18	F	H134
19	F	H135
20	F	H136
21	M	H137
22	F	H138
23	M	H210
24	F	H210
25	M	H211
26	F	H211
27	F	H212
28	F	H213
29	F	H214
30	M	H215
31	M	H216
32	F	H217
33	M	H218
34	F	H218
35	F	H219
36	F	H220
37	F	H230
38	M	H231
39	M	H232

ATTACHMENT 16-B

40	M	H233
41	F	H234
42	F	H235
43	F	H236
44	F	H237
45	M	H238
46	F	H238
47	M	C10
48	F	C11
49	F	C12
50	M	C13
51	M	C14
52	F	C15
53	M	C16
54	F	C17
55	F	C18
56	M	C20
57	F	C30
58	M	C31
59	F	C32
60	M	C33
61	F	C34
62	F	C35
63	M	C36
64	F	C38

Resident Number	Gender	Current Apartment #
65	M	1101
66	F	1101
67	F	1102
68	F	1103
69	F	1104
70	F	1105
71	M	1106
72	F	1106
73	F	1107
74	F	1108
75	M	1109
76	F	1109
77	F	1110
78	F	1111
79	M	1112
80	F	1112
81	F	1201
82	M	1203
83	F	1204

84	F	1205
85	F	1206
86	M	1207
87	F	1207
88	M	1208
89	F	1209
90	F	1209
91	F	1210
92	F	1211
93	F	1212
94	F	2103
95	F	2104
96	F	2105
97	F	2106
98	F	2107
99	F	2108
100	M	2109
101	F	2110
102	F	2111
103	F	2112
104	F	2201
105	F	2203
106	M	2204
107	F	2204
108	M	2205
109	F	2205
110	M	2206
111	F	2206
112	M	2207
113	F	2207
114	M	2208
115	F	2209
116	M	2210
117	F	2210
118	F	2211
119	F	2212
120	F	3101
121	F	3102
122	F	3103
123	F	3104
124	F	3105
125	F	3106
126	M	3107
127	F	3107
128	F	3108
129	M	3109
130	M	3110

ATTACHMENT 16-B

131	M	3111
132	M	3112
133	F	3112
134	F	3201
135	F	3202
136	F	3203
137	M	3204
138	M	3205
139	F	3205
140	F	3206
141	F	3207
142	F	3208
143	M	3209
144	F	3210
145	F	4101
146	F	4102
147	F	4104
148	F	4105
149	M	4106
150	M	4107
151	M	4108
152	F	4108
153	M	4109
154	M	4110
155	F	4110
156	F	4201
157	M	4202
158	F	4203
159	M	4204
160	M	4205
161	F	4205
162	F	4206
163	F	4207
164	M	4208
165	F	4208
166	F	4209
167	M	4210

LUTHER OAKS
POLICY AND PROCEDURES

	Policy No. 33.120LO	Date Issued	6/30/09	Page 1 of 1
Dept.	Finance			
Subject:	Charity Care Provision			

POLICY STATEMENT: Luther Oaks is committed to providing charity care to persons who have healthcare needs and are uninsured, underinsured, ineligible for a government healthcare program, or otherwise unable to pay. Consistent with its mission to deliver compassionate, high quality, affordable healthcare services and to advocate for those who are poor and disenfranchised, Luther Oaks strives to ensure that the financial capacity of people who need health care services does not prevent them from seeking or receiving care.

Charity is not considered to be a substitute for personal responsibility. Customers are expected to cooperate with Luther Oaks's procedures for obtaining charity or other forms of payment or financial assistance, and to contribute to the cost of their care based on their individual ability to pay.

I. Definitions

For the purpose of this policy, the terms below are defined as follows:

Charity Care: Healthcare services that have or will be provided for which the Customer cannot provide complete reimbursement. Charity care results from Luther Oaks's provision of healthcare services free or at a discount to individuals who meet the established criteria.

Family: Using the Census Bureau definition, a group of two or more people who reside together and who are related by birth, marriage, or adoption. According to Internal Revenue Service rules, if the Customer claims someone as a dependent on their income tax return, they may be considered a dependent for purposes of the provision of financial assistance.

Family Income: Family Income is determined using the Census Bureau definition, which uses the following income when computing federal poverty guidelines:

- Includes earnings, unemployment compensation, workers' compensation, Social Security, Supplemental Security Income, public assistance, veterans' payments, survivor benefits, pension or retirement income, interest, dividends, rents, royalties, income from estates, trusts, educational assistance, alimony, child support, assistance from outside the household, and other miscellaneous sources;

- Determined on a before-tax basis;
- Excludes capital gains or losses; and
- If a person lives with a family, includes the income of all family members (Non-relatives, such as housemates, do not count).

EXCLUDED: Noncash benefits (such as food stamps and housing subsidies) are not available for payment of healthcare and residential services and therefore are NOT part of income.

Uninsured: The Customer has no level of insurance or third party assistance which is applicable to their level of care to assist with meeting his/her payment obligations.

Underinsured: The Customer has some level of insurance or third-party assistance but still has out-of-pocket expenses that exceed his/her financial abilities.

II. Procedures

A. Services Eligible Under this Policy. For purposes of this policy, "charity" refers to healthcare or residential services provided by Luther Oaks without charge or at a discount to qualifying Customers in the ordinary course of its service provision.

B. Eligibility for Charity. Eligibility for charity will be considered for those individuals who are uninsured, underinsured, ineligible for any government health care benefit program, and who are unable to pay for their care, based upon a determination of financial need in accordance with this Policy.

C. Determination of Financial Need.

1. Financial need will be determined in accordance with procedures that involve an individual assessment of financial need; and may include an application process, in which the Customer or the Customer's guarantor are required to cooperate and supply personal, financial and other information and documentation relevant to making a determination of financial need; and may

   - Include the use of external publically available data sources that provide information on a Customer's or a Customer's guarantor's ability to pay (such as credit scoring);

   - Include reasonable efforts by Luther Oaks to explore appropriate alternative sources of payment and coverage from public and private payment programs, and to assist Customers to apply for such programs;

- Take into account the Customer's available assets, and all other financial resources available to the Customer; and

2. It is preferred but not required that a request for charity and a determination of financial need occur prior to rendering of services. However, the determination may be done at any point in the collection cycle. The need for payment assistance shall be re-evaluated at each subsequent time of services if the last financial evaluation was completed more than a year prior, or at any time additional information relevant to the eligibility of the Customer for charity becomes known.

3. Luther Oaks's values of human dignity and stewardship shall be reflected in the application process, financial need determination and granting of charity. Requests for charity shall be processed promptly and Luther Oaks shall notify the Customer or applicant in writing within 30 days of receipt of a completed application.

D. Customer Qualifications for Charity
Subject to a determination by Luther Oaks that it can continue to operate on a sound financial basis, services will not be terminated solely because of a Customer's financial inability to continue to pay the stated fees or other charges payable due to reasons or circumstances beyond a Customer's control; provided, however, this policy shall not be construed to qualify or limit the right of Luther Oaks to terminate services in accordance with the terms of a Customer agreement. A Customer will present facts to Luther Oaks related to his/her inability to pay and if these facts, in Luther Oaks's sole discretion, justify special financial consideration, Luther Oaks will give careful consideration to deferring or waiving in part or in whole the any charges payable by the Customer so long as such deferral or waiver can be made without impairing Luther Oaks's ability to attain standards of care while operating on a sound financial basis. Any determination with regard to the granting of financial assistance shall be within Luther Oaks's sole discretion, and any decision to provide such financial assistance shall continue in effect only so long as Luther Oaks, in its sole discretion, determines that it can continue to operate for the benefit of all customers on a sound financial basis.
In the event Luther Oaks determines to provide a Customer with any financial assistance, Luther Oaks may require the Customer to accept a change in the specific dwelling place in which services are provided.
At Luther Oaks's discretion, Customers may be required to provide a financial up-date from time to time as requested.
E. Communication of the Charity Program to Customers and the Public. Notification about charity care available from Luther Oaks, which shall include a contact number, shall be disseminated by Luther Oaks by various means, which may include, but are not limited to, the publication of notices in Customer bills and by posting notices in admitting and registration departments, and Luther Oaks business offices that are located on facility campuses, and at other

public places as Luther Oaks may elect. Information shall also be included on facility websites and in the admission form. Such information shall be provided in the primary languages spoken by the population serviced by Luther Oaks. Referral of Customers for charity care may be made by any member of the Luther Oaks staff or affiliates, including physicians, nurses, financial counselors, social workers, case managers, chaplains, and religious sponsors. A request for charity care may be made by the Customer or a family member, close friend, or associate of the Customer, subject to applicable privacy laws.

F. Relationship to Collection Policies. Luther Oaks management shall develop policies and procedures for internal and external collection practices that take into account the extent to which the Customer qualifies for charity, a Customer's good faith effort to apply for a governmental program or for charity from Luther Oaks, and a Customer's good faith effort to comply with his or her payment agreements with Luther Oaks. For Customers who qualify for charity care and who are cooperating in good faith to resolve their healthcare bills, Luther Oaks may offer extended payment plans to eligible Customers, will not impose wage garnishments, will not send unpaid bills to outside collection agencies, and will cease all collection efforts.

G. Regulatory Requirements. In implementing this Policy, Luther Oaks management and facilities shall comply with all other federal, state, and local laws, rules, and regulations that may apply to activities conducted pursuant to this Policy.

Authority Reference: Organizational Directive.

LUTHER OAKS POLICY AND PROCEDURE
ADMISSION POLICY
LIMITATION TO CURRENT RESIDENTS

Luther Oaks will not admit any outside members of the community who are not current residents at Luther Oaks to the Skilled Nursing Facility. Admission to the Skilled Nursing Facility will be restricted to Residents of the Independent Living Apartments, the Assisted Living Apartments, and the Assisted Living Memory Support Apartments.

LUTHER OAKS, INC.
CON APPLICATION
CRITERION 1125.590
STAFFING AVAILABILITY

1. **For each category of service, document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and JCAHO staffing requirements can be met.**

Appended as **ATTACHMENT 19-A** is a list of the relevant clinical and professional staffing needs for the project.

2. **Provide the following documentation:**

   a. **The name and qualification of the person currently filling the position, if applicable; and**

   b. **Letters of interest from potential employees; and**

   c. **Applications filed for each position; and**

   d. **Signed contracts with the required staff; or**

   e. **A narrative explanation of how the proposed staffing will be achieved.**

Luther Oaks has a history and reputation of being a quality employer of clinical and professional staff in the area. Luther Oaks already employs nurses and other professional staff to provide care to the residents of its assisted living facility. Luther Oaks does not anticipate any issues with achieving the proposed staffing set forth on **ATTACHMENT 19-A**. Luther Oaks will recruit new staff in the same manner it recruits staff today, which is primarily through use of CareerBuilder. In addition, Luther Oaks will recruit new employees at job fairs. Finally, if employees within the Lutheran Life Ministries system express an interest in transferring to Luther Oaks, Lutheran Life Ministries would allow such employees to transfer to Luther Oaks so long as they are qualified for the available position.

LUTHER OAKS SKILLED CARE STAFFING

Revised for 18 beds

Housekeeping/EVS

- 1.4 FTE / 105 hrs per pay period. .5 FTE commons for total of 1.9@ 10.75/hr
- 1.0 FTE/ 105 hrs per pay period, laundry @ 10.25/hr
- .5 FTE / 45 hrs per pay period ,POM @ 15.90/hr

Life Enrichment

- 1.0 FTE/75 hrs per pay period, Volunteer/IL Program Coordinator @ 15.35/hr
- 1.0 FTE / 75 hrs per pay period, Lifestyle Aide @ 10.25/hr **(*begin at month #3)**
- 2.16 FTE/ 162 hrs per pay period, concierge @ 11.25/hr

Social Services

- .5 FTE/ 37.5 hrs per pay period, @ 15.35/hr

Dining Services

- 1.6 FTE /126 hrs per pay period, servers for expanded IL dining room @ 9.25/hr
- 2.05 FTE / 154 hrs per pay period, Cook/Server 18 bed household @ 12.30/hr

Nursing Administration

- .5 FTE / 37.5 hrs per pay period, Scheduler/med records/med supplies @ 11.25/hr
- 1.0 FTE / 75 hrs per pay period, Resource RN, MDS coordinator, Medicare admits @ 25.60/hr

Nursing Direct Care Hours

Month 1 thru month 3

- CNA – 336 hours per pay period @ 11.25/hr
- RN – 336 hours per pay period @ 27.60/hr

Month 4 thru 6

- CNA – 490 hours per pay period @ 11.25/hr
- RN – 336 hours per pay period @ 27.60/hr

Month 7 and after

- CNA – 560 hours per pay period @ 11.25/hr
- RN – 336 hours per pay period @ 27.60/hr

Training Hours to be added

- 40 hours training for all additional FTE's in Housekeeping, Dining and Business Office
- 80 hours training for all additional FTE's in Life Enrichment, Social Services and Nursing

Comments/Assumptions

- No additional marketing staff
- Hourly rates included are the average hourly rate for each job classification
- No benefits included

LUTHER OAKS, INC.
CON APPLICATION
CRITERION 1125.600
BED CAPACITY

The project consists of the construction of a new 18-bed skilled nursing facility. The total of 18 beds is below the 250 maximum bed capacity of a general long-term care facility provided by the state.

LUTHER OAKS, INC.
CON APPLICATION
CRITERION 1125.610
COMMUNITY RELATED FUNCTIONS

Luther Oaks, Inc. has cooperated and continues to cooperate with community groups within its primary service area. Please see attached letters of support and endorsement from various community organizations regarding the proposed project.

ILLINOIS HOUSE OF REPRESENTATIVES

SPRINGFIELD OFFICE
200-8N STRATTON BUILDING
SPRINGFIELD, IL 62706
(217) 782-1118
FAX (217) 558-6271

DISTRICT OFFICE
104 W. NORTH STREET
NORMAL, IL 61761
(309) 662-1100
FAX (309) 662-1150
www.rep-danbrady.com

DANIEL P. BRADY
STATE REPRESENTATIVE · 105TH DISTRICT
ASSISTANT REPUBLICAN LEADER

October 23, 2013

Illinois Health Facilities and Services Review Board
Attention: Chair
525 West Jefferson Street 2nd Floor
Springfield, IL 62761

To Whom It May Concern:

I would like to offer this letter of support for the 18 bed planned skilled nursing facility at Luther Oaks in Bloomington. Luther Oaks is re-applying under the Continuing Care Retirement Community (CCRC) Variance.

Luther Oaks has a history of providing quality and compassionate care in its assisted living facility and is excited about expanding its range of care to include skilled nursing.

Luther Oaks' employees are a vital part of the local business community. The new skilled nursing facility will bring more jobs to the Bloomington-Normal area and will assure the continued economic viability of Luther Oaks.

A skilled nursing facility with predominately private rooms and private bathrooms is an asset to the community. Completion of the skilled nursing facility allows existing Luther Oaks residents and the Bloomington-Normal community a full continuum of care.

If you have any questions, please fee free to contact me at (309) 662-1100.

Sincerely,

Daniel P. Brady

Daniel P. Brady
State Representative
105th Legislative District

ATTACHMENT 21

Bloomington Public Schools
District 87

Dr. Barry M. Reilly
Superintendent of Schools

Dr. Herschel A. Hannah, Jr.
Assistant Superintendent of Human Resources

Mrs. Cindy Helmers
Assistant Superintendent of Curriculum & Instruction

Mr. David Wood
Chief Financial & Legal Officer

Kathryn J. Olson, Chair
Illinois Health Facilities and Services Review Board
2nd Floor 525 West Jefferson Street
Springfield, Illinois 62761

Dear Chairwoman Olson,

I would like to offer this letter of support for the planned 18 bed skilled nursing facility at Luther Oaks in Bloomington. It is our understanding that this new skilled nursing facility will be used by Luther Oaks only to provide care for its existing residents and will not accept referrals from the outside community.

For many years it has been common knowledge that Luther Oaks had a history of providing quality and compassionate care in its assisted living facility. I have found personally that this is true since my mother has joined the community, residing in the Independent Living portion of Luther Oaks. We have found the staff exceptional in meeting the various needs that can arise in a senior population. I am excited about Luther Oaks expanding its range of care to include skilled nursing to even better serve the long-term care needs of its residents.

Luther Oaks' employees are not only exceptional staff, but are also a vital part of the local business community. The new skilled nursing facility will bring more jobs to the Bloomington-Normal area and will assure the continued economic viability of the Luther Oaks community.

A skilled nursing facility with all private rooms and private bathrooms is an asset to the residents served by Luther Oaks. Completion of the skilled nursing facility allows existing Luther Oaks residents and the Bloomington-Normal community a full continuum of care.

If you have any questions regarding this, please feel free to contact me at any time.

Sincerely,

Cindy Helmers

Cindy S. Helmers
Assistant Superintendent
Bloomington Public School District 87
300 E. Monroe
Bloomington, Illinois 61701
P: 309.830.3999

Karen Coughlin

From: Larry and Jackie Smith [larryandjackie@usfamily.net]
Sent: Friday, October 25, 2013 3:03 PM
To: Karen Coughlin
Subject: Skilled Nursing Care Facility

To Whom it May Concern,

I am writing in regard to the proposed skilled nursing care facility proposed by Luther Oaks in Bloomington. My mother has been a resident at Luther Oaks for about a year and she loves it there. It has been a great comfort to my sister, who still lives in Bloomington, and myself to know my mother is living in a comfortable and secure environment. The staff there has been very kind to mom and very responsive to any concerns that we have for her welfare.

It is my hope that the next step in her care would be available through the same people that my mother has come to trust. I am currently living in a suburb of Minneapolis, MN. My geographical distance away from mom heightens my concern for her welfare since I am not there to check in with her. It is my hope that we would have the option of moving her to whatever level of care that she requires at her current location.

Please feel free to contact me if I can provide any further information or recommendation.

Very truly yours.
Jackie Smith

13767 54th Ave.
Plymouth, MN 55446

763) 559-2801

ATTACHMENT 21

Karen Coughlin

From: Hcskillrud@aol.com
Sent: Friday, October 25, 2013 9:32 PM
To: Karen Coughlin
Subject: (no subject)

Springfield, Illinois 62761

Dear Chairwoman Olson:

I am pleased to submit a letter of support for the planned 18 bed skilled nursing facility at Luther Oaks in Bloomington, Illinois. It is my strong feeling that this excellent senior citizen home needs such a facility exclusively for their residents, so that in the event of their need for such care, they can remain at the home base.

Luther Oaks does not intend to open this nursing facility to the community, and hence there is no intention of competing with other nursing homes in this community.

I have visited Luther Oaks on many occasions and know that it provides a high quality, personal and compassionate care, for their residents, and this nursing facility will enable them to do an even more effective job.

It would be of help in this community to know that expanded employment opportunities will be available, which are very much needed at the present time.

Please give approval to this petition that will allow Luther Oaks to provide a full continuum of care for its residents.

Sincerely,

Rev. Harold C. Skillrud, DD
Bishop Emeritus, ELCA Southeastern Synod
104 Hawthorne Lake Drive
Bloomington, IL 61704-8530
Tel. 309-663-2581

Kathryn J. Olson
Chair
Illinois Health Facilities and Services Review Board
2nd Floor
525 West Jefferson Street
Springfield, IL 62761

Dear Chairwoman Olson,

I am writing as an adult child of two residents of the Luther Oaks facility in Bloomington. A year ago, my sisters and I, along with our parents, began the search process for a retirement/care facility for both of them, who are 39 year residents of the Bloomington/Normal metro area.

We viewed at least six different facilities, all which had points to recommend, but Luther Oaks continued to stand apart from the crowd. Not only did everyone we connected with at Luther Oaks reflect care and attention, but at every encounter we felt focused attention and detail toward our parents' particular needs and desires.

What a fine continuum of care could be provided with the addition of skilled nursing to the Luther Oaks community. Residents who are currently living in the independent or assisted living areas could feel at ease, knowing that the Luther Oaks compassionate, individualized care could continue, even as a resident's needs became greater.

Of course, an addition of a skilled nursing facility brings greater employment opportunities for the Bloomington area. This, in and of itself, is a great motivator. Combine that with the outstanding services already in place and this facility will truly be sought after by area residents and those seeking quality employment.

Sincerely,

Kim Ahlgrim-Heine

Kim Ahlgrim-Heine
Daughter of a resident in Independent Living and a resident in Crossroads of Luther Oaks

ATTACHMENT 21

Fred D Breuer
601 Lutz Rd, Apt 4109
Bloomington, IL 61704
goldeneagle5@mac.com
25 October 2013

Kathryn J. Olson
Chair, Illinois Health Facilities and Services Review Board
2nd Floor
525 West Jefferson Street
Springfield, Illinois 62761

Dear Chairwoman Olson,

I wish to express my earnest support for the planned 18-bed skilled nursing facility at Luther Oaks in Bloomington. It is my understanding this planned skilled care facility will be used solely by Luther Oaks residents and will not accept referrals from elsewhere.

I am a resident of Luther Oaks, having moved into an independent living apartment in August 2007 when the facility opened. A prime factor in my selection of Luther Oaks was the range of care available upon opening (independent living, assisted living, and memory support) and the planned addition of skilled nursing care in the not too distant future. If I should ever need a higher level of care, it is important and comforting to know that such care would be available within the same facility.

Luther Oaks' history of providing quality and compassionate care in its assisted living facility is consistent with the competent and caring staff I've observed in the six years I've been a resident here. With these observations and my reasons given above for moving here, I am very pleased with Luther Oaks' planned expansion to include skilled nursing.

An on-site skilled nursing facility with all private rooms and private bathrooms is important to the residents of Luther Oaks. Completion of the skilled nursing facility will provide existing Luther Oaks residents a full continuum of care in one facility. I know first-hand of the importance of this continuum. My brother and sister-in-law live in a Continuing Care Retirement Facility (CCRC) in Fayetteville, AR. Due to my brother's stroke and his wife's major surgery, each has spent months in the skilled care wing of that CCRC. It was comforting to the one then able to continue living in their independent living apartment to visit the one receiving skilled care without leaving the facility. Obviously, recovery of the one in skilled care was enhanced by these frequent, convenient spousal visits.

It is well known in Bloomington-Normal that Luther Oaks is a vital part of the local business community. The planned facility expansion to add skilled nursing will bring additional jobs to the Bloomington-Normal area and will assure the continued economic viability of Luther Oaks.

I close by repeating my earnest support for the planned 18-bed skilled nursing facility at Luther Oaks here in Bloomington

Sincerely,

Fred D Breuer

Jill S. Attaway, Ph.D.

702 W. 3rd Street
Delavan, IL 61734
309.244.7075

Kathryn J. Olson, Chair
Illinois Health Facilities and Services Review Board
2nd Floor
525 West Jefferson Street
Springfield, Illinois 62761

Dear Chairwoman Olson,

My mother is a resident of the *Hearthstone* assisted living community at Luther Oaks in Bloomington, IL and I am writing to ask for your support and vote of approval enabling Luther Oaks to add an 18-bed skilled nursing facility. As you are aware, the new skilled nursing facility would be utilized by Luther Oaks residents only to provide care for those who need skilled nursing and would not be open to referrals from the outside community.

Earlier this summer, my mother was hospitalized with congestive heart failure and continues to suffer from this illness. She spent 10 days in the hospital recovering and then was placed in a skilled care facility for one week to continue recuperation and regain her strength before she could return to her home. While I do not know the statistics, I imagine this scenario is quite common for our elderly and those residents living in the Luther Oaks community across the different continuum of care levels. When I first learned about Luther Oaks desire to add skilled nursing, I was very excited since I believe the service is needed and know how much the residents could benefit from this additional level of care.

The selection of short-term skilled nursing care for my mother was quite difficult. While there were a variety of facilities that offer this care, there is no guarantee that an opening is available nor that a facility would accept the patient. It's also very difficult to judge the level of care provided when making a relatively quick decision based upon state reviews and a tour of the facility. However, if Luther Oaks added skilled care to its service plan, both residents and their families would be knowledgeable about the care and better able to make a decision about placement should the facility have an opening at the time of need.

I strongly believe this advanced knowledge would be comforting to the patient as well as the caregivers. Furthermore, it would be more like *coming home* and would be less disrupting and anxiety-provoking for the patient. My mother has been diagnosed with Alzheimer's disease and her time in the hospital as well as the nursing home was very disorienting for her. During this time and for several months after her hospitalization, she suffered a large decline in her ability to cope and understand her surroundings. Imagine the difference though if she could return to the same community, see staff and friends that she knows and trusts. I am confident that this could provide a benefit to her mental wellbeing as well as her physical health. A patient who is mentally and physically restored will likely recuperate faster which could reduce Medicare covered expenses as well as expenses paid by the patient and their family.

I also support the addition of skilled care since Luther Oaks' employees are a vital part of the local community and economy. The addition of a skilled nursing facility will likely produce additional jobs to the Bloomington-Normal area for individuals and will assure the continued economic viability of Luther Oaks. Bloomington-Normal has a vital healthcare education community through Illinois State University's Mennonite College of Nursing as well as Illinois Wesleyan University's nursing programs. The addition of a skilled facility will enable individuals with healthcare-related skills to stay in the community which could help to boost the local economy.

I urge you to cast a positive vote for Luther Oaks to add skilled nursing to its continuum of care. I believe that a skilled nursing facility with all private rooms and private bathrooms is an asset to the residents served by Luther Oaks as well as the community at large. Thank you for your careful consideration of this opportunity.

Kind regards,

Jill S. Attaway

Jill S. Attaway, Ph.D.

Kathryn J. Olson
Chair
Illinois Health Facilities and Services Review Board
2nd Floor
525 West Jefferson Street
Springfield, Illinois 62761

Dear Chairwoman Olson,

I am writing this letter to express my support for Luther Oaks in hopes that you'll make a correct decision to allow plans for development of an 18 bed skilled nursing care on campus.

I've worked in the senior industry for almost 20 years. My husband and I moved to Bloomington/Normal 8 yrs. ago from Wisconsin where I lived my entire life. I have been working for Luther Oaks over 7 years & have told many people "I love my job and wouldn't want to work anywhere else." I can honestly say that it's a pleasure to come to work each day and help those I (we) serve. And I am not the only staff that feels this way. I know for a fact there are many of us at Luther Oaks that share the honor of working in the home(s) of those we serve. Our residents and their families become part of our own "family – Luther Oaks Family". We develop strong lasting relationships with each and every one of them. It's different – "The Luther Oaks difference". The compassion and care that exists in our building is one of a kind. I see it both with the residents/families and the staff. I hear it from people that visit our community as well.

Over the 7 years at Luther Oaks, I've seen more than 70 residents move out of Luther Oaks Hearthstone Assisted Living and Crossroads Memory Support. All of which needed a higher level of care. This is where I hope you will allow for Luther Oaks to develop that higher level of care with the 18 bed skilled nursing. There is nothing more difficult than having the conversation with a resident's family - the care their loved one requires is more than we can provide, they have to look at other options. NO, there is something more difficult! - seeing them leave Luther Oaks, the place they've called home, and never to return. Helping them into the car with their family and giving hugs on the day they leave!! These are all experiences that I and other staff have gone through with our residents that have moved out of our community needing a higher level of care. It's something I don't want to experience anymore.

Over the years I've seen folks move through our community for different health reasons or needs. They've come from the 90 Independent Living apt. homes, the 40 Assisted Living apts., and 18 Crossroads Memory Support suites. When these people put a plan in place to live their lives out at Luther Oaks, they are hoping it will be in our future skilled care. Not having to leave the place they've called home!

I've seen couples move into Luther Oaks that have been married for many years and call Luther Oaks home. When one of them has a change in condition requiring more care, it leaves the spouse making a difficult decision to stay at Luther Oaks or move with their loved one. This is a reality!

We had a couple that started working on a plan to move into Luther Oaks back in 2005. They were one of the 1st people that moved into our Independent Living when we opened in 2007. Through the years they required help in all areas of our campus (Independent Living, Assisted Living, and Memory Care). In February of this year they moved out of Luther Oaks because one of them needed higher level of care. Only 1 of them needed higher care, but the spouse was going to move as well. With many couples of their generation – they will stand by each other's side until the end. After calling Luther Oaks home for over 5 years, this couple had not been given the opportunity to live their entire lives at Luther Oaks. The daughter said to me "It's hard Ann; my parents thought they would live their entire life at Luther Oaks. This is something we didn't want to experience." They had a going away party at Luther Oaks and it was very difficult for me to see them say goodbye to their neighbors, friends, and family they developed at Luther Oaks. Other residents expressed the same concerns. "I hope we have our skilled care so it doesn't happen to us." We need an 18 bed skilled nursing on our campus! This is something I hear all too often and you will read in some of the letters of support from family members who have moved their loved ones from Luther Oaks.

Last week I went to visit this particular resident who moved out. Unfortunately I only got to visit with her. He passed away less than 6 months after moving out of Luther Oaks. In addition to visiting her, I went to see other residents that moved out. It's very difficult to do these visits when you know their health has changed. But more difficult and frustrating to hear the concerns they have about the quality of care. I was appalled when I heard some of the concerns a daughter expressed to me re: her mother's care in a local skilled care facility. She said "It's definitely not a Luther Oaks. No one should have to live their last years like this."

There's a feeling of warmth, care, compassion you get when you walk in the doors of Luther Oaks. It's not only among the staff, but residents and families as well. This is a place our residents call home. Please give us the opportunity to serve our residents through their entire lives at Luther Oaks.

Sincerely,

Ann Hansen
Senior Living Counselor
Luther Oaks

OSF MEDICAL GROUP

October 25, 2013

Kathryn J. Olson
Chair Illinois Health Facilities and Services Review Board
2nd Floor
525 West Jefferson Street
Springfield, Illinois 62761

Dear Chairwoman Olson,

I would like to offer this letter of support for the planned 18 bed skilled nursing facility at Luther Oaks in Bloomington. The new skilled nursing facility will be used by Luther Oaks only to provide care for its existing residents and will not accept referrals from the outside community.

Luther Oaks has a history of providing quality and compassionate care in its assisted living facility and I am excited about Luther Oaks expanding its range of care to include skilled nursing.

Luther Oaks' employees are a vital part of the local business community. The new skilled nursing facility will bring more jobs to the Bloomington-Normal area and will assure the continued economic viability of Luther Oaks.

A skilled nursing facility with all private rooms and private bathrooms is an asset to the residents served by Luther Oaks. Completion of the skilled nursing facility allows existing Luther Oaks residents and the Bloomington-Normal community a full continuum of care.

Sincerely,

Mindy Lynch, RN/CM

Mindy Lynch, RN/Care Manager
CA Family Practice Dept
1701 E College Ave
Bloomington, IL 61704

First State Bank of Bloomington

204 N. Prospect Road
Bloomington, IL 61704
(309) 662-0411
www.fsbblm.com

117 E. Main
Heyworth, IL 61745
(309) 473-2828

Kathryn J. Olson
Chair
Illinois Health Facilities and Services Review Board
2nd Floor
525 West Jefferson Street
Springfield, Illinois 62761

Dear Chairwoman Olson,

I would like to offer this letter of support for the planned 18 bed skilled nursing facility at Luther Oaks in Bloomington. The new skilled nursing facility will be used by Luther Oaks only to provide care for its existing residents and will not accept referrals from the outside community.

Luther Oaks has a history of providing quality and compassionate care in its assisted living facility and I am excited about Luther Oaks expanding its range of care to include skilled nursing.

Luther Oaks' employees are a vital part of the local business community. The new skilled nursing facility will bring more jobs to the Bloomington-Normal area and will assure the continued economic viability of Luther Oaks.

A skilled nursing facility with all private rooms and private bathrooms is an asset to the residents served by Luther Oaks. Completion of the skilled nursing facility allows existing Luther Oaks residents and the Bloomington-Normal community a full continuum of care.

Sincerely,

Mary Dozier

Mary Dozier
Branch Manager
Luther Oaks / Westminster Village
First State Bank of Bloomington

Midwest
FOOD BANK

1703 S. Veterans Parkway
Bloomington, IL 61701

Phone: 309.663-5350
Fax: 309.663-5325
www.midwestfoodbank.org

October 28, 2013

Kathryn J. Olson
Chair
Illinois Health Facilities and Services Review Board
2nd Floor
525 West Jefferson Street
Springfield, Illinois 62761

Dear Chairwoman Olson,

I would like to offer this letter of support for the planned 18 bed skilled nursing facility at Luther Oaks in Bloomington. The new skilled nursing facility will be used by Luther Oaks only to provide care for its existing residents and will not accept referrals from the outside community.

Luther Oaks has a history of providing quality and compassionate care in its assisted living facility and I am excited about Luther Oaks expanding its range of care to include skilled nursing.

Luther Oaks' employees are a vital part of the local business community. The new skilled nursing facility will bring more jobs to the Bloomington-Normal area and will assure the continued economic viability of Luther Oaks.

A skilled nursing facility with all private rooms and private bathrooms is an asset to the residents served by Luther Oaks. Completion of the skilled nursing facility allows existing Luther Oaks residents and the Bloomington-Normal community a full continuum of care.

Sincerely,

Michael L. Meece
Administrator

PATH

PROVIDING ACCESS TO HELP

Business Office
201 E. Grove St., Suite 200
Bloomington, IL 61701

PH: (309) 827-4005
FAX: (309) 827-7485
www.pathcrisis.org

2-1-1: 24/7 Information, Referral, Crisis Response

Senior Services
- Caregiver Advisor
- Elder Abuse
- Outreach
- In-home Counseling
- Money Management

Information Resources
- Human Services Directory
- Specialized Directories
- PATH-O-GRAM
- On-line Directory
- Community Resources Seminars

Homeless Services
- Outreach
- Housing and Benefits
- Case Management

Volunteer Opportunities
- Crisis Line Workers
- 2-1-1 Operators
- Money Management

ACCREDITED AIRS ALLIANCE OF INFORMATION & REFERRAL SYSTEMS

Illinois 2-1-1 Get Connected. Get Answers.

Certified by AAS American Association of Suicidology

October 25, 2013

Kathryn J. Olson, Chair
Illinois Health Facilities and Services Review Board
2nd Floor
525 West Jefferson Street
Springfield, Illinois 62761

Dear Chairwoman Olson:

I would like to offer this letter of support for the planned 18 bed skilled nursing facility at Luther Oaks in Bloomington. The new skilled nursing facility will be used by Luther Oaks only to provide care for its existing residents and will not accept referrals from the outside community.

My name is Kathryn Johnson and I am Assistant Director at PATH, Inc. in Bloomington. I currently manage our senior services programs that include outreach, caregiver advisory, money management, gerontological counseling and adult protective services. Our agency has worked closely with Luther Oaks over the years in serving older adults and their family caregivers.

Luther Oaks has a history of providing quality and compassionate care in its assisted living facility and I am excited about Luther Oaks expanding its range of care to include skilled nursing.

Luther Oaks' employees are a vital part of the local business community. The new skilled nursing facility will bring more jobs to the Bloomington-Normal area and will assure the continued economic viability of Luther Oaks.

A skilled nursing facility with all private rooms and private bathrooms is an asset to the residents served by Luther Oaks. Completion of the skilled nursing facility allows existing Luther Oaks residents and the Bloomington-Normal community a full continuum of care.

Sincerely,

Kathryn Johnson

Kathryn Johnson, M.A., CIRS-A
Assistant Director

LUTHER OAKS, INC.
CON APPLICATION
CRITERION 1125.630
ZONING

Luther Oaks has applied for a special use permit from the City of Bloomington, which permits Luther Oaks to construct the new skilled nursing facility on the proposed site.

Luther Oaks
A Lutheran Life Community

October 31, 2013

Ms. Kathryn J. Olson
Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Luther Oaks, Inc. CON Application – Assurances

Dear Chairwoman Olson:

In compliance with section 1125.640 of the Illinois Health Facilities and Services Review Board Rules ("Review Board Rules"), Luther Oaks, Inc., as operator of the Project, attests that, to our understanding, by the second year of operation after the completion of the Project, Luther Oaks, 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.

Further, Luther Oaks will maintain admissions limitations as specified in Section 1125.560(a) of the Review Board Rules, which restricts acceptance of patients in the skilled nursing facility to only residents of Luther Oaks' assisted living and independent living units.

Sincerely,

LUTHER OAKS, INC.

By:________________________
Roger W. Paulsberg, Chair

Notarization:
Subscribed and sworn to before me
this 31st day of October, 2013

Patricia E. Walser
Signature of Notary Public

OFFICIAL SEAL
PATRICIA E WALSER
Notary Public - State of Illinois
My Commission Expires Nov 19, 2016

Seal

601 Lutz Road · Bloomington, IL 61704
(309) 664-5940 · fax (309) 664-5999
www.LutherOaks.org

Vibrant, grace-filled living across all generations

ATTACHMENT 24

KPMG

LUTHERAN LIFE MINISTRIES

Consolidated Financial Statements and Schedules

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

ATTACHMENT 27

LUTHERAN LIFE MINISTRIES

Table of Contents

ATTACHMENT 27

KPMG

KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

Independent Auditors' Report

The Boards of Directors
Lutheran Life Ministries:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Lutheran Life Ministries (the Corporations), which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity'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 consolidated financial statements.

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lutheran Life Ministries as of June 30, 2013 and 2012, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information, except for schedule 5 marked "unaudited" and on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

October 22, 2013

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2013 and 2012

Assets	2013	2012
Current assets:		
Cash and cash equivalents	$ 14,025,729	12,413,288
Assets whose use is limited or restricted	1,872,288	2,182,946
Resident accounts receivable, net of allowance for doubtful accounts of $1,158,446 and $1,072,713 in 2013 and 2012, respectively	10,537,431	12,538,937
Other receivables	1,180,189	751,139
Inventory of supplies and other	1,572,516	1,205,089
Total current assets	29,188,153	29,091,399
Assets whose use is limited or restricted, net of amounts required for current liabilities:		
Board designated	—	6,486,693
Resident deposits for future funeral, occupancy, and care costs	9,408,625	6,437,871
Held by trustee under bond indenture agreement	72,205,192	15,281,466
Donor-restricted investments	7,202,784	5,702,527
Total noncurrent assets whose use is limited or restricted	88,816,601	33,908,557
Land, buildings, and equipment, net of accumulated depreciation and amortization	185,051,551	159,706,615
Costs to acquire initial continuing care contracts	8,417,659	7,578,233
Investments	8,045,927	4,541,467
Agency funds	—	52,330
Deferred financing costs, net	6,407,862	3,748,009
Investments in joint ventures	2,099,138	2,235,963
Total assets	$ 328,026,891	240,862,573

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets		2013	2012
Current liabilities:			
Current installments of long-term debt	$	2,306,089	1,987,619
Lines of credit		5,748,312	9,634,712
Current portion of obligations under capital leases		990,413	628,044
Accounts payable		11,660,323	9,028,229
Accrued interest payable		10,389,995	6,799,207
Accrued compensation and other liabilities		6,108,910	6,334,992
Estimated payables under third-party reimbursement programs		45,184	45,184
Total current liabilities		37,249,226	34,457,987
Long-term debt, excluding current installments and unamortized bond discount and premium		209,660,206	128,911,263
Obligations under capital leases, net of current portion		1,154,177	808,993
Deferred revenue from nonrefundable entrance fees		1,904,667	1,854,433
Residents' custodial assets		385,023	381,354
Resident entrance fees		38,981,929	33,643,840
Resident deposits		2,362,691	2,241,120
Charitable gift annuity contracts		592,322	517,858
Agency funds		—	52,330
Other long-term liabilities		32,594	507,970
Total liabilities		292,322,835	203,377,148
Net assets:			
Unrestricted		20,728,840	24,511,212
Temporarily restricted		7,772,432	7,271,936
Permanently restricted		7,202,784	5,702,277
Total net assets		35,704,056	37,485,425
Total liabilities and net assets	$	328,026,891	240,862,573

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended June 30, 2013 and 2012

		2013	2012
Operating revenue and other support:			
Net resident service revenue:			
Resident service revenue, net of contractual allowances	$	85,648,047	81,624,245
Provision for bad debts		(1,127,244)	(739,232)
Net resident service revenue		84,520,803	80,885,013
Other revenue		12,158,349	10,727,381
Net assets released from restrictions used for operations		2,049,813	3,373,546
Total operating revenue and other support		98,728,965	94,985,940
Operating expenses:			
Salaries and wages		46,243,177	46,734,546
Employee benefits		11,142,101	10,163,587
Support services		12,606,265	11,631,727
Dietary services		4,398,111	4,368,732
Program services		6,119,240	6,134,411
Administrative services		6,460,524	7,422,184
Community services		2,660,560	1,845,914
Fund-raising		324,261	545,678
Interest		5,071,777	4,494,646
Depreciation and amortization		8,923,950	6,837,653
Total operating expenses		103,949,966	100,179,078
Loss from operations		(5,221,001)	(5,193,138)
Nonoperating gains and losses:			
Investment income		1,271,396	1,182,121
Unrestricted contributions		1,393,533	439,856
Change in net unrealized gains and losses on trading securities		372,368	(918,445)
Change in fair value of derivative instruments		75,157	291,404
Other, net		(1,673,825)	(458,607)
Total nonoperating gains, net		1,438,629	536,329
Revenue and gains deficient of expenses and losses	$	(3,782,372)	(4,656,809)

See accompanying notes to consolidated financial statements.

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2013 and 2012

		2013	2012
Change in unrestricted net assets	$	(3,782,372)	(4,656,809)
Temporarily restricted net assets:			
Contributions for specific purposes		2,550,309	3,639,386
Release of restricted net assets		(2,049,813)	(3,373,546)
Change in temporarily restricted net assets		500,496	265,840
Permanently restricted net assets:			
Contributions		1,500,507	211,649
Change in net assets		(1,781,369)	(4,179,320)
Net assets at beginning of year		37,485,425	41,664,745
Net assets at end of year	$	35,704,056	37,485,425

See accompanying notes to consolidated financial statements.

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities and gains:		
Change in net assets	$ (1,781,369)	(4,179,320)
Adjustments to reconcile change in net assets to net cash provided by operating activities and gains:		
Depreciation and amortization	8,923,950	6,837,653
Amortization of entrance fees and refundable deposits	(430,410)	(241,033)
Amortization of deferred finance costs	210,065	84,508
Loss on early extinguishment of debt	593,000	—
Provision for bad debts	1,127,244	739,232
Change in fair value of derivative instruments	(75,157)	(291,404)
Change in net unrealized gains and losses	(372,368)	918,445
Net realized gains on sale of investments	(435,242)	(147,611)
Change in actuarial value of gift annuity obligations	229,274	201,940
Net assets released from restrictions and used for operations	2,049,813	3,373,546
Restricted contributions	(4,050,816)	(3,851,035)
Changes in assets and liabilities:		
Resident accounts receivable	874,262	(1,850,256)
Other receivables	(429,050)	1,802,633
Inventory of supplies and other	(367,427)	(370,442)
Investment in joint ventures and agency funds	136,825	66,586
Accounts payable	2,632,094	2,459,341
Accrued interest payable	3,590,788	2,456,760
Accrued compensation and other liabilities	(626,301)	920,942
Deferred occupancy and care revenue and refundable deposits	53,903	(31,894)
Net cash provided by operating activities and gains	11,853,078	8,898,591
Cash flows from investing activities:		
Net (purchases) sales of assets whose use is limited or restricted	(53,789,776)	10,617,362
Net (purchases) sales of investments	(3,504,460)	4,020,485
Acquisition of land, buildings, and equipment	(32,641,825)	(18,911,197)
Costs to acquire initial continuing care contracts	(839,426)	(1,934,293)
Increase in resident deposits	121,571	167,082
Net cash used in investing activities	(90,653,916)	(6,040,561)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt, net of discount	112,279,438	—
Repayments of long-term debt	(31,212,025)	(9,918,478)
Repayments of obligations under capital leases	(919,508)	699,349
Proceeds from entrance fees and refundable deposits	8,598,299	7,810,480
Refunds paid on entrance fees and refundable deposits	(2,829,800)	(2,491,042)
Payments for deferred financing costs	(3,462,918)	—
Proceeds from draws on lines of credit	—	5,169,241
Repayment of line of credit	(3,886,400)	(1,343,000)
Net assets released from restrictions and used for operations	(2,049,813)	(3,373,546)
Restricted contributions	4,050,816	3,851,035
Net repayments of charitable gift annuity contracts	(154,810)	(134,332)
Net cash provided by financing activities	80,413,279	269,707
Net increase in cash and cash equivalents	1,612,441	3,127,737
Cash and cash equivalents at beginning of year	12,413,288	9,285,551
Cash and cash equivalents at end of year	$ 14,025,729	12,413,288
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	$ 5,071,777	2,037,886
Supplemental disclosure of noncash transactions:		
Assets acquired under capital lease	$ 1,627,061	1,106,556

See accompanying notes to consolidated financial statements.

(1) Organization and Purpose

Lutheran Life Ministries (the Parent) and its subsidiaries were established through a common religious heritage with the Evangelical Lutheran Church in America and the Lutheran Church-Missouri Synod 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 Ministries (LLM) is an Illinois not-for-profit corporation formed in 2005 for the purpose of developing new and innovative services for seniors, and establishing a senior living system, and providing supervision and management to the facilities. During the 2013 fiscal year, LLM changed its name from Lutheran Life Communities to Lutheran Life Ministries.
- Lutheran Life Communities (LLC) is an Illinois not-for-profit corporation formed in 2006 for the purpose of providing consulting services to the communities.
- 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.
- Lutheran Home and Services for the Aged, Inc. (LHSA) provides management services to its consolidated affiliates.
- 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, and a 100-unit assisted living facility 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. As of October 2012, LFA was no longer included as a member of the LHSA Obligated Group.
- 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 LLM in 2005 and operates a CCRC in Ottawa, Illinois, comprising 34 independent living units, 24 assisted living units, and a 90-bed skilled nursing facility.

- Luther Oaks, Inc. (Luther Oaks) located in Bloomington, Illinois, is a CCRC comprising 90 independent living units and 58 assisted living units.
- St Pauls House and Health Care Center (St Pauls) operates a retirement facility in Chicago, Illinois, comprising 68 assisted living beds and a 95-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, 2013 and 2012.

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. 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. Fair value is estimated giving consideration to anticipated future cash receipts and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. 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, 2013 and 2012 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, *Not-for-Profit Entities*, which codified an earlier Financial Accounting Standards Board (FASB) 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 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) (note 15).

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 net resident service revenues. The Corporations have not changed their charity care or uninsured discount policies during fiscal years 2013 or 2012.

(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*. The Corporations adopted ASU 2011-07 effective July 1, 2011. As a result of adoption, the Corporations 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.

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 their 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. Fair value of donated land, building, and equipment at date of donation would be considered a Level 3 asset in the fair value hierarchy based on an appraisal value of the donation. 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, 2013 and 2012.

(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, WLV, 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 WLV, Pleasant View, and Luther Oaks under residency contracts are refundable at various amounts in accordance with the terms of the individual contracts. WLV, Pleasant View, and Luther Oaks are required to repay the refundable entrance fee less amounts owed by the resident following the termination of occupancy under the resident contract. The timing of the refund is based either upon the reoccupancy of the unit or upon a certain length of time after the termination of occupancy depending on the resident's 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***

During all of 2012 and a portion of 2013, the Corporations accounted 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***

The Corporations have adopted the provisions of ASC Topic 820, *Fair Value Measurement*, 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)*, 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.

(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 Foundation, which is exempt from taxes under Section 509(a)(2) of the Code.

The Corporations have adopted ASC Subtopic 740-10, *Income Taxes – overall.* 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

(Continued)

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, 2013 and 2012, the Corporations do not have an asset or liability for unrecognized tax benefits.

(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 ratified 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, 2013 and 2012, the Corporations had no plans or intentions to sell investments at amounts different from net asset value.

(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 inputs 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, 2013 and 2012, as well as related strategy, liquidity, and funding commitments.

	June 30, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Cash and cash equivalents	$ 14,025,729	—	—	14,025,729
Investments excluding cash surrender value of life insurance policies of $6,000:				
Cash and cash equivalents	14,269,966	—	—	14,269,966
Common stocks and mutual funds	16,981,571	—	—	16,981,571
Fixed income:				
Corporate bonds and notes	—	61,157,791	—	61,157,791
U.S. government agency securities	—	6,319,488	—	6,319,488
Total fixed income	—	67,477,279	—	67,477,279
Total investments	31,251,537	67,477,279	—	98,728,816
Total assets	$ 45,277,266	67,477,279	—	112,754,545

	June 30, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Cash and cash equivalents	$ 12,413,288	—	—	12,413,288
Investments excluding cash surrender value of life insurance policies of $6,000:				
Cash and cash equivalents	11,020,691	—	—	11,020,691
Common stocks and mutual funds	16,023,189	—	—	16,023,189
Fixed income:				
Corporate bonds and notes	—	9,157,677	—	9,157,677
U.S. government agency securities	—	4,477,743	—	4,477,743
Total fixed income	—	13,635,420	—	13,635,420
Total investments	27,043,880	13,635,420	—	40,679,300
Total assets	$ 39,457,168	13,635,420	—	53,092,588
Liabilities:				
Interest rate swap	$ —	466,157	—	466,157

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

	June 30	
	2013	**2012**
Assets whose use is limited or restricted – current assets or held for current liabilities	$ 1,872,288	2,182,946
Assets whose use is limited or restricted, net of amounts in current assets	88,816,601	33,908,557
Investments	8,045,927	4,541,467
Agency funds	—	52,330
	$ 98,734,816	40,685,300

The composition of investment return on the Corporations' investment portfolio for the years ended June 30, 2013 and 2012 is as follows:

		2013	2012
Interest and dividend income	$	858,167	1,113,689
Net realized gains on sale of investments		435,242	147,611
Changes in net unrealized gains and losses on trading securities		372,368	(918,445)
	$	1,665,777	342,855

Investment returns are included in the accompanying consolidated statements of operations for the years ended June 30, 2013 and 2012 as follows:

		2013	2012
Other revenue	$	22,013	(4,741)
Investment income		1,271,396	1,182,121
Change in unrealized gains and losses on trading securities		372,368	(918,445)
Interest income offset against capitalized interest expense		—	83,920
	$	1,665,777	342,855

(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. The estimated fair values excluding cash and cash equivalents however, involve unobservable inputs and are considered to be Level 3 in the fair value hierarchy.

- 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, and common stock and mutual funds are measured using quoted market prices at the reporting date multiplied by the quantity held. Fair value for quoted corporate bonds and notes, and the U.S. government agency securities are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote if available.

- 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.
- 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 fixed rate debt would be considered Level 2 in the fair value hierarchy as fixed rate debt is valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote if available.

The following table presents the carrying amounts and estimated fair values of the Corporations' financial instruments not carried at fair value at June 30, 2013 and 2012.

	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Fixed rate long-term debt	$ 184,885,497	185,044,110	84,147,034	88,154,873

(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, 2013 and 2012 is as follows:

	2013	2012
Medicare	15%	9%
Medicaid	31	26
Self-pay and commercial insurance	54	65
	100%	100%

(5) Land, Buildings, and Equipment

A summary of land, buildings, and equipment at June 30, 2013 and 2012 is as follows:

	2013		2012	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land and land improvements	$ 23,925,580	1,640,177	23,673,887	1,434,695
Buildings	165,451,373	60,230,605	134,257,621	55,640,402
Furniture, fixtures, and equipment	34,492,772	24,543,857	30,708,692	21,824,202
Construction in progress	47,596,465	—	49,965,714	—
	$ 271,466,190	86,414,639	238,605,914	78,899,299

Construction in progress primarily consists of costs incurred by the Home, The Arlington of Naples, WLVEC, and Pleasant View as each is in some phase of expansion and renovation. At June 30, 2013 and 2012, there were no additional contractual amounts associated with the completion of WLVEC and The Arlington of Naples projects. At June 30, 2013, the outstanding contractual obligation for the Home is $48,672,307 and Pleasant View Construction is $2,689,289. 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 $7,604,559 at June 30, 2013 and capitalized interest cost of $4,298,774 offset by capitalized interest income of $83,920 at June 30, 2012.

(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, 2013 and 2012 is as follows:

		2013	2012
Gross resident service revenue	$	114,956,992	108,392,275
Less provisions for:			
Estimated contractual adjustments arising under third-party reimbursement programs		26,710,873	23,703,443
Charity care charges forgone		2,598,072	3,064,587
Resident service revenue net of contractual allowances		85,648,047	81,624,245
Less provision for bad debts		1,127,244	739,232
Net resident service revenue	$	84,520,803	80,885,013

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, 2013:

		Third-party payors	Private-pay payors	Total all payors
Resident service revenue, net of contractual allowances	$	35,710,169	49,937,878	85,648,047

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, 2012:

		Third-party payors	Private-pay payors	Total all payors
Resident service revenue, net of contractual allowances	$	35,076,546	46,547,699	81,624,245

(8) Long-Term Debt

A summary of long-term debt at June 30, 2013 and 2012 is as follows:

Bond series	June 30, 2013 balance	June 30, 2012 balance	Interest type	Due dates	2013 effective interest rate	2012 effective interest rate
Illinois Finance Authority Variable Rate Demand Revenue Bonds, Series 1995	$ —	4,095,000	Variable interest rate	February 1, 2025	0.46%	0.30%
Illinois Health Facilities Authority Weekly Adjustable Rate Revenue Bonds, Series 2001	—	12,070,000	Interest at the lesser of 15% or a tax-exempt variable rate determined weekly	Maturing through August 15, 2031	7.71	3.15
Illinois Health Facilities Authority Variable Rate Demand Revenue Refunding Bonds, Series 2003	—	11,440,000	Interest at the lesser of 15% or a tax-exempt variable rate determined weekly	Maturing through November 1, 2033	0.19	0.33
Illinois Finance Authority Fixed Rate Revenue Bonds, Series 2012	97,200,000	—	Fixed interest rate	Maturing through 2046	2.40-5.75%	—
Illinois Finance Authority Revenue Bonds, Series 2006A	23,130,000	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%
Economic Development Commission Bonds, Series 2009	24,330,000	26,765,000	Fixed interest rate	Maturing through November 15, 2039	6.5% – 8.0%	6.5% – 8.0%
Upper Illinois River Valley Development Authority Fixed Rate Revenue Bonds, Series 2010	16,695,000	16,695,000	Fixed interest rate	November 15, 2045	4.50% – 5.90%	4.50% – 5.90%
Bonds, Series 2012	6,595,000	—	Fixed interest rate	May 15, 2042	6%	—%
Collier County Industrial Development Authority Fixed Rate Revenue Bond Anticipation Notes	10,900,000	10,900,000	Fixed interest rate	May 15, 2015	14.00%	14.00%
Construction Loan, SPH	—	425,833	Variable interest rate	August, 2012	5.75	0.06
Equipment Note – LHA	77,106	—	Fixed interest rate	Sept 1, 2015	0.05	—
Mortgage Note – LO	104,000	—	Variable interest rate	June 14, 2018	0.03	—
Equipment Note – LO	47,548	—	Fixed interest rate	August 1, 2015	0.05	—
Mortgage Note, LLC	—	170,338	Fixed interest rate	May 30, 2013	7.48	0.07
Mortgage Loan, PVLH	2,006,771	2,116,308	Fixed interest rate	September 1, 2026	0.05	0.05
Mortgage Note, SPH	6,550,000	—	Variable Interest rate	March 1, 2033	0.05	—
Mortgage Loan, AON Land	19,489,579	19,489,579	Variable interest rate	July 17, 2014	0.04	0.05
Mortgage loan, AON Office Bldg	739,301	786,233	Fixed interest rate	April 5, 2024	0.06	0.06
Mortgage loan, Parent	2,664,771	2,754,155	Fixed interest rate	December 31, 2031	0.05	0.05
	211,029,076	131,667,446				

Bond series	June 30, 2013 balance	June 30, 2012 balance	Interest type	Due dates	2013 effective interest rate	2012 effective interest rate
Less current installments of long-term debt	$ 2,306,089	1,987,619				
Unamortized bond discount and premium	937,219	(768,565)				
Long-term debt net of current installments and unamortized bond discount and premium	$ 209,660,206	128,911,262				

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 was set at a weekly rate as defined by the agreement. The 1995 Bonds were secured by a transferable irrevocable direct pay letter of credit, which expired in 2013 and was required to be replaced with another letter of credit upon expiration. The letter of credit was secured by the real and personal property of St Pauls. St Pauls was required to be in compliance with specified debt covenants and financial ratios based on the 1995 bond agreement.

In March 2013, the 1995 Bonds were advance refunded with proceeds from a 20-year mortgage note with the Mission Investment Fund of The Evangelical Lutheran Church in America in the amount of $6,550,000, resulting in a loss on early extinguishment of debt of approximately $164,000 in the 2013 consolidated statements of operations. The loan also included funds for certain improvements at St Pauls. The mortgage note is secured by all property and real estate of the St Pauls campus. The Evangelical Lutheran Church in America has the right to review and adjust the interest rate every seven years beginning on March 1, 2020 and ending on March 1, 2027.

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 outstanding Series 2001 bonds were advance refunded in October 2012 with proceeds from the issuance of the Series 2012 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 were due each November 1, and interest was payable monthly. The Series 2003 bonds were issued principally to advance refund the then-outstanding Series 1996A bonds. The Series 2003 bonds were advance refunded in October 2012 with proceeds from the issuance of the Series 2012 bonds.

On October 30, 2012, the LHSA Obligated Group issued $98,500,000 of Fixed Rate Illinois Finance Authority Revenue, Series 2012 bonds, pursuant to the Bond Trust Indenture. As part of this issuance, LHSA Obligated Group issued $75,145,000 as new bonds to fund constructing and renovating at the Home, $11,915,000 as bonds to advance refund the Series 2001 bonds, and $11,440,000 as bonds to advance refund the Series 2003 bonds. As a result of this issuance, the Corporations incurred a nonoperating loss on refunding of approximately $227,000 on the Series 2001 bonds and $366,000 on the Series 2003 bonds for previously unamortized bond issue costs and bond discounts included in other, net nonoperating gains and losses in the consolidated statement of operations. The LHSA Obligated Group was also updated on October 30, 2012, to only include LHSA and the Home.

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.

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.

The 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 the Master Trust Indenture in the aggregate amount of $30,460,000 on behalf of the Luther Oaks Obligated Group. Luther Oaks redeemed the final amount of the 2006C Bonds in February 2010. The Series 2006A and B bonds are secured by a leasehold mortgage in the property, the CCRC building and equipment, and future revenue streams to be provided by the CCRC. The loan agreements contain financial covenants, which were initially effective as of June 30, 2012.

On December 30, 2009, the Series 2009 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 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 also contain financial covenants, which are initially effective the first full year after stabilized occupancy, which will be June 30, 2014. 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.

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 $750,000 with the bond trustee.

In October 2012, Pleasant View issued $6,800,000 of Fixed Rate Revenue Bonds (the 2012 Bonds) under the provisions of a Master Trust Indenture (Pleasant View Indenture). The 2012 Bonds are secured by all of the property related to the Pleasant View Indenture and Pleasant View must achieve the same covenants as are required by the 2010 Bonds. The proceeds of the bonds were used to construct a commons area and an additional 17 assisted living units. As of June 30, 2013, Pleasant View was not in compliance with its minimum required days cash on hand, as defined in the Pleasant View Indenture. In accordance with the requirements under the Pleasant View Indenture, management of the Pleasant View Obligated Group has provided to the master trustee an officer's certificate setting forth a plan to be taken to achieve the required days cash on hand by the next testing period of December 31, 2013.

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 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 every five years beginning on July 1, 2011 and ending on 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 every five years beginning on December 1, 2011 and ending on December 1, 2026. The note is guaranteed by LHSA.

In July 2008, The Arlington of Naples entered into a five-year promissory note agreement for $19,489,579 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 the Parent. In June 2013, the expiration date of the note was extended to July 17, 2014.

In March 2009, The Arlington of Naples entered into a 15-year promissory note agreement for $920,000 with Main Source Bank. The note is secured by an office building in Naples, Florida. Main Source 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 the Parent.

The Corporations had variable rate demand notes that have put options available to the creditor. The Series 1995 Bonds, the Series 2001 and Series 2003 bonds had letters of credit backing such debt, and were refunded with the issuance of the 2013 Mortgage loans for St Pauls in March 2013 and the 2012 Lutheran Home Bonds in October 2012.

Scheduled principal repayments on the long-term debt based on the scheduled redemptions according to the underlying Master Trust Indentures are as follows:

Year:		
2014	$	2,306,089
2015		32,072,271
2016		1,552,538
2017		2,763,388
2018		2,999,017
Thereafter		169,335,773
	$	211,029,076

The LHSA Obligated Group had an interest rate-related derivative instrument (paid in October 2012) 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 LHSA 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 LHSA Obligated Group, which creates credit risk for the LHSA Obligated Group. When the fair value of a derivative contract is negative, the LHSA Obligated Group owes the counterparty, and therefore, it does not possess credit risk. The LHSA 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 LHSA 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 received variable interest rate payments and made 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, 2012 is as follows:

	Notional amount	Maturity date	Rate received	Rate paid
$	11,440,000	November 2013	BMA Index, reset monthly	3.385%

The fair value of the Series 2003 Bonds interest rate swap agreement of $(466,157) is included in other long-term liabilities at June 30, 2012. The change in fair value of the interest rate swap agreement of $75,157 and $291,404 is recorded in nonoperating gains and losses at June 30, 2013 and 2012, respectively. The Home settled the swap agreement and paid $391,000 in the fall of 2012 with the funding from the Lutheran Home 2012 Bonds.

(9) Lines of Credit

During 2012 and a portion of 2013, St Pauls had access to a line of credit through a revolving note with Bank of America in the amount of $500,000. The balance of the line was paid in full prior to the time of the advance refunding of the 1995 St Pauls Bonds and was not renewed. Interest was payable at prime plus 2% or the LIBOR.

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. In December 2011, this line of credit was increased to $5,000,000. The balance outstanding at June 30, 2013 was $1,370,000. 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 December 2014.

In January 2009, the Foundation entered into an agreement for a margin loan through Landmark Capital. The outstanding balance at June 30, 2013 and 2012, respectively, is $4,378,312 and $4,584,712. Interest is set on a formula based on the rate of brokers' call money and was 4.25% at June 30, 2013.

(10) Capital Leases

The Corporations lease certain equipment under capital leases. Included with land, buildings, and equipment are $3,429,977 and $1,802,916 at June 30, 2013 and 2012, respectively, of assets held under capital leases and $693,356 and $163,261 of related accumulated amortization at June 30, 2013 and 2012, respectively. A summary of future minimum lease payments and the present value of future minimum lease payments related to capital leases at June 30, 2013 is as follows:

		Amount
Year:		
2014	$	1,056,375
2015		819,865
2016		261,243
2017		84,544
2018		28,182
Total future minimum lease payments		2,250,209
Less amount representing interest at rates ranging from 0% to 7.47%		105,619
Present value of future minimum lease payments		2,144,590
Less current portion of obligations under capital leases		990,413
Obligations under capital leases, excluding current portion	$	1,154,177

(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 was terminated during 2013 once all participant balances were 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 $445,823 and $341,359 for the years ended June 30, 2013 and 2012, 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
- 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 for both years ended June 30, 2013 and 2012, 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 $139,003 and $137,152 for the years ended June 30, 2013 and 2012, 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 $2,099,138 and $2,235,963 of other assets in the accompanying consolidated balance sheets at June 30, 2013 and 2012, respectively. The most significant of these investments is described below.

Symbria, 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, 2013 and 2012.

The Home and St Pauls each have a 1/14th equity interest in Symbria, Inc. The investment in Symbria is being accounted for using the equity method because of the significant influence the Corporations have over Symbria. The Corporations have included their proportionate shares of Symbria net (loss) income of

$(50,021) and $658,874 as other nonoperating gains and losses in the accompanying consolidated statements of operations for 2013 and 2012, 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 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 Corporations' workers' compensation program includes various levels of per claim self-insured retentions and excess commercial insurance coverages. Included in operating expenses are $1,096,915 in 2013 and $1,483,915 in 2012 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, 2013 and 2012, the Corporations recognized (loss) income of $(54,872) and $663,836, 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 $7,202,784 and $5,702,277 at June 30, 2013 and 2012, respectively, are included in permanently restricted net assets.

Changes in endowment net assets for the years ended June 30, 2013 and 2012 are as follows:

		2013 Permanently restricted	2012 Permanently restricted
Endowment net assets, July 1	$	5,702,277	5,490,628
Investment return		—	20,726
Contributions		1,500,507	211,649
Appropriated expenditures of endowment assets		—	(20,726)
Endowment net assets, June 30	$	7,202,784	5,702,277

(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 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, 2013 and 2012.

(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 30 preceding 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 $870,172 and $768,601 in 2013 and 2012, 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, 2013 or 2012 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 $4,995,177 in 2013 and $3,659,181 in 2012.

(c) 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.

(d) 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, 2013 through October 22, 2013, which was the date the consolidated financial statements were issued, and that there were no events that were needed to be disclosed.

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2013

Assets	Lutheran Home and Services for the Aged, Inc.	Lutheran Home for the Aged, Inc.	Eliminations	LHSA Obligated Group Members	Lutheran Foundation for the Aged, Inc.	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	$ 638,523	3,040,438	—	3,678,961	9,587	2,630	1,220,961	1,451,089	647,217	1,442,068	3,638,970	1,420,540	513,706	—	14,025,729
Assets whose use is limited or restricted	—	—	—	—	—	—	—	—	—	128,659	—	—	1,743,629	—	1,872,288
Resident accounts receivable, net of allowance for doubtful accounts of $1,158,446	—	4,358,600	—	4,358,600	—	—	2,757,973	1,244,825	—	(152,424)	—	2,328,457	—	—	10,537,431
Other receivables	—	174,704	—	174,704	—	573,884	60,652	114,318	—	215,612	194,900	(284,588)	130,705	(7)	1,180,189
Inventory of supplies and other	—	1,174,072	—	1,174,072	—	8,163	145,875	72,644	—	45,135	10,095	48,611	67,921	—	1,572,516
Due from affiliates	—	4,219,027	9,828,120	(5,609,093)	21,591,614	4,133,017	(432)	(5,742,928)	(6,638,139)	(914,272)	7,479,600	529	8,476,404	22,776,300	—
Total current assets	638,523	12,966,841	9,828,120	3,777,244	21,601,201	4,717,694	4,185,029	(2,860,052)	(5,990,922)	764,778	11,323,565	3,513,549	10,932,365	22,776,298	29,188,151
Assets whose use is limited or restricted, net of amounts required for current liabilities															
Resident deposits for future funeral, occupancy, and care costs	—	1,608,949	—	1,608,949	—	157,627	255,033	—	7,387,016	—	—	—	—	—	9,408,625
Held by trustee under bond indenture agreement	—	58,452,506	—	58,452,506	—	—	2,546,442	6,635,245	—	3,121,620	—	1,449,379	—	—	72,205,192
Donor-restricted investments	7,202,784	—	—	7,202,784	—	—	—	—	—	—	—	—	—	—	7,202,784
Total noncurrent assets whose use is limited or restricted	7,202,784	60,061,455	—	67,264,239	—	157,627	2,801,475	6,635,245	7,387,016	3,121,620	—	1,449,379	—	—	88,816,601
Land, buildings, and equipment, net of accumulated depreciation and amortization	—	44,887,372	—	44,887,372	—	—	38,051,043	23,047,519	40,862,739	24,246,120	—	6,477,026	7,479,732	—	185,051,551
Costs to acquire initial continuing care contracts	—	—	—	—	—	—	2,480,180	144,320	5,793,149	—	—	—	—	—	8,417,659
Investments	2,863,561	—	—	2,863,561	837,150	—	1,384,865	—	—	1,306,659	509,145	1,144,547	—	—	8,045,927
Deferred financing costs, net	—	2,393,408	—	2,393,408	—	—	1,304,899	915,422	219,725	1,574,408	—	—	—	—	6,407,862
Investment in joint ventures	42,000	712,173	—	754,173	—	113,663	—	—	—	—	—	1,231,302	—	—	2,099,138
Total assets	$ 10,746,868	121,021,249	9,828,120	121,939,997	22,438,351	4,988,984	50,207,491	27,882,464	48,271,707	31,013,585	11,832,710	13,815,803	18,412,097	22,776,298	328,026,891

(Continued)

ATTACHMENT 27

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2013

Liabilities and Net Assets (Deficit)	Lutheran Home and Services for the Aged, Inc.	Lutheran Home for the Aged, Inc.	Eliminations	LHSA Obligated Group Members	Lutheran Foundation for the Aged, Inc.	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	$ —	1,384,492	—	1,384,492	—	—	—	254,539	45,601	310,008	—	158,043	93,404	—	2,306,089
Lines of credit	—	1,370,000	—	1,370,000	—	—	—	—	—	—	4,378,312	—	—	—	5,748,312
Current portion of obligations under capital leases	—	85,186	—	85,186	—	—	—	—	—	—	—	—	905,227	—	990,413
Accounts payable	—	6,281,100	—	6,281,100	—	208,670	959,705	679,118	1,490,033	438,901	88,324	822,762	691,708	—	11,660,323
Accrued interest payable	—	896,458	—	896,458	—	—	302,989	211,857	8,442,671	536,020	—	—	—	—	10,389,095
Accrued compensation and other liabilities	—	1,767,589	—	1,767,589	—	320,265	576,838	781,096	86,635	1,250,035	43,091	342,733	931,628	—	6,108,910
Estimated Payables under third-party reimbursement programs	—	45,184	—	45,184	—	—	—	—	—	—	—	—	—	—	45,184
Due to affiliates	9,828,120	—	9,828,120	—	—	15,110,262	6,095,836	—	—	—	—	(750,323)	2,320,523	22,776,298	—
Total current liabilities	9,828,120	11,830,009	9,828,120	11,830,009	—	15,648,197	7,935,368	1,926,610	10,064,942	2,594,964	4,509,727	573,217	4,947,490	22,776,298	37,249,226
Long-term debt, excluding current installments and unamortized bond discount	—	97,301,147	—	97,301,147	—	—	23,914,360	24,936,911	30,819,558	23,724,908	—	6,391,955	2,571,367	—	209,660,206
Obligations under capital leases, net of current portion	—	55,983	—	55,983	—	—	—	—	—	—	—	—	1,098,194	—	1,154,177
Deferred revenue from nonrefundable entrance fees	—	—	—	—	—	—	1,255,691	—	—	648,976	—	—	—	—	1,904,667
Residents' custodial assets	—	137,792	—	137,792	—	—	20,906	21,991	—	—	—	204,334	—	—	385,023
Resident entrance fees	—	—	—	—	—	—	14,776,637	3,039,741	7,387,207	13,778,344	—	—	—	—	38,981,929
Resident deposits	—	1,596,149	—	1,596,149	—	157,627	12,865	117,120	—	478,930	—	—	—	—	2,362,691
Charitable gift annuity contracts	—	—	—	—	592,322	—	—	—	—	—	—	—	—	—	592,322
Other long-term liabilities	—	12,800	—	12,800	—	—	—	—	—	—	15,400	4,394	—	—	32,594
Total liabilities	9,828,120	110,933,880	9,828,120	110,933,880	592,322	15,803,824	47,915,827	30,042,373	48,271,707	41,226,122	4,525,127	7,173,900	8,612,051	22,776,298	292,322,835
Net assets (deficit)															
Unrestricted	(3,010,774)	10,087,369	—	7,076,595	21,846,029	(10,816,840)	2,291,664	(2,159,909)	—	(10,212,537)	(3,738,111)	6,641,903	9,800,046	—	20,728,840
Temporarily restricted	629,852	—	—	629,852	—	—	—	—	—	—	7,142,580	—	—	—	7,772,432
Permanently restricted	3,299,670	—	—	3,299,670	—	—	—	—	—	—	3,903,114	—	—	—	7,202,784
Total net assets (deficit)	918,748	10,087,369	—	11,006,117	21,846,029	(10,816,840)	2,291,664	(2,159,909)	—	(10,212,537)	7,307,583	6,641,903	9,800,046	—	35,704,056
Total liabilities and net assets (deficit)	$ 10,746,868	121,021,249	9,828,120	121,939,997	22,438,351	4,988,984	50,207,491	27,882,464	48,271,707	31,013,585	11,832,710	13,815,803	18,412,097	22,776,298	328,026,891

See accompanying independent auditors' report.

Schedule 2

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidating Statement of Operations Information

Year ended June 30, 2013

	Lutheran Home and Services for the Aged, Inc.	Lutheran Home for the Aged, Inc.	LHSA Obligated Group Members	Lutheran Foundation for the Aged, Inc.	Lutheran Community Services for the Aged, Inc.	Lutheran Life Communities Foundation	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 and other support:													
Net resident service revenue:													
Resident service revenue, net of contractual allowance	$ —	46,834,826	46,834,826	—	—	—	9,476,636	14,230,012	8,875,366	6,095,265	135,942	—	85,648,047
Provision for bad debts	—	(143,742)	(143,742)	—	—	—	(519,636)	(380,183)	(83,683)	—	—	—	(1,127,244)
Net resident service revenue	—	46,691,084	46,691,084	—	—	—	8,957,000	13,849,829	8,791,683	6,095,265	135,942	—	84,520,803
Other revenue (loss)	—	2,497,482	2,497,482	—	6,737,238	(8,215)	424,273	1,928,787	191,242	637,868	40,825	291,151	12,158,349
Net assets released from restrictions used for operations	—	—	—	—	—	1,959,792	9,609	—	80,412	—	—	—	2,049,813
Total operating revenue and other support	—	49,188,566	49,188,566	—	6,737,238	1,951,577	9,390,882	15,778,616	9,063,337	6,733,133	176,767	291,151	98,728,965
Operating expenses:													
Salaries and wages	502	21,262,377	21,262,879	—	2,566,285	344,027	4,994,647	7,234,425	3,915,820	2,309,836	3,906,409	291,151	46,243,177
Employee benefits	—	5,395,097	5,395,097	—	499,792	50,164	1,214,590	1,797,808	1,034,289	486,768	663,593	—	11,142,101
Support services	—	7,116,374	7,116,374	—	—	—	775,875	2,791,570	972,536	605,427	344,483	—	12,606,265
Dietary services	—	2,296,423	2,296,423	—	—	—	374,917	814,588	402,306	509,877	—	—	4,398,111
Program services	—	2,781,483	2,781,483	—	—	—	1,721,916	282,949	1,311,307	21,585	—	—	6,119,240
Administrative services	—	1,443,470	1,443,470	—	186,562	—	618,081	813,649	421,057	577,513	2,400,192	—	6,460,524
Community services	—	—	—	—	2,660,560	—	—	—	—	—	—	—	2,660,560
Fund-raising	—	3,857	3,857	—	—	290,036	12,478	4,321	12,933	636	—	—	324,261
Interest	—	690,113	690,113	—	—	—	69,247	1,332,154	1,312,519	1,432,872	234,872	—	5,071,777
Depreciation and amortization	—	3,320,654	3,320,654	—	—	—	797,236	1,687,255	961,909	1,342,599	814,297	—	8,923,950
Allocations, net	—	1,536,996	1,536,996	—	1,632,996	206,004	249,996	250,008	24,000	—	(3,900,000)	—	—
Total operating expenses	502	45,846,844	45,847,346	—	7,546,195	890,231	10,828,983	17,008,727	10,368,676	7,287,113	4,463,846	291,151	103,949,966
Income (loss) from operations	(502)	3,341,722	3,341,220	—	(808,957)	1,061,346	(1,438,101)	(1,230,111)	(1,305,339)	(553,980)	(4,287,079)	—	(5,221,001)
Investment income (loss)	360,174	97,093	457,167	145,314	9,821	458,586	22,931	(2,984)	14,124	90,771	75,666	—	1,271,396
Unrestricted contributions	5,633	(2,127)	3,506	289,018	—	1,089,934	—	—	11,075	—	—	—	1,393,533
Net change in unrealized gains and losses on trading securities	141,696	81,879	223,575	385,382	—	(64,167)	70,282	(96,738)	—	(85,331)	(60,635)	—	372,368
Change in fair value of derivative instruments	—	75,157	75,157	—	—	—	—	—	—	—	—	—	75,157
Other, net	—	69,574	69,574	(229,274)	1,998	(2,486,044)	69,171	93,658	778,663	28,429	—	—	(1,673,825)
Total nonoperating gains (losses), net	507,403	321,576	828,979	590,440	11,819	(1,001,691)	162,384	(6,064)	803,862	33,869	15,031	—	1,438,629
Revenue and gains in excess (deficient) of expenses and losses	506,901	3,663,298	4,170,199	590,440	(797,138)	59,655	(1,275,717)	(1,236,175)	(501,477)	(520,111)	(4,272,048)	—	(3,782,372)
Other changes in unrestricted net assets													
Transfers between affiliates	(3,823,873)	(500,000)	(4,323,873)	3,823,873	—	—	—	—	—	—	500,000	—	—
Net assets released from restriction for land, building, and equipment acquisitions	—	705,700	705,700	—	—	(739,142)	13,000	15,262	—	5,180	—	—	—
Increase (decrease) in unrestricted net assets	$ (3,316,972)	3,868,998	552,026	4,414,313	(797,138)	(679,487)	(1,262,717)	(1,220,913)	(501,477)	(514,931)	(3,772,048)	—	(3,782,372)

See accompanying independent auditors' report.

ATTACHMENT 27

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2012

Assets	Lutheran Home and Services for the Aged, Inc.	Lutheran Home for the Aged, Inc.	Lutheran Foundation for the Aged, Inc.	LLISA 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	$ 576,830	3,808,107	9,586	4,394,523	2,630	394,615	905,169	292,107	3,011,212	620,202	1,722,691	1,070,139	—	12,413,288
Assets whose use is limited or restricted	—	—	—	—	—	—	46,939	—	128,067	—	—	2,007,940	—	2,182,946
Resident accounts receivable, net of allowance for doubtful accounts of $1,072,713	82,739	5,467,844	—	5,550,583	—	2,915,774	1,132,119	—	5,392	—	2,935,069	—	—	12,538,937
Other receivables	—	(444,103)	—	(444,103)	642,807	327,214	90,861	—	312,635	—	(189,683)	11,171	(237)	751,130
Inventory of supplies and other	8,661	659,541	142,889	811,091	8,163	119,851	65,235	—	23,661	57,875	51,292	67,921	—	1,205,089
Due from affiliates	—	—	9,472,952	9,472,952	4,090,822	—	(4,555,294)	(5,619,007)	(1,383,145)	6,988,610	—	8,038,186	17,033,124	—
Total current assets	668,230	9,491,389	9,625,427	19,785,046	4,744,422	3,757,454	(2,314,971)	(5,326,900)	2,097,822	7,666,687	4,519,369	11,195,357	17,032,887	29,091,399
Assets whose use is limited or restricted, net of amounts required for current liabilities														
Board designated for endowment	—	—	6,486,693	6,486,693	—	—	—	—	—	—	—	—	—	6,486,693
Resident deposits for future funeral, occupancy, and care costs	—	1,465,588	—	1,465,588	162,445	441,423	—	4,368,415	—	—	—	—	—	6,437,871
Held by trustee under bond indenture agreement	—	626,615	—	626,615	—	5,109,301	1,694,867	4,628,328	3,222,355	—	—	—	—	15,281,466
Donor-restricted investments	—	—	3,292,820	3,292,820	—	—	—	—	—	2,409,707	—	—	—	5,702,527
Total noncurrent assets whose use is limited or restricted	—	2,092,203	9,779,513	11,871,716	162,445	5,550,724	1,694,867	8,996,743	3,222,355	2,409,707	—	—	—	33,908,531
Land, buildings, and equipment, net of accumulated depreciation and amortization	—	29,208,700	—	29,208,700	—	38,533,962	21,294,227	33,712,262	24,647,490	—	6,289,558	6,020,416	—	159,706,615
Costs to acquire initial continuing care contracts	—	—	—	—	—	2,292,811	144,330	3,976,212	1,164,880	—	—	—	—	7,578,233
Investments	—	350,007	2,368,489	2,718,496	—	—	—	—	—	594,983	1,227,988	—	—	4,541,467
Agency funds	—	52,330	—	52,330	—	—	—	—	—	—	—	—	—	52,330
Deferred financing costs, net	—	444,209	—	444,209	—	1,352,135	728,046	371,569	688,116	—	163,934	—	—	3,748,009
Investment in joint ventures	36,000	826,037	—	862,037	115,188	—	—	—	—	—	1,258,738	—	—	2,235,963
Total assets	$ 714,230	42,464,875	21,773,429	64,942,534	5,022,055	51,487,086	21,546,499	41,729,886	31,820,663	10,671,377	13,459,587	17,215,773	17,032,887	240,862,573

(Continued)

ATTACHMENT 27

Schedule 3

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2012

Liabilities and Net Assets (Deficit)		Lutheran Home and Services for the Aged, Inc.	Lutheran Home for the Aged, Inc.	Lutheran Foundation for the Aged, Inc.	Eliminations	LLSA 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	$	—	590,000	—	—	590,000	—	—	109,412	42,856	338,000	—	655,832	259,519	—	1,987,619
Lines of credit		—	4,550,000	—	—	4,550,000	—	—	—	—	—	4,584,712	500,000	—	—	9,634,712
Current portion of obligations under capital leases		—	76,147	—	—	76,147	—	—	—	—	—	—	—	551,897	—	628,044
Accounts payable		119,682	4,043,751	82	—	4,163,520	204,402	1,336,518	934,839	766,298	178,138	32,424	1,112,187	299,903	—	9,028,229
Accrued interest payable		—	77,083	—	—	77,083	—	276,429	158,590	5,747,385	533,440	—	6,280	—	—	6,799,207
Accrued compensation and other liabilities		278,345	1,917,137	—	—	2,195,482	194,140	548,430	475,907	76,194	1,296,551	27,921	347,809	1,217,742	—	6,380,176
Due to affiliates		—	—	—	—	—	14,480,770	5,752,362	—	—	—	—	(1,166,452)	(2,033,793)	17,032,887	—
Total current liabilities		398,032	11,254,118	82	—	11,652,232	14,879,312	7,913,739	1,678,748	6,632,733	2,338,129	4,645,057	1,455,656	295,268	17,032,887	34,457,987
Long-term debt, excluding current installments and unamortized bond discount		—	22,771,255	—	—	22,771,255	—	26,328,394	18,592,207	30,728,596	23,960,830	—	3,865,001	2,664,974	—	128,911,263
Obligations under capital leases, net of current portion		—	125,556	—	—	125,556	—	—	—	—	—	—	—	683,437	—	808,993
Deferred revenue from nonrefundable entrance fees		—	—	—	—	—	—	1,162,237	—	—	692,176	—	—	—	—	1,854,433
Residents' custodial assets		—	111,500	—	—	111,500	—	21,587	28,054	—	—	—	220,213	—	—	381,354
Resident entrance fees		—	—	—	—	—	—	12,527,245	2,723,930	4,368,557	14,024,108	—	—	—	—	33,643,840
Resident deposits		—	1,452,788	—	—	1,452,788	162,443	21,287	101,580	—	503,020	—	—	—	—	2,241,120
Charitable gift annuity contracts		—	—	517,858	—	517,858	—	—	—	—	—	—	—	—	—	517,858
Agency funds		—	52,330	—	—	52,330	—	—	—	—	—	—	—	—	—	52,330
Other long-term liabilities		—	478,957	—	—	478,957	—	—	—	—	—	24,525	4,488	—	—	507,970
Total liabilities		398,032	36,246,504	517,940	—	37,162,476	15,041,757	47,974,509	23,124,519	41,729,886	41,518,269	4,669,582	5,545,358	3,643,679	17,032,887	203,377,148
Net assets (deficit)																
Unrestricted		306,198	6,218,371	17,431,716	—	23,956,285	(10,019,702)	3,512,577	(1,658,432)	—	(9,697,606)	(3,058,624)	7,904,620	13,572,094	—	24,511,212
Temporarily restricted		—	—	531,203	—	531,203	—	—	80,412	—	—	6,650,712	9,609	—	—	7,271,936
Permanently restricted		—	—	3,292,570	—	3,292,570	—	—	—	—	—	2,409,707	—	—	—	5,702,277
Total net assets (deficit)		306,198	6,218,371	21,255,489	—	27,780,058	(10,019,702)	3,512,577	(1,578,020)	—	(9,697,606)	6,001,795	7,914,229	13,572,094	—	37,485,425
Total liabilities and net assets (deficit)	$	704,230	42,464,875	21,773,429	—	64,942,534	5,022,055	51,487,086	21,546,499	41,729,886	31,820,663	10,671,377	13,459,587	17,215,773	17,032,887	340,862,573

See accompanying independent auditors' report.

ATTACHMENT 27

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidating Statement of Operations Information

Year ended June 30, 2012

	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	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 and other support													
Net resident service revenue:													
Resident service revenue, net of contractual allowance	$ 5,748,972	38,332,138	—	44,081,110	—	—	10,213,939	12,975,278	8,315,847	5,902,129	135,942	—	81,624,245
Provision for bad debts	(556)	(51,496)	—	(52,052)	—	—	(267,617)	(383,712)	(35,851)	—	—	—	(739,232)
Net resident service revenue	5,748,416	38,280,642	—	44,029,058	—	—	9,946,322	12,591,566	8,279,996	5,902,129	135,942	—	80,885,013
Other revenue (loss)	(14,404)	2,353,821	—	2,339,417	5,863,198	(337)	373,365	1,949,140	234,594	197,016	28,031	257,043	10,727,381
Net assets released from restrictions used for operations	—	—	—	—	—	3,373,546	—	—	—	—	—	—	3,373,546
Total operating revenue and other support	5,734,012	40,634,463	—	46,368,475	5,863,198	3,373,209	10,319,687	14,540,706	8,514,590	6,099,145	163,973	257,043	94,985,940
Operating expenses:													
Salaries and wages	2,084,906	18,899,437	—	20,984,343	1,684,172	430,080	4,953,587	7,143,642	4,058,366	2,420,174	4,317,225	257,043	46,734,546
Employee benefits	1,708,943	3,319,370	—	5,028,313	421,401	70,826	1,054,350	1,492,414	926,875	489,244	680,164	—	10,163,587
Support services	—	5,921,101	—	5,921,101	—	—	834,103	2,794,612	1,121,888	623,363	336,669	—	11,631,727
Dietary services	—	2,273,562	—	2,273,562	—	—	403,251	869,936	348,604	473,379	—	—	4,368,732
Program services	49,908	2,651,523	—	2,701,431	—	—	3,036,285	278,239	1,103,162	15,294	—	—	6,134,411
Administrative services	823,977	1,068,795	—	1,892,772	145,736	—	729,907	1,026,729	416,466	719,928	2,490,646	—	7,422,184
Community services	—	—	—	—	1,845,914	—	—	—	—	—	—	—	1,845,914
Fund-raising	—	—	—	—	—	503,576	3,459	25,389	13,254	—	—	—	545,678
Interest	—	1,672,808	—	1,672,808	—	—	125,259	12,542	1,006,433	1,437,760	239,844	—	4,494,646
Depreciation and amortization	—	2,759,959	—	2,759,959	—	—	642,650	770,970	797,855	1,307,350	558,869	—	6,837,653
Allocations, net	923,988	(230,991)	—	692,997	1,632,996	206,004	249,996	250,008	24,000	—	(3,056,010)	—	—
Total operating expenses	5,591,722	38,335,564	—	43,927,286	6,730,219	1,210,486	11,032,847	14,664,481	9,816,903	7,486,492	5,567,407	257,043	100,179,078
Income (loss) from operations	142,290	2,298,899	—	2,441,189	(867,021)	2,162,723	(713,160)	(123,775)	(1,302,313)	(1,387,347)	(5,403,434)	—	(5,193,138)
Investment income (loss)	1,876	395,671	152,075	549,622	25,496	(57,819)	374,390	(25)	47,254	107,525	135,678	—	1,182,121
Unrestricted contributions	—	—	268,390	268,390	—	911,474	—	—	80,992	—	—	—	439,856
Net change in unrealized gains and losses on trading securities	—	(146,516)	(626,338)	(772,854)	—	(9,642)	(89,999)	—	—	7,464	(53,414)	—	(918,445)
Change in fair value of derivative instruments	—	291,404	—	291,404	—	—	—	—	—	—	—	—	291,404
Other, net	8,125	73,400	(201,940)	(120,415)	2,850	(3,621,191)	2,921,990	261,036	88,171	8,952	—	—	(458,607)
Total nonoperating gains (losses), net	10,001	613,959	(407,813)	216,147	28,346	(3,598,178)	3,206,381	261,011	216,417	123,941	82,264	—	536,329
Revenue and gains in excess (deficient) of expenses and losses	152,291	2,912,858	(407,813)	2,657,336	(838,675)	(1,435,455)	2,493,221	137,236	(1,085,896)	(1,263,406)	(5,321,170)	—	(4,656,809)
Other changes in unrestricted net assets													
Transfers between affiliates	(25,584,404)	(7,078,827)	—	(32,663,231)	—	—	—	—	—	—	32,663,231	—	—
Net assets released from restriction for land, building, and equipment acquisitions	—	—	—	—	—	(13,820)	—	—	13,820	—	—	—	—
Increase (decrease) in unrestricted net assets	$ (25,432,113)	(4,165,969)	(407,813)	(30,005,895)	(838,675)	(1,449,275)	2,493,221	137,236	(1,072,076)	(1,263,406)	27,342,061	—	(4,656,809)

See accompanying independent auditors' report.

ATTACHMENT 27

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Statements of Operations Information by Development

Years ended June 30, 2013 and 2012

(Unaudited)

		2013	2012
Stabilized communities:			
Operating revenue:			
Net resident service revenue:			
Resident service revenue, net of contractual allowance	$	67,160,103	54,295,049
Provision for bad debts		(523,925)	(319,669)
Net resident service revenue		66,636,178	53,975,380
Other revenue		11,502,009	8,318,600
Net assets released from restrictions used for operations		1,959,792	3,373,546
Total operating revenue		80,097,979	65,667,526
Operating expenses:			
Salaries and wages		33,426,301	28,795,139
Employee benefits		8,229,629	6,574,890
Support services		10,513,371	6,755,204
Dietary services		3,620,888	2,676,813
Program services		3,086,017	4,737,716
Administrative services		3,021,194	2,768,415
Community services		2,660,560	1,845,914
Fund-raising		298,850	507,035
Interest		3,455,139	1,798,067
Depreciation and amortization		6,350,508	3,402,609
Allocations, net		3,626,004	2,781,993
Total operating expenses		78,288,461	62,643,795
Stabilized communities income from operations		1,809,518	3,023,731
Communities in development:			
Operating revenue:			
Net resident service revenue:			
Resident service revenue, net of contractual allowance		18,487,944	27,329,196
Provision for bad debts		(603,319)	(419,563)
Net resident service revenue		17,884,625	26,909,633
Other revenue		656,340	2,408,781
Net assets released from restrictions used for operations		90,021	—
Total operating revenue		18,630,986	29,318,414
Operating expenses:			
Salaries and wages		12,816,876	17,939,407
Employee benefits		2,912,472	3,588,697
Support services		2,092,894	4,876,523
Dietary services		777,223	1,691,919
Program services		3,033,223	1,396,695
Administrative services		3,439,330	4,653,769
Fund-raising		25,411	38,643
Interest		1,616,638	2,696,579
Depreciation and amortization		2,573,442	3,435,044
Allocations, net		(3,626,004)	(2,781,993)
Total operating expenses		25,661,505	37,535,283
Communities in development losses from operations		(7,030,519)	(8,216,869)
Total losses from operations		(5,221,001)	(5,193,138)

(Continued)

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Schedule 5

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Statements of Operations Information by Development

Years ended June 30, 2013 and 2012

(Unaudited)

		2013	2012
Nonoperating gains (losses), net:			
Investment income	$	1,271,396	1,182,121
Unrestricted contributions		1,393,533	439,856
Net change in unrealized gains and losses on trading securities		372,368	(918,445)
Change in fair value of derivative instruments		75,157	291,404
Other, net		(1,673,825)	(458,607)
Total nonoperating gains, net		1,438,629	536,329
Revenue and gains deficient of expenses and losses	$	(3,782,372)	(4,656,809)

* 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, WLV, WLVEC, Luther Oaks, and the LLC Foundation. These communities are not expanding, repositioning, or being occupied by their first residents after initial build-out 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, St Pauls, PVLH, and The Arlington of Naples. These communities are expanding, repositioning, or being occupied by their first residents after initial build-out 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 build-out. 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 LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Financial Statements and Schedules

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

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LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

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KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

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, 2012 and 2011, 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, 2012 and 2011, 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 conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information, except for schedule 5 marked "unaudited" and on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

October 31, 2012

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LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2012 and 2011

Assets		2012	2011
Current assets:			
Cash and cash equivalents	$	12,413,288	9,285,551
Assets whose use is limited or restricted		2,182,946	1,992,919
Resident accounts receivable, net of allowance for doubtful accounts of $1,072,713 and $1,014,033 in 2012 and 2011, respectively		12,538,937	11,427,913
Other receivables		751,139	2,553,772
Inventory of supplies and other		1,205,089	834,647
Total current assets		29,091,399	26,094,802
Assets whose use is limited or restricted, net of amounts required for current liabilities:			
Board designated		6,486,693	6,683,832
Resident deposits for future funeral, occupancy, and care costs		6,437,871	5,710,438
Held by trustee under bond indenture agreement		15,281,466	26,830,798
Donor-restricted investments		5,702,527	5,490,878
Total noncurrent assets whose use is limited or restricted		33,908,557	44,715,946
Land, buildings, and equipment, net of accumulated depreciation and amortization		159,706,615	147,633,071
Costs to acquire initial continuing care contracts		7,578,233	5,643,940
Investments		4,541,467	9,332,786
Agency funds		52,330	50,311
Deferred financing costs, net		3,748,009	3,832,517
Investments in joint ventures		2,235,963	2,304,568
Total assets	$	240,862,573	239,607,941

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets		2012	2011
Current liabilities:			
Current installments of long-term debt	$	1,987,619	1,445,217
Long-term debt subject to short-term remarketing agreements		3,865,001	1,666,667
Lines of credit		9,634,712	5,808,471
Current portion of obligations under capital leases		628,044	318,545
Accounts payable		9,028,229	6,568,888
Accrued interest payable		6,799,207	4,342,447
Accrued compensation and other liabilities		6,380,176	5,458,949
Total current liabilities		38,322,988	25,609,184
Long-term debt, excluding current installments and unamortized bond discount and premium		125,046,262	137,705,476
Obligations under capital leases, net of current portion		808,993	419,143
Deferred revenue from nonrefundable entrance fees		1,854,433	1,563,659
Residents' custodial assets		381,354	387,210
Resident entrance fees		33,643,840	28,888,103
Reserve for funeral expenses		12,800	12,800
Resident deposits		2,241,120	2,074,038
Charitable gift annuity contracts		517,858	450,250
Agency funds		52,330	50,311
Other long-term liabilities		495,170	783,022
Total liabilities		203,377,148	197,943,196
Net assets:			
Unrestricted		24,511,212	29,168,021
Temporarily restricted		7,271,936	7,006,096
Permanently restricted		5,702,277	5,490,628
Total net assets		37,485,425	41,664,745
Total liabilities and net assets	$	240,862,573	239,607,941

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended June 30, 2012 and 2011

		2012	2011
Operating revenue and other support:			
Net resident service revenue:			
Resident service revenue, net of contractual allowances	$	81,624,245	80,734,930
Provision for bad debts		(739,232)	(659,602)
Net resident service revenue		80,885,013	80,075,328
Other revenue		10,727,381	10,936,671
Net assets released from restrictions used for operations		3,373,546	674,040
Total operating revenue and other support		94,985,940	91,686,039
Operating expenses:			
Salaries and wages		46,734,546	44,809,664
Employee benefits		10,163,587	12,242,761
Support services		11,631,727	10,684,891
Dietary services		4,368,732	3,912,613
Program services		6,134,411	6,069,114
Administrative services		7,422,184	6,471,485
Community services		1,845,914	2,343,250
Fund-raising		545,678	420,006
Interest		4,494,646	3,559,448
Depreciation and amortization		6,837,653	6,076,779
Total operating expenses		100,179,078	96,590,011
Loss from operations		(5,193,138)	(4,903,972)
Nonoperating gains and losses:			
Investment income		1,182,121	946,908
Unrestricted contributions		439,856	477,633
Bequests and legacies		—	74,460
Change in net unrealized gains and losses on trading securities		(918,445)	2,917,062
Change in fair value of derivative instruments		291,404	192,381
Other, net		(458,607)	(181,508)
Total nonoperating gains, net		536,329	4,426,936
Revenue and gains deficient of expenses and losses		(4,656,809)	(477,036)
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	$	(4,656,809)	1,342,260

See accompanying notes to consolidated financial statements.

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2012 and 2011

		2012	2011
Change in unrestricted net assets	$	(4,656,809)	1,342,260
Temporarily restricted net assets:			
Net contributions for specific purposes		3,639,386	1,666,489
Release of restricted net assets		(3,373,546)	(2,493,336)
Change in temporarily restricted net assets		265,840	(826,847)
Permanently restricted net assets:			
Contributions		211,649	1,232,982
Change in net assets		(4,179,320)	1,748,395
Net assets at beginning of year		41,664,745	39,916,350
Net assets at end of year	$	37,485,425	41,664,745

See accompanying notes to consolidated financial statements.

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2012 and 2011

		2012	2011
Cash flows from operating activities and gains:			
Change in net assets	$	(4,179,320)	1,748,395
Adjustments to reconcile change in net assets to net cash provided by operating activities and gains:			
Depreciation and amortization		6,837,653	6,076,779
Amortization of entrance fees and refundable deposits		(241,033)	(478,157)
Amortization of deferred finance costs		84,508	155,709
Provision for bad debts		739,232	659,602
Change in fair value of derivative instruments		(291,404)	(192,381)
Change in net unrealized gains and losses		918,445	(2,917,062)
Net realized gains on sale of investments		(147,611)	(121,962)
Change in actuarial value of gift annuity obligations		201,940	98,442
Net assets released from restrictions and used for operations		3,373,546	674,040
Restricted contributions		(3,851,035)	(2,899,471)
Changes in assets and liabilities:			
Resident accounts receivable		(1,850,256)	(863,904)
Other receivables		1,802,633	(959,620)
Inventory of supplies and other		(370,442)	611,208
Investment in joint ventures and agency funds		66,586	(164,881)
Accounts payable		2,459,341	1,490,675
Accrued interest payable		2,456,760	1,167,319
Accrued compensation and other liabilities		920,942	939,593
Deferred occupancy and care revenue and refundable deposits		(31,894)	1,149,137
Net cash provided by operating activities and gains		8,898,591	6,173,461
Cash flows from investing activities:			
Net sales (purchases) of assets whose use is limited or restricted		10,617,362	(2,095,934)
Net sales of investments		4,020,485	173,251
Acquisition of land, buildings, and equipment		(18,911,197)	(35,869,202)
Costs to acquire initial continuing care contracts		(1,934,293)	(1,100,993)
Increase in resident deposits		167,082	139,041
Net cash used in investing activities		(6,040,561)	(38,753,837)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt, net of discounts		—	27,715,040
Repayments of long-term debt		(9,918,478)	(3,723,523)
Repayments of obligations under capital leases		699,349	453,862
Proceeds from entrance fees and refundable deposits		7,810,480	13,461,161
Refunds paid on entrance fees and refundable deposits		(2,491,042)	(1,812,038)
Payments for deferred financing costs		—	(1,107,081)
Proceeds from draws on lines of credit		5,169,241	1,138,124
Repayment of line of credit		(1,343,000)	(1,600,000)
Net assets released from restrictions and used for operations		(3,373,546)	(674,040)
Restricted contributions		3,851,035	2,899,471
Net repayments of charitable gift annuity contracts		(134,332)	(126,004)
Net cash provided by financing activities		269,707	36,624,972
Net increase in cash and cash equivalents		3,127,737	4,044,596
Cash and cash equivalents at beginning of year		9,285,551	5,240,955
Cash and cash equivalents at end of year	$	12,413,288	9,285,551
Supplemental disclosure of cash flow information:			
Cash paid for interest net of amounts capitalized	$	2,037,886	2,392,129
Supplemental disclosure of noncash transactions:			
Assets acquired under capital lease	$	1,106,556	696,360

See accompanying notes to consolidated financial statements.

ATTACHMENT 27

(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 a 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 103-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, 2012 and 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, 2012 and 2011 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, *Not-for-Profit Entities*, which codified an earlier Financial Accounting Standards Board (FASB) 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 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 2012 or 2011.

(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 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 their 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, 2012 and 2011.

(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 expansions at WLV 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 WLV, Pleasant View, and Luther Oaks under residency contracts are refundable at various amounts in accordance with the terms of the individual contracts. WLV, Pleasant View, and Luther Oaks are required to repay the refundable entrance fee less amounts owed by the resident following the termination of occupancy under the resident contract. The timing of the refund is based either upon the reoccupancy of the unit or upon a certain length of time after the termination of occupancy depending on the resident's 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

The Corporations have adopted the provisions of ASC Topic 820, *Fair Value Measurement*, 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)*, 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.

(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, *Income Taxes – overall*. 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, 2012 and 2011, the Corporations do not have an asset or liability for unrecognized tax benefits.

(r) Reclassification

Certain 2011 amounts have been reclassified to conform to the 2012 consolidated financial statement presentation

(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 ratified 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, 2012 and 2011, the Corporations had no plans or intentions to sell investments at amounts different from net asset value.

(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 inputs 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, 2012 and 2011, as well as related strategy, liquidity, and funding commitments.

	June 30, 2012			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 12,413,288	—	—	12,413,288
Investments excluding cash surrender value of life insurance policies of $6,000:				
Cash and cash equivalents	11,020,691	—	—	11,020,691
Common stocks and mutual funds	16,023,189	—	—	16,023,189
Fixed income:				
Corporate bonds and notes	—	9,157,677	—	9,157,677

	June 30, 2012			
	Level 1	Level 2	Level 3	Total
U.S. government agency securities	$ —	4,477,743	—	4,477,743
Total fixed income	—	13,635,420	—	13,635,420
Total investments	27,043,880	13,635,420	—	40,679,300
Total assets	$ 39,457,168	13,635,420	—	53,092,588
Liabilities:				
Interest rate swap	$ —	466,157	—	466,157

	June 30, 2011			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 9,285,551	—	—	9,285,551
Investments excluding cash surrender value of life insurance policies of $6,000:				
Cash and cash equivalents	22,924,759	—	—	22,924,759
Common stocks and mutual funds	21,282,487	—	—	21,282,487
Fixed income:				
Corporate bonds and notes	—	6,520,899	—	6,520,899
U.S. government agency securities	—	5,357,817	—	5,357,817
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

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

		June 30	
		2012	2011
Assets whose use is limited or restricted – current assets or held for current liabilities	$	2,182,946	1,992,919
Assets whose use is limited or restricted, net of amounts in current assets		33,908,557	44,715,946
Investments		4,541,467	9,332,786
Agency funds		52,330	50,311
	$	40,685,300	56,091,962

The composition of investment return on the Corporations' investment portfolio for the years ended June 30, 2012 and 2011 is as follows:

		2012	2011
Interest and dividend income	$	1,113,689	943,222
Net realized gains on sale of investments		147,611	121,962
Realized gains on redemption of insurance policies		—	12,822
Changes in net unrealized gains and losses on trading securities		(918,445)	2,917,062
	$	342,855	3,995,068

Investment returns are included in the accompanying consolidated statements of operations for the years ended June 30, 2012 and 2011 as follows:

		2012	2011
Other revenue	$	(4,741)	(5,674)
Investment income		1,182,121	946,908
Change in unrealized gains and losses on trading securities		(918,445)	2,917,062
Interest income offset against capitalized interest expense		83,920	136,772
	$	342,855	3,995,068

(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, 2012 and 2011.

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Fixed rate long-term debt	$ 84,147,034	88,154,873	93,295,696	87,158,992

(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, 2012 and 2011 is as follows:

	2012	2011
Medicare	9%	11%
Medicaid	26	18
Self-pay and commercial insurance	65	71
	100%	100%

(5) Land, Buildings, and Equipment

A summary of land, buildings, and equipment at June 30, 2012 and 2011 is as follows:

	2012		2011	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land and land improvements	$ 23,673,887	1,434,695	23,407,976	1,438,193
Buildings	134,257,621	55,640,402	117,433,664	51,592,202
Furniture, fixtures, and equipment	30,708,692	21,824,202	30,251,238	22,510,366
Construction in progress	49,965,714	—	52,080,954	—
	$ 238,605,914	78,899,299	223,173,832	75,540,761

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, 2012, there were no additional contractual amounts associated with the completion of the Pleasant View, WLVEC, and Arlington of Naples 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 $4,298,774 offset by capitalized interest income of $83,920 at June 30, 2012 and capitalized interest cost of $4,901,666 offset by capitalized interest income of $136,772 at June 30, 2011.

(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, 2012 and 2011 is as follows:

	2012	2011
Gross resident service revenue	$ 108,392,275	99,879,904
Less provisions for:		
Estimated contractual adjustments arising under third-party reimbursement programs	23,703,443	16,949,589
Charity care charges forgone	3,064,587	2,195,385
Resident service revenue net of contractual allowances	81,624,245	80,734,930
Less provision for bad debts	739,232	659,602
Net resident service revenue	$ 80,885,013	80,075,328

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, 2012:

	Third-party payors	Private-pay payors	Total all payors
Resident service revenue, net of contractual allowances	$ 35,076,546	46,547,699	81,624,245

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, 2012 and 2011 is as follows:

Bond series	June 30, 2012 balance	June 30, 2011 balance	Interest type	Due dates	2012 effective interest rate	2011 effective interest rate
Illinois Finance Authority Variable Rate Demand Revenue Bonds, Series 1995	$ 4,095,000	4,315,000	Variable interest rate	February 1, 2025	0.30%	0.33%
Illinois Health Facilities Authority Weekly Adjustable Rate Revenue Bonds, Series 2001	12,070,000	12,220,000	Interest at the lesser of 15% or a tax-exempt variable rate determined weekly	Maturing through August 15, 2031	3.15%	3.15%
Illinois Health Facilities Authority Variable Rate Demand Revenue Refunding Bonds, Series 2003	11,440,000	11,855,000	Interest at the lesser of 15% or a tax-exempt variable rate determined weekly	Maturing through November 1, 2033	0.33%	0.49%
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%
Economic Development Commission Bonds, Series 2009	26,765,000	35,240,000	Fixed interest rate	Maturing through November 15, 2039	6.5% – 8.0%	6.5% – 8.0%
Upper Illinois River Valley Development Authority Fixed Rate Revenue Bonds, Series 2010	16,695,000	16,695,000	Fixed interest rate	November 15, 2045	4.50% – 5.90%	4.50% – 5.90%
Collier County Industrial Development Authority Fixed Rate Revenue Bond Anticipation Notes	10,900,000	10,900,000	Fixed interest rate	May 15, 2015	14.00%	14.00%
Construction Loan, SPH	425,833	571,833	Variable interest rate	August, 2012	5.75%	5.75%
Mortgage note, LLC	170,338	613,045	Fixed interest rate	May 30, 2013	7.48%	7.48%
Mortgage loan, PVLH	2,116,308	2,221,053	Fixed interest rate	September 1, 2026	4.625%	5.875%
Mortgage loan, AON Land	19,489,579	19,489,579	Variable interest rate	July 18, 2013	4.74%	6.375%
Mortgage loan, AON Office Bldg	786,233	833,829	Fixed interest rate	April 5, 2024	6.125%	6.125%
Mortgage loan, Parent	2,754,155	2,832,769	Fixed interest rate	December 31, 2031	5.24%	6.250%
	131,667,446	141,747,108				
Less current installments of long-term debt	1,987,619	1,445,217				
Less long-term debt subject to short-term remarketing arrangements	3,865,001	1,666,667				
Unamortized bond discount and premium	(768,564)	(929,748)				
Long-term debt net of current installments and unamortized bond discount and premium	$ 125,046,262	137,705,476				

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. Accordingly, the entire amount outstanding under the 1995 Bonds of $4,095,000 have been shown as a current obligation in the June 30, 2012 consolidated balance sheet. 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.

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. The Series 2001 bonds were advance refunded in October 2012 with proceeds from the issuance of the Series 2012 bonds (note 17).

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. The Series 2003 bonds were advance refunded in October 2012 with proceeds from the issuance of the Series 2012 bonds (note 17).

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.

The 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 the 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. 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 2012. 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 retained a consultant to make recommendations to achieve the required ratio in fiscal 2012, which was achieved. 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 provided to the master trustee an officer's certificate setting forth a plan to be taken to achieve the required ratio for future periods, which was achieved. Luther Oaks redeemed the final amount of the 2006C Bonds in February 2010.

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 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.

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 was paid in full on August 1, 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 every five years beginning on July 1, 2011 and ending on 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 every five years beginning on December 1, 2011 and ending on 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. The Series 2001 and Series 2003 bonds had letters of credit backing such debt, and were refunded with the issuance of the 2012 Bonds in October 2012 (note 17). The accelerated payments associated with the expiring letters of credit from the Series 2001 and 2003 Bonds is not reflected in the accompanying five-year schedule of principal repayments on long-term debt based on variable rate demand bonds being put back to the Corporations, as such notes can no longer be put back to the Corporations. If the put option is exercised on the remaining variable rate demand bonds outstanding, the bonds are presented to the bank, which in turn draws on the underlying letter of credit. The corresponding series and the applicable underlying credit facility terms are described as follows:

Series	Letter-of-Credit Reimbursement Terms
Illinois Finance Authority Bonds, Series 1995	Payment is due on the expiration date stated on the letter-of-credit agreement of February 2013

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:		
2013	$	5,852,620
2014		20,757,187
2015		13,310,604
2016		1,678,638
2017		1,768,603
Thereafter		88,299,794
	$	131,667,446

Scheduled principal repayments on the long-term debt based on the scheduled redemptions according to the underlying Master Trust Indentures are as follows:

Year:		
2013	$	1,987,619
2014		21,002,187
2015		13,565,604
2016		1,948,638
2017		2,048,602
Thereafter		91,114,796
	$	131,667,446

The LHSA 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 LHSA 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 LHSA Obligated Group, which creates credit risk for the LHSA Obligated Group. When the fair value of a derivative contract is negative, the LHSA Obligated Group owes the counterparty, and therefore, it does not possess credit risk. The LHSA 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 LHSA 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. The swap was repaid in October 2012 with proceeds from the issuance of the Series 2012 Bonds (note 17). A summary of outstanding positions under the floating to fixed rate swap agreement for the Corporations at June 30, 2012 is as follows:

Notional amount	Maturity date	Rate received	Rate paid
$ 11,440,000	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, 2011 is as follows:

Notional amount	Maturity date	Rate received	Rate paid
$ 11,855,000	November 2013	BMA Index, reset monthly	3.385%

The fair value of the Series 2003 Bonds interest rate swap agreement of $(466,157) and $(757,561) is included in other long-term liabilities at June 30, 2012 and 2011, respectively. The change in fair value of the interest rate swap agreement of $291,404 and $192,381 is recorded in nonoperating gains and losses at June 30. 2012 and 2011, 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, 2012 was $500,000. 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. In December 2011, this line of credit was increased to $5,000,000. The balance outstanding at June 30, 2012 was $4,550,000. 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 November 2014.

In January 2009, the Foundation entered into an agreement for a margin loan through Landmark Capital. The outstanding balance at June 30, 2012 and 2011, respectively, is $4,584,712 and $2,155,471. Interest is set on a formula based on the rate of brokers' call money and was 4.25% at June 30, 2012.

(10) Capital Leases

The Corporations lease certain equipment under capital leases. Included with land, buildings, and equipment are $1,802.916 and $1,537,117 at June 30, 2012 and 2011, respectively, of assets held under capital leases and $163,261 and $458,007 of related accumulated amortization at June 30, 2012 and 2011, respectively. A summary of future minimum lease payments and the present value of future minimum lease payments related to capital leases at June 30, 2012 is as follows:

		Amount
Year:		
2013	$	687,401
2014		538,475
2015		301,964
2016		1,000
Total future minimum lease payments		1,528,840
Less amount representing interest at rates ranging from 0% to 7.47%		91,803
Present value of future minimum lease payments		1,437,037
Less current portion of obligations under capital leases		628,044
Obligations under capital leases, excluding current portion	$	808,993

(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 $341,359 and $813,236 for the years ended June 30, 2012 and 2011, 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 for both years ended June 30, 2012 and 2011, 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 $137,152 and $145,525 for the years ended June 30, 2012 and 2011, 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 $2,235,963 and $2,304,568 of other assets in the accompanying consolidated balance sheets at June 30, 2012 and 2011, 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, 2012.

The Home and St Pauls each have 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 $658,874 and $517,538 as other nonoperating gains and losses in the accompanying consolidated statements of operations for 2012 and 2011, 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 $1,483,915 in 2012 and $1,634,048 in 2011 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, 2012 and 2011, the Corporations recognized income of $663,836 and $523,988, 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 $5,702,277 and $5,490,628 at June 30, 2012 and 2011, respectively, are included in permanently restricted net assets.

Changes in endowment net assets for the years ended June 30, 2012 and 2011 are as follows:

		2012 Permanently restricted	2011 Permanently restricted
Endowment net assets, July 1	$	5,490,628	4,257,646
Investment return		20,726	338,236
Contributions		211,649	1,232,982
Appropriated expenditures of endowment assets		(20,726)	(338,236)
Endowment net assets, June 30	$	5,702,277	5,490,628

(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 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, 2012 and 2011.

(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 30 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 $768,601 and $779,412 in 2012 and 2011, 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, 2012 or 2011 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 $3,659,181 in 2012 and $5,263,338 in 2011.

(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, 2012 through October 31, 2012, which was the date the consolidated financial statements were issued, and determined the following event to disclose.

On October 30, 2012, the LHSA Obligated Group issued $98,500,000 of Illinois Finance Authority Revenue, Series 2012 bonds, pursuant to the Bond Trust Indenture. As part of this issuance, LHSA Obligated Group issued $75,145,000 as new bonds to fund constructing and renovating at the Home, $11,915,000 as bonds to advance refund the Series 2001 bonds, and $11,440,000 as bonds to advance refund the Series 2003 bonds. As a result of this issuance, the Corporations will incur a nonoperating loss on refunding of approximately $593,000 for previously unamortized bond issue costs and bond discounts.

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2012

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	$	516,830	3,808,107	9,596	-	4,334,533	3,690	394,611	905,194	292,107	3,011,212	620,292	1,722,691	1,070,119		12,413,208
Assets whose use is limited or restricted		-	-		-	-		-	46,939	-	128,067	-		2,002,940		2,142,946
Resident accounts receivable, net of allowance for doubtful accounts of $1,072,715		32,739	5,467,641		-	5,550,383	-	2,913,774	4,132,119		5,392	-	2,035,009			12,518,937
Other receivables		-	(444,103)			(444,103)	632,817	327,214	91,861		312,635		(49,681)	11,171	(237)	711,199
Inventory of supplies and other		8,761	659,541	142,889	-	811,191	8,163	119,851	65,235	-	21,661	17,875	51,292	67,021	-	1,215,109
Due from affiliates		-		9,472,932	-	9,472,932	4,990,822		(4,555,294)	(11,619,007)	(1,383,115)	6,988,610		8,008,186	(17,033,124)	
Total current assets		668,230	9,491,084	9,625,427	-	19,785,046	5,644,422	3,757,454	(2,314,971)	(11,326,900)	2,097,822	7,666,687	4,519,306	11,195,357	17,032,887	29,011,199
Assets whose use is limited or restricted, net of amounts required for current liabilities:																
Board designated for endowment		-		6,486,693	-	6,486,693					-	-				6,486,693
Resident deposits for future funeral, occupancy, and care costs			1,465,388			1,465,546	162,445	441,423	-	4,368,415	-	-	-	-		6,437,831
Held by trustee under bond indenture agreement		-	626,615	-	-	626,615		5,109,301	1,694,067	4,628,328	3,222,355	-		-		15,281,666
Donor-restricted investments		-	-	3,292,820	-	3,292,820		-	-			2,409,707		-	-	5,702,527
Total noncurrent assets whose use is limited or restricted		-	2,092,003	9,779,513	-	11,871,716	162,445	5,550,724	1,694,067	8,996,743	3,222,355	2,409,707				33,908,357
Land, buildings, and equipment, net of accumulated depreciation and amortization		-	29,208,700	-	-	29,208,700		48,533,962	21,294,327	33,712,262	24,647,490	-	6,249,530	6,020,416		197,716,633
Costs to acquire initial continuing care contracts			-	-	-			2,292,811	144,330	3,976,243	1,164,880	-		-		2,578,211
Investments			150,037	2,368,489		2,718,496	-	-	-	-	-	594,983	1,227,988	-		4,541,467
Agency funds			32,130	-	-	32,130	-				-					32,330
Deferred financing costs, net		-	444,209			444,209		1,452,133	728,046	371,569	688,116		163,934	-	-	3,748,059
Investment in joint ventures		36,000	826,037		-	862,037	135,158	-	-		-		1,538,330	-	-	2,235,963
Total assets	$	704,230	42,464,873	21,773,429	-	64,942,534	5,022,055	51,187,086	21,546,499	41,729,896	31,820,663	10,671,377	14,497,563	17,215,773	17,032,887	240,862,371

(Continued)

ATTACHMENT 27

Schedule 1

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2012

Liabilities and Net Assets (Deficit)	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 Retirement Corp, Inc.
Current liabilities:							
Current installments of long-term debt	$	590,000			590,000		-
Long-term debt subject to short-term remarketing agreements			-		-	-	-
Lines of credit		4,550,000			4,550,000		-
Current portion of obligations under capital leases	-	76,147		-	76,147	-	
Accounts payable	119,687	4,043,751	82		4,163,520	204,402	1,336,518
Accrued interest payable	-	77,083			77,083	-	276,429
Accrued compensation and other liabilities	278,345	1,917,137			2,195,482	194,141	548,430
Due to affiliates		-		-	-	14,480,770	5,752,362
Total current liabilities	398,032	11,254,118	82		11,652,232	14,879,312	7,913,739
Long-term debt, excluding current installments and unamortized bond discount		22,771,255	-	-	22,771,255	-	26,428,944
Obligations under capital leases, net of current portion		135,556			135,556		
Deferred revenue from nonrefundable entrance fees	-	-	-	-	-		1,162,357
Residents' custodial assets		111,500		-	111,500	-	21,387
Resident entrance fees	-			-	-		12,527,245
Reserve for funeral expenses		12,800		-	12,800		
Resident deposits		1,452,788			1,452,788	162,445	21,287
Charitable gift annuity contracts	-		517,858		517,858	-	-
Agency funds	-	52,330		-	52,330	-	-
Other long-term liabilities	-	466,157			466,157	-	-
Total liabilities	398,032	36,246,504	517,940	-	37,162,476	15,041,757	47,974,509
Net assets (deficit):							
Unrestricted	306,199	6,218,371	17,431,716	-	23,956,285	(10,019,702)	3,512,577
Temporarily restricted	-	-	531,203	-	531,203	-	-
Permanently restricted	-		1,292,570	-	3,292,570	-	-
Total net assets (deficit)	306,199	6,218,371	21,255,489		27,780,058	(10,019,702)	3,512,577
Total liabilities and net assets (deficit)	$ 704,231	42,464,875	21,773,429	-	64,942,534	5,022,055	51,487,086

Liabilities and Net Assets (Deficit)	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	809,412	32,850	330,000		655,832	359,519		1,987,619
Long-term debt subject to short-term remarketing agreements	-		-		3,865,000	-		3,865,000
Lines of credit		-	-	1,584,712	510,000			6,644,712
Current portion of obligations under capital leases	-	-		-		551,897		628,044
Accounts payable	933,879	366,298	178,128	12,824	1,112,187	299,503	-	9,028,229
Accrued interest payable	158,590	5,347,385	332,440		4,280	-		6,769,317
Accrued compensation and other liabilities	473,907	76,154	1,296,351	27,921	347,801	1,217,742		6,280,176
Due to affiliates		-	-		(1,156,452)	(2,033,791)	17,032,887	-
Total current liabilities	1,678,748	6,612,233	2,138,129	1,645,057	5,120,657	295,268	17,032,887	36,122,968
Long-term debt, excluding current installments and unamortized bond discount	18,592,207	50,728,596	23,960,836	-		2,664,074	-	125,046,262
Obligations under capital leases, net of current portion		-	-			683,437	-	818,993
Deferred revenue from nonrefundable entrance fees	-		692,176					1,854,533
Residents' custodial assets	28,054	-	-		228,213			381,354
Resident entrance fees	2,721,930	4,368,557	14,024,108		-	-	-	33,641,840
Reserve for funeral expenses			-	-	-	-		12,800
Resident deposits	101,500		503,020			-	-	2,241,120
Charitable gift annuity contracts			-	-	-			517,858
Agency funds						-		52,330
Other long-term liabilities			-	24,529	4,488		-	495,174
Total liabilities	23,124,519	41,729,886	41,518,269	4,669,582	5,545,358	3,643,679	17,032,887	203,377,148
Net assets (deficit):								
Unrestricted	(1,658,432)		(9,697,606)	(398,624)	7,904,620	13,572,094	-	34,517,212
Temporarily restricted	80,412		-	6,650,712	9,609		-	7,271,936
Permanently restricted			-	2,460,307	-			5,702,277
Total net assets (deficit)	(1,578,020)	-	(9,697,606)	8,001,795	7,914,229	13,572,094	-	37,485,425
Total liabilities and net assets (deficit)	21,546,499	41,729,886	31,820,663	12,671,377	13,459,587	17,215,773	17,032,887	240,862,573

See accompanying independent auditors' report.

ATTACHMENT 27

Schedule 1

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidating Statement of Operations Information

Year ended June 30, 2012

	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	St Pauls House and Health Care Center
Operating revenue and other support:							
Net resident service revenue							
Resident service revenue, net of contractual allowance	$ 5,748,972	38,332,138	—	44,081,110	—	—	10,213,939
Provision for bad debts	(556)	(51,496)	—	(52,052)	—	—	(267,617)
Net resident service revenue	5,748,416	38,280,642	—	44,029,058	—	—	9,946,322
Other revenue (loss)	(14,404)	2,353,821	—	2,339,417	3,863,198	(337)	373,365
Net assets released from restrictions used for operations	—	—	—	—	—	3,373,546	—
Total operating revenue and other support	5,734,012	40,634,463	—	46,368,475	3,863,198	3,373,209	10,319,687
Operating expenses:							
Salaries and wages	2,084,906	18,899,437	—	20,984,343	2,684,172	430,080	4,753,987
Employee benefits	1,708,943	3,319,370	—	5,028,313	421,401	70,826	1,054,350
Support services	—	5,921,101	—	5,921,101	—	—	834,103
Dietary services	—	2,273,562	—	2,273,562	—	—	403,251
Program services	49,908	2,251,523	—	2,301,431	—	—	2,136,285
Administrative services	823,977	1,068,795	—	1,892,772	143,736	—	729,907
Community services	—	—	—	—	1,845,914	—	—
Fund-raising	—	—	—	—	—	503,576	3,459
Interest	—	1,672,808	—	1,672,808	—	—	135,259
Depreciation and amortization	—	2,759,959	—	2,759,959	—	—	642,650
Allocations, net	923,988	(230,991)	—	692,997	1,632,996	206,004	249,996
Total operating expenses	5,591,722	38,335,564	—	43,927,286	6,730,219	1,210,486	11,033,847
Income (loss) from operations	142,290	2,298,899	—	2,441,189	(867,021)	2,162,723	(713,160)
Investment income (loss)	1,876	393,671	152,075	547,622	75,496	(57,809)	374,190
Unrestricted contributions	—	—	268,390	268,390	—	90,474	—
Net change in unrealized gains and losses on trading securities	—	(146,516)	(626,338)	(772,854)	—	(9,642)	(89,999)
Change in fair value of derivative instruments	—	291,404	—	291,404	—	—	—
Other, net	8,125	73,400	(201,940)	(120,415)	2,850	(3,621,901)	2,921,990
Total nonoperating gains (losses), net	10,001	613,959	(407,813)	216,147	28,346	(3,598,178)	3,206,381
Revenue and gains in excess (deficient) of expenses and losses	152,291	2,912,858	(407,813)	2,657,336	(838,675)	(1,435,455)	2,493,221
Other changes in unrestricted net assets:							
Transfers between affiliates	(25,584,404)	(7,078,827)	—	(32,663,231)	—	—	—
Net assets released from restriction for land, building, and equipment acquisitions	—	—	—	—	—	(13,820)	—
Increase (decrease) in unrestricted net assets	$ (25,432,113)	(4,165,969)	(407,813)	(30,005,895)	(838,675)	(1,449,275)	2,493,221

	Wittenberg Lutheran Village, Inc. and Endowment Corp, Inc.	Pleasant View Luther Home, Inc.	Luther Oaks, Inc.	Lutheran Life Communities	Eliminations	Consolidated
Operating revenue and other support:						
Net resident service revenue						
Resident service revenue, net of contractual allowance	12,975,278	8,315,847	5,902,129	135,942	—	81,624,245
Provision for bad debts	(383,712)	(35,851)	—	—	—	(739,232)
Net resident service revenue	12,591,566	8,279,996	5,902,129	135,942	—	80,885,013
Other revenue (loss)	1,949,140	234,594	197,016	28,031	257,043	8,727,381
Net assets released from restrictions used for operations	—	—	—	—	—	3,373,546
Total operating revenue and other support	14,540,706	8,514,590	6,099,145	163,973	257,043	92,985,940
Operating expenses:						
Salaries and wages	7,143,642	4,058,366	2,420,174	4,317,223	257,043	46,734,346
Employee benefits	1,492,414	926,875	489,244	680,164	—	10,163,587
Support services	2,794,612	1,121,888	623,363	336,660	—	11,631,727
Dietary services	869,936	348,604	473,379	—	—	4,368,732
Program services	278,239	1,103,162	15,294	—	—	5,834,411
Administrative services	1,026,729	416,466	719,928	2,490,646	—	7,420,184
Community services	—	—	—	—	—	1,845,914
Fund-raising	25,389	13,254	—	—	—	545,678
Interest	12,542	1,066,433	1,437,760	219,844	—	4,544,646
Depreciation and amortization	770,970	297,855	1,307,350	558,869	—	6,337,653
Allocations, net	250,008	24,000	—	(3,056,001)	—	—
Total operating expenses	14,664,481	9,816,903	7,486,492	5,567,407	257,043	100,179,078
Income (loss) from operations	(123,775)	(1,302,313)	(1,387,347)	(5,403,434)	—	(5,193,138)
Investment income (loss)	4251	47,256	107,525	135,678	—	1,182,121
Unrestricted contributions	—	80,992	—	—	—	439,856
Net change in unrealized gains and losses on trading securities	—	—	7,464	(51,414)	—	(916,445)
Change in fair value of derivative instruments	—	—	—	—	—	291,404
Other, net	263,036	88,172	8,952	—	—	(438,607)
Total nonoperating gains (losses), net	263,011	216,417	123,941	82,264	—	536,129
Revenue and gains in excess (deficient) of expenses and losses	137,236	(1,085,896)	(1,263,406)	(5,321,170)	—	(4,656,809)
Other changes in unrestricted net assets:						
Transfers between affiliates	—	—	—	32,663,231	—	—
Net assets released from restriction for land, building, and equipment acquisitions	—	13,823	—	—	—	—
Increase (decrease) in unrestricted net assets	137,236	(1,072,073)	(1,263,406)	27,342,061	—	(4,656,809)

See accompanying independent auditors' report.

ATTACHMENT 27

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.	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	$	495,773	2,355,124	9,185	-	2,860,082		614,052
Assets whose use is limited or restricted			--		--		-	
Resident accounts receivable, net of allowance for doubtful accounts of $672,347		63,920	5,034,080	-	---	5,098,000		3,306,837
Other receivables		137,017	182,327	--		319,344	531,274	664,077
Inventory of supplies and other		32,174	470,836	-	-	503,010	8,161	78,551
Due from affiliates		25,462,336	4,874,522	7,353,869	2,029,804	35,661,113	1,770,814	-
Total current assets		26,191,409	13,067,289	7,363,454	2,029,804	44,942,346	4,412,251	4,347,513
Assets whose use is limited or restricted, net of amounts required for current liabilities:								
Board designated for endowment				6,683,832	--	6,683,832		-
Resident deposits for future funeral, occupancy, and care costs			1,348,524	-	-	1,348,524	131,488	729,005
Held by trustee under bond indenture agreement		--	626,615	—	--	626,615	-	12,099,982
Donor-restricted investments		-		5,284,830		5,284,830	--	-
Total noncurrent assets whose use is limited or restricted		--	1,975,139	9,968,632	--	11,945,791	153,188	12,828,987
Land, buildings, and equipment, net of accumulated depreciation and amortization		--	27,994,895	--	--	27,994,895		31,491,340
Costs to acquire initial continuing care contracts		-						2,064,956
Investments		-	1,813,960	4,790,733		6,604,693	--	--
Agency funds		-	50,311	—		50,311	-	-
Deferred financing costs, net		--	465,826	--	-	465,826		1,351,560
Investment in joint ventures		36,000	935,102	-	--	971,102	97,022	-
Total assets	$	26,227,409	46,307,437	22,122,839	2,029,804	92,627,881	4,662,461	35,084,336

Assets	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	1,762,491	228,426	1,263,719	796,662	[illegible]	1,102,158		9,241,554
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	571,156	-	5,300		2,344,624			11,427,913
Other receivables	143,117	9,054	1,574,430	-	531,986	21,979	899,365	2,354,772
Inventory of supplies and other	66,784		13,516	12,232	42,271	67,921	-	831,647
Due from affiliates	(1,564,848)	(4,799,967)	(1,354,074)	5,154,656		1,089,640	33,957,334	-
Total current assets	(973,078)	(4,562,487)	1,634,458	5,963,570	3,121,648	4,101,648	34,857,099	26,041,812
Assets whose use is limited or restricted, net of amounts required for current liabilities:								
Board designated for endowment			--					6,683,832
Resident deposits for future funeral, occupancy, and care costs		1,470,721	-				-	3,710,438
Held by trustee under bond indenture agreement	4,501,618	9,179,820	2,922,723					36,491,798
Donor-restricted investments	-	-	-	2,206,058				7,490,888
Total noncurrent assets whose use is limited or restricted	4,501,658	10,659,541	2,922,723	2,206,058		-		44,713,946
Land, buildings, and equipment, net of accumulated depreciation and amortization	18,439,249	29,018,457	25,488,341		6,784,019	5,411,335		147,613,071
Costs to acquire initial continuing care contracts	144,330	2,037,318	1,397,336			--		5,643,940
Investments	-		---	1,011,575	1,527,517	--		9,112,786
Agency funds		--	-			-		50,311
Deferred financing costs, net	732,129	371,619	334,247	--	136,936			3,032,517
Investment in joint ventures	--		--		2,236,444			2,304,568
Total assets	22,343,908	37,324,448	32,177,105	9,280,208	11,249,608	9,512,771	36,857,099	239,607,941

(Continued)

ATTACHMENT 27

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2011

Liabilities and Net Assets (Deficit)	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 liabilities:							
Current installments of long-term debt	$	785,000			785,000		
Long-term debt subject to short-term remarketing agreements		1,666,667	-		1,666,667		
Lines of credit		2,453,000		-	2,453,000		
Current portion of obligations under capital leases		-	-	-	-	-	-
Accounts payable	279,936	2,519,136	-		2,799,072	143,646	1,125,614
Accrued interest payable		79,221	-		79,221	-	155,489
Accrued compensation and other liabilities	209,142	1,666,908		-	1,876,050	209,106	699,161
Due to affiliates	-	2,029,804		2,029,804	-	13,335,348	4,599,671
Total current liabilities	489,078	12,193,234		2,029,804	10,650,030	13,690,300	6,979,935
Long-term debt, excluding current installments and unamortized bond discount		21,467,264		-	21,467,264	-	34,782,428
Obligations under capital leases, net of current portion	-	-	-	-	-		
Deferred revenue from nonrefundable entrance fees	-				-		835,312
Residents' custodial assets	-	108,722			108,722		19,821
Refundable entrance fees	-	-				-	9,968,503
Reserve for funeral expenses		12,800		-	12,800		
Refundable deposits		1,335,724	-		1,335,724	153,188	23,016
Charitable gift annuity contracts	-		450,250	-	450,250	-	
Agency funds		50,311	-		50,311		-
Other long-term liabilities	-	757,561			757,561		-
Total liabilities	489,078	35,923,118	450,250	2,029,804	34,832,662	13,843,488	51,709,215
Net assets (deficit):							
Unrestricted	25,738,311	10,384,340	17,839,529	-	53,962,180	(9,181,027)	3,375,341
Temporarily restricted		-	548,490		548,490		
Permanently restricted	-	-	5,284,570	-	5,284,570	-	
Total net assets (deficit)	25,738,311	10,384,340	23,672,589	-	57,795,240	(9,181,027)	3,375,341
Total liabilities and net assets (deficit)	$ 26,227,409	46,307,458	24,122,839	2,029,804	92,627,902	4,662,461	55,084,556

Liabilities and Net Assets (Deficit)	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	93,300	43,751			160,000	277,158		1,417,213
Long-term debt subject to short-term remarketing agreements		-			-		-	1,666,667
Lines of credit			-	2,355,471	500,000	-	-	5,308,471
Current portion of obligations under capital leases	-	-	-	-		318,545		318,545
Accounts payable	587,137	54,760	184,802	88,310	951,199	143,023		6,568,088
Accrued interest payable	161,683	1,210,720	330,829		4,303			1,342,447
Accrued compensation and other liabilities	431,512	98,790	789,725	41,329	314,873	966,198		5,458,949
Due to affiliates	-				1,131,063	17,071,017	36,857,099	
Total current liabilities	1,293,632	1,408,029	1,505,364	2,293,410	2,851,640	19,713,941	36,857,099	25,609,184
Long-term debt, excluding current installments and unamortized bond discount	18,763,057	33,634,640	24,106,590		4,740,832	1,068,656	-	137,963,176
Obligations under capital leases, net of current portion	-				-	419,143	-	419,143
Deferred revenue from nonrefundable entrance fees		-	720,147	-			-	1,513,659
Residents' custodial assets	24,505	-	-		24,162		-	157,210
Refundable entrance fees	2,750,596	3,181,770	13,007,234	-			-	28,888,103
Reserve for funeral expenses				-	-		-	12,800
Refundable deposits	98,141		463,970		-		-	2,074,038
Charitable gift annuity contracts	-		-	-	-	-		450,250
Agency funds	-			-			-	51,311
Other long-term liabilities	-	-	-	22,501	1,961			783,022
Total liabilities	22,831,932	37,524,448	40,611,305	2,315,919	7,878,595	21,282,740	36,857,099	197,943,196
Net assets (deficit):								
Unrestricted	(586,356)		(8,434,200)	(1,609,349)	5,411,399	(11,769,963)		29,318,321
Temporarily restricted	80,412	-	-	6,367,585	9,609	-	-	7,006,096
Permanently restricted	-	-		2,206,058	-	-		7,490,628
Total net assets (deficit)	(505,944)	-	(8,434,200)	6,964,294	5,421,008	(11,769,963)	-	41,664,745
Total liabilities and net assets (deficit)	22,345,988	37,524,448	32,177,105	9,280,204	13,299,603	9,512,773	36,857,099	239,607,941

See accompanying independent auditors' report

ATTACHMENT 27

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	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 and other support:													
Net resident service revenue:													
Resident service revenue, net of contractual allowance	$ 5,681,217	39,472,833	—	45,154,070	—	—	10,662,559	12,009,117	7,788,591	4,984,648	135,942	—	80,714,930
Provision for bad debts	(5,500)	(71,246)	—	(76,746)	(9,718)	—	(393,714)	(165,764)	(13,650)	—	—	—	(639,602)
Net resident service revenue	5,675,717	39,401,587	—	45,077,324	(9,718)	—	10,268,845	11,843,353	7,774,941	4,984,648	135,942	—	80,075,328
Other revenue (loss)	(12,197)	2,159,780	(208)	2,146,975	6,436,741	(3,841)	325,993	1,823,947	242,287	180,380	37,403	253,214	10,936,67[illegible]
Net assets released from restrictions used for operations	—	—	—	—	—	674,040	—	—	—	—	—	—	674,040
Total operating revenue and other support	5,663,540	41,560,967	(208)	47,224,299	6,427,023	670,199	10,594,838	13,667,300	8,017,221	5,165,028	173,345	253,214	91,686,039
Operating expenses:													
Salaries and wages	1,794,018	17,655,056	—	19,449,074	2,824,096	517,596	4,674,720	6,571,439	4,270,432	2,306,525	4,168,896	253,214	44,809,644
Employee benefits	2,085,947	3,702,029	—	5,787,976	497,496	74,291	1,211,300	1,601,341	1,212,352	518,050	1,137,955	—	12,242,761
Support services	—	5,646,657	—	5,646,657	—	—	771,399	2,567,932	839,311	651,968	207,624	—	10,684,891
Dietary services	—	2,067,391	—	2,067,391	—	—	352,647	597,208	362,746	402,571	—	—	3,912,611
Program services	70,961	2,607,945	—	2,678,906	—	—	1,899,681	267,296	1,212,318	10,913	—	—	6,069,114
Administrative services	906,279	878,838	—	1,785,117	31,937	—	464,875	610,962	309,955	958,376	2,310,253	—	6,471,455
Community services	—	—	—	—	2,343,250	—	—	—	—	—	—	—	2,343,250
Fund-raising	—	—	—	—	—	403,567	4,193	4,262	8,043	—	—	—	420,066
Interest	—	1,528,546	—	1,528,546	—	—	196,091	48,946	137,832	1,423,663	254,350	—	3,555,418
Depreciation and amortization	—	2,739,325	—	2,739,325	—	—	642,900	596,490	495,154	1,272,850	428,046	—	6,076,770
Allocations, net	547,992	613,008	—	1,161,000	1,632,296	206,004	102,000	150,000	24,700	—	(3,276,000)	—	—
Total operating expenses	5,605,197	37,438,795	—	43,043,992	7,329,775	1,201,558	10,351,706	13,287,876	8,772,228	7,624,916	5,231,124	253,214	96,590,011
Income (loss) from operations	58,343	4,122,172	(208)	4,180,307	(902,752)	(531,359)	243,132	379,424	(755,007)	(2,491,888)	(5,057,779)	—	(4,903,972)
Investment income (loss)	3,386	315,838	160,074	479,298	9,302	51	318,536	5	8,7[illegible]	(11,265)	142,253	—	946,9[illegible]
Unrestricted contributions	—	—	248,622	248,622	—	235,302	—	—	3,7[illegible]	—	—	—	487,613
Bequests and legacies	—	—	—	—	—	—	—	—	(17,230)	91,710	—	—	74,480
Net change in unrealized gains and losses on trading securities	—	595,147	2,023,624	2,618,771	—	69,859	218,734	—	—	(13,418)	25,116	—	2,917,062
Change in fair value of derivative instruments	—	192,381	—	192,381	—	—	—	—	—	—	—	—	192,381
Other, net	—	660,351	(98,442)	561,909	6,514	(936,215)	35,451	10,219	82,693	7,920	—	—	(181,508)
Total nonoperating gains (losses), net	3,386	1,763,717	2,333,878	4,100,981	15,817	(641,003)	572,721	10,224	77,8[illegible]	72,947	167,369	—	4,426,916
Revenue and gains in excess (deficient) of expenses and losses	61,729	5,885,889	2,333,670	8,281,288	(886,935)	(1,172,362)	815,853	389,648	(677,1[illegible])	(2,418,941)	(4,890,410)	—	(477,056)
Other changes in unrestricted net assets:													
Transfers between affiliates	—	(1,234,723)	—	(1,234,723)	—	236,830	—	721,614	707,000	—	(410,726)	—	—
Net assets released from restriction for land, building, and equipment acquisitions	—	4,606	—	4,606	—	—	18,000	7,000	1,784,690	5,000	—	—	1,819,296
Increase (decrease) in unrestricted net assets	$ 61,729	4,655,772	2,333,670	7,051,171	(886,935)	(935,532)	833,853	1,118,267	1,814,5[illegible]	(2,381,941)	(5,321,136)	—	1,342,240

See accompanying independent auditors' report.

ATTACHMENT 27

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Statements of Operations Information by Development

Years ended June 30, 2012 and 2011

(Unaudited)

	2012	2011
Stabilized communities:		
Operating revenue:		
Net resident service revenue:		
Resident service revenue, net of contractual allowance	$ 54,295,049	55,816,629
Provision for bad debts	(319,669)	(480,178)
Net resident service revenue	53,975,380	55,336,451
Other revenue	8,318,600	8,652,654
Net assets released from restrictions used for operations	3,373,546	674,040
Total operating revenue	65,667,526	64,663,145
Operating expenses:		
Salaries and wages	28,795,139	27,412,372
Employee benefits	6,574,890	7,573,063
Support services	6,755,204	6,418,056
Dietary services	2,676,813	2,450,038
Program services	4,737,716	4,578,587
Administrative services	2,768,415	2,281,929
Community services	1,845,914	2,343,250
Fund-raising	507,035	407,660
Interest	1,798,067	1,724,637
Depreciation and amortization	3,402,609	3,382,225
Allocations, net	2,781,993	3,102,000
Total operating expenses	62,643,795	61,673,817
Stabilized communities income from operations	3,023,731	2,989,328
Communities in development:		
Operating revenue:		
Net resident service revenue:		
Resident service revenue, net of contractual allowance	27,329,196	24,918,301
Provision for bad debts	(419,563)	(179,424)
Net resident service revenue	26,909,633	24,738,877
Other revenue	2,408,781	2,284,017
Total operating revenue	29,318,414	27,022,894
Operating expenses:		
Salaries and wages	17,939,407	17,397,292
Employee benefits	3,588,697	4,669,698
Support services	4,876,523	4,266,835
Dietary services	1,691,919	1,462,575
Program services	1,396,695	1,490,527
Administrative services	4,653,769	4,189,556
Fund-raising	38,643	12,346
Interest	2,696,579	1,834,811
Depreciation and amortization	3,435,044	2,694,554
Allocations, net	(2,781,993)	(3,102,000)
Total operating expenses	37,535,283	34,916,194
Communities in development losses from operations	(8,216,869)	(7,893,300)
Total losses from operations	(5,193,138)	(4,903,972)

LUTHERAN LIFE COMMUNITIES AND SUBSIDIARIES

Consolidated Statements of Operations Information by Development

Years ended June 30, 2012 and 2011

(Unaudited)

		2012	2011
Nonoperating gains (losses), net:			
Investment income	$	1,182,121	946,908
Unrestricted contributions		439,856	477,633
Bequests and legacies		—	74,460
Net change in unrealized gains and losses on trading securities		(918,445)	2,917,062
Change in fair value of derivative instruments		291,404	192,381
Other, net		(458,607)	(181,508)
Total nonoperating gains, net		536,329	4,426,936
Revenue and gains deficient of expenses and losses		(4,656,809)	(477,036)
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	$	(4,656,809)	1,342,260

* 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 build-out 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 build-out 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 build-out. 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.

Ziegler

200 South Wacker Drive
Suite 2000
Chicago, IL 60606
Phone: 312-596-1585
Toll-free: 800-366-8899
Fax: 312-263-5217
www.ziegler.com

October 31, 2013

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

Dear Chairwoman Olson:

The letter is to advise you that Ziegler currently provides financial advisory services to Luther Oaks, Inc. and its parent company, Lutheran Life Ministries. Ziegler is in the process of working with Luther Oaks, Inc. on a plan to finance the construction of a new 18-bed skilled nursing facility, along with other renovations of its campus (the "Project"). Ziegler has a long history of working with the Lutheran Life Ministries system and has successfully issued approximately $223 million of tax-exempt bonds for the Lutheran Life Ministries system since the 1990s.

The current plan of finance for the Project is for Luther Oaks, Inc. to obtain traditional financing from a lending institution. Given the financial strength of the Lutheran Life Ministries system, it is anticipated that Luther Oaks, Inc. would be able to obtain a 30-year loan of $6,700,000 with an initial fixed rate of interest between 2 and 7 percent, which would be reset every 5 years.

Luther Oaks, Inc. has already submitted its request for financing to two separate financial institutions and anticipates having a letter of commitment in place prior to the time of its application being considered for approval by the Illinois Health Facilities and Services Review Board.

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

B.C. Ziegler and Company

LUTHER OAKS, INC.
CON APPLICATION
FINANCIAL VIABILITY

B - b - 1) **Current Ratio = Current Assets/Current Liabilities (Goal is 1.5 or greater):**

Obligated Group (LO)

	Actual FY10	Actual FY11	Actual FY12	Actual FY13	Projected FY17
Current Assets/	1,131,344	2,988,532	3,338,411	2,986,396	6,459,873
Current Liabilities	1,016,652	1,505,363	2,195,572	2,594,964	3,006,656
Due to LLC included in Current Liabilities					
Current Ratio	**1.11**	**1.99**	**1.52**	**1.15**	**2.15**

Lutheran Life Ministries

	Actual FY10	Actual FY11	Actual FY12	Actual FY13	Projected FY17
Current Assets/	20,657,274	26,094,802	29,091,399	29,188,153	33,818,866
Current Liabilities	20,949,238	25,609,184	34,457,987	37,249,226	33,000,000
Current Ratio	**0.99**	**1.02**	**0.84**	**0.78**	**1.02**

B - b - 2) **Net Margin Percentage = Net Income/Net Operating Revenues) X 100 (Goal is 2.5% or greater):**

Obligated Group (LO)

	Actual FY10	Actual FY11	Actual FY12	Actual FY13	Projected FY17
Net Income/	(2,835,045)	(2,381,941)	(1,263,407)	(514,929)	(159,205)
Net Operating Revenue	4,335,233	5,165,028	6,099,145	6,733,133	10,003,235
=	(0.6540)	(0.4612)	(0.2071)	(0.0765)	(0.0159)
X 100	100	100	100	100	100
Net Margin Percentage	**(65.40)**	**(46.12)**	**(20.71)**	**(7.65)**	**(1.59)**

Lutheran Life Ministries

	Actual FY10	Actual FY11	Actual FY12	Actual FY13	Projected FY17
Net Income/	(1,917,522)	1,342,260	(4,656,809)	(3,782,372)	1,613,530
Net Operating Revenue	85,344,221	91,686,039	94,985,940	98,728,965	110,215,770
=	(0.0225)	0.0146	(0.0490)	(0.0383)	0.0146
X 100	100	100	100	100	100
Net Margin Percentage	(2.25)	1.46	(4.90)	(3.83)	**1.46**

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 (LO)

	Actual FY10	Actual FY11	Actual FY12	Actual FY13	Projected FY17
Long-Term Debt	24,322,344	24,306,590	23,960,836	23,620,908	26,809,895
Net Assets	(6,052,259)	(8,434,200)	(9,697,606)	(10,212,537)	(10,655,147)
LT Debt plus Net Assets	18,270,085	15,872,390	14,263,230	13,408,371	16,154,748
Long-Term Debt/	24,322,344	24,306,590	23,960,836	23,620,908	26,809,895
LT Debt plus Net Assets	18,270,085	15,872,390	14,263,230	13,408,371	16,154,748
=	1.3313	1.5314	1.6799	1.7617	1.6596
X 100	100	100	100	100	100
LT Debt to Capitalization	**133.13**	**153.14**	**167.99**	**176.17**	**165.96**

Lutheran Life Ministries

	Actual FY10	Actual FY11	Actual FY12	Actual FY13	Projected FY17
Long-Term Debt	114,848,011	137,705,476	125,046,262	209,842,58 4	209,705,476
Net Assets	39,916,350	41,664,745	37,485,425	35,704,056	49,000,000
LT Debt plus Net Assets	154,764,361	179,370,221	162,531,687	245,546,64 0	258,705,476
Long-Term Debt/	114,848,011	137,705,476	125,046,262	209,842,58 4	209,705,476
LT Debt plus Net Assets	154,764,361	179,370,221	162,531,687	245,546,64 0	258,705,476
=	0.7421	0.7677	0.7694	0.8546	0.8106
X 100	100	100	100	100	100
LT Debt to Capitalization	**74.21**	**76.77**	**76.94**	**85.46**	**81.06**

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):**

	Oblig Group Projected FY17
Cash/Investments	6,160,827
Principal & Interest for year of Max Debt Service	2,150,010
Cushion Ratio	**2.87**

Lutheran Life Ministries

	Oblig Group Projected FY17
Cash/Investments	43,000,000
Principal & Interest for year of Max Debt Service	14,331,000
Cushion Ratio	**3.00**

B - b - 4) **Debt Service Coverage Ratio (Goal is 1.5 or more):**

Obligated Group (LO)

	Actual FY10	Actual FY11	Actual FY12	Actual FY13	Projected FY17
Debt Service Coverage	**n/a**	**0.48**	**1.38**	**1.34**	**1.48**

Lutheran Life Ministries

	Actual FY10	Actual FY11	Actual FY12	Actual FY13	Projected FY17
	1.26	1.07	1.57	1.50	**1.80**

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 (LO)

	Actual FY10	Actual FY11	Actual FY12	Actual FY13	Projected FY17
Cash & Cash Equivalents	172,331	1,265,219	3,011,212	1,442,068	3,259,278
Assets whose use is restricted	126,774	128,067	128,067	128,659	128,678
Long Term Investments	605,654	605,840	605,904	1,912,627	1,154,510
Total Cash	904,759	1,999,126	3,745,183	3,483,354	4,542,466
Total Operating Expense	7,252,105	7,624,916	7,486,492	7,287,111	10,112,801
Less: Depr & Amort	(1,252,764)	(1,272,850)	(1,307,350)	(1,342,599)	(1,440,722)
Adjsuted Oper Exp	5,999,341	6,352,066	6,179,142	5,944,512	8,672,079
Adj Oper Exp/ 365	16,437	17,403	16,929	16,286	23,759
Days Cash on Hand	**55**	**115**	**221**	**214**	**191**

Lutheran Life Ministries

	Actual FY10	Actual FY11	Actual FY12	Actual FY13	Projected FY17
Cash & Cash Equivalents	5,240,955	9,285,551	12,413,288	14,025,729	12,000,000
Assets whose use is restricted	11,122,271	14,387,189	15,107,510	11,873,235	12,000,000
Long Term Investments	8,592,775	11,637,354	6,777,430	13,455,857	19,000,000
Total Cash	24,956,001	35,310,094	34,298,228	39,354,821	43,000,000
Total Operating Expense	90,474,423	96,590,011	100,179,078	103,949,966	116,996,603
Less: Depr & Amort	(6,088,894)	(6,076,779)	(6,837,653)	(8,923,950)	(6,100,000)
Adjsuted Oper Exp	84,385,529	90,513,232	93,341,425	95,026,016	110,896,603
Adj Oper Exp/ 365	231,193	247,981	255,730	260,345	303,826
Days Cash on Hand	**108**	**142**	**134**	**151**	**142**

Statement Regarding Specific Ratios

Luther Oaks, Inc. and Lutheran Life Ministries comply with all financial ratios except those noted below. Please note the reasons for these differences from the desired ratio:

Current Ratio –

The current ratio of Lutheran Life Ministries falls below 1.5 but is close to 1.0 in most cases. At the end of FY12, Lutheran Life Ministries experienced a reduction in the Current Ratio. Factors affecting this ratio included the following which were isolated incidents in nature:

- At June 30, 2012, $3,800,000 of bonds from one of Lutheran Life Ministries' campuses was temporarily classified as short term due to an expiring letter of credit remarketing agreement. This bond obligation was refinanced in March 2013 and is now classified as a long term obligation.
- As part of its strategic plan, Lutheran Life Ministries has undertaken major renovations/construction at 4 of its campuses. Due to the timing of the startup expenses and construction payments for such major campus renovations, various lines of credit and accounts payable increased.

Lutheran Life Ministries invests reserved cash into a well diversified portfolio in order to earn a more significant investment income return. 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. Over time, it is anticipated that the current ratio for Lutheran Life Ministries will continue to rise.

Net Margin Percentage –

Luther Oaks does not meet the required percentage in current years or in FY17 when the skilled nursing facility will achieve stabilized occupancy. Several factors cause this issue including the following:

- Luther Oaks incurred startup losses during these periods since it was built in 2007 and was filling to capacity through December 2011. As the community continues to stabilize, net income will improve. These startup losses are funded by working capital from bond proceeds or reserves and are typical in the short term.
- The significant investment in building Luther Oaks has created a much larger depreciation expense 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, as the facility achieves stabilized occupancy.
- Initial health benefit incentives given contractually to residents in the independent and assisted living units at Luther Oaks in the first years of operation have also negatively impacted the short term net income. As these benefits are used up and/or expire, net income will increase.

The net margin percentage of Lutheran Life Ministries 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 stable 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 Ministries campuses, it is anticipated that this ratio will move towards and achieve the 2.5% goal.

Long Term Debt to Capitalization

The Luther Oaks campus opened in 2007 and stabilized occupancy took longer than projected due to the economic recession which began in 2008. Stabilized occupancy was not achieved until December of 2011. The additional startup losses (all funded by bond proceeds and additional contributions by Lutheran Life Ministries) along with the cost of the initial construction bonds have led to a higher Long Term Debt to Capitalization Ratio than the requirement. A significant portion of these losses are related to depreciation which is a non cash item and is not necessary to be funded in full as infrastructure lasts much longer than the depreciation time period. If depreciation were removed from these calculations, Luther Oaks would achieve a capitalization rate that would reach the 80% requirement.

Lutheran Life Ministries complies with this ratio historically, but was over the ratio in FY13 due to issuance of bonds to finance a repositioning of the Arlington Heights campus. These bond proceeds are planned/required for the short term in order to produce a more stable long term outcome. The ratio of 81.06% projected for FY 17 is slightly over the 80% standard. The main reason for this is the increase in debt related to the campuses are for major renovations which will enable these campuses 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.

Cushion Ratio –

The cushion ratio of Luther Oaks of 2.87 is close to the goal of 3.00. Additional funds have not been transferred to Luther Paks at this time as typical tax-exempt bond covenants for a long term healthcare facility like Luther Oaks 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 Luther Oaks) and these funds are available for use by Luther Oaks if required.

Debt Service Coverage

Luther Oaks achieved a debt service coverage ratio of 1.38 in FY12, 1.34 in FY13 and is expected to achieve a 1.48 ratio in FY17 once the skilled nursing operation is stabilized. The projected ratio for FY17 is highly conservative for planning and financing purposes and reflects lower than average expected rate increases at all levels of care. As noted above, Lutheran Life Communities Foundation maintains additional reserves designated for Luther Oaks, together with undesignated contributions that are available to meet these needs for the system's communities.

Lutheran Life Ministries has debt service coverage ratios of 1.26 in FY10, 1.07 in FY11, 1.57 in FY12, and 1.50 in FY13 compared to the required 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 attainment of debt service coverage ratio is not expected until completion of construction and opening of the units in order to generate the revenue used to meet the coverage ratio. Consequently, neither of these bond issues has required a debt service coverage calculation during these periods. As we progress to FY12 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) are projected to be met as planned. This will increase the Debt Service Coverage Ratio of Lutheran Life Ministries overall to meet and exceed the requirement of 1.5 over time.

Luther Oaks
A Lutheran Life Community

October 31, 2013

Ms. Kathryn J. Olson
Chair
Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761

Re: Luther Oaks, Inc. CON Application – Section 1120.140(a) Certification

Dear Chairwoman Olson:

In compliance with Section 1120.140(a) of the Illinois Health Facilities and Services Review Board Rules, we hereby certify that the total estimated project costs and related costs for the new construction of a new skilled care nursing facility ("Project") 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,

LUTHER OAKS, INC.

By: ______________________
Roger W. Paulsberg, Chair

Notarization:
Subscribed and sworn to before me
this 31st day of October, 2013

Patricia E. Walser
Signature of Notary Public

Seal

OFFICIAL SEAL
PATRICIA E WALSER
Notary Public - State of Illinois
My Commission Expires Nov 19, 2016

Vibrant, grace-filled living across all generations

601 Lutz Road · Bloomington, IL 61704
(309) 664-5940 · fax (309) 664-5999
www.LutherOaks.org

Luther Oaks
New Construction and Modernization Cost per BGSF Breakdown

October 31, 2013

CLINICAL

PROJECT SCOPE OF WORK	A Cost/Square Foot New	B Cost/Square Foot Mod.	C Gross Sq. Ft. New	D Gross Sq. Ft. Circ.*	E Gross Sq. Ft. Mod.	F Gross Sq. Ft. Circ.*	G Const. $ (AxC)	H Mod. $ (BxE)	Total cost (G+H)
AREA									
Resident Units	$184	$0	4,068	-	-	-	$748,105	$0	$748,105
Resident Baths	$210	$0	1,602	-	-	-	$336,420	$0	$336,420
Administrative	$175	$0	-	-	-	-	$0	$0	$0
Laundry	$225	$0	-	-	-	-	$0	$0	$0
Kitchen/Food Prep/Food Storage	$310	$272	-	-	-	-	$0	$0	$0
Dining	$210	$128	-	-	-	-	$0	$0	$0
Sitting / Living / Family Room	$180	$0	-	-	-	-	$0	$0	$0
Rehab / Therapy	$190	$0	622	-	-	-	$118,180	$0	$118,180
Spa / Restrooms	$210	$0	496	-	-	-	$104,160	$0	$104,160
Staff Support / Maintenance	$200	$0	-	-	-	-	$0	$0	$0
Service / Storage / Receiving	$115	$0	-	-	-	-	$0	$0	$0
Mechanical	$90	$0	-	-	-	-	$0	$0	$0
Circulation	$100	$75	2,797	-	-	-	$279,700	$0	$279,700
Soiled / Clean Utility	$200	$0	293	-	-	-	$58,506	$0	$58,506
Medication	$180	$0	104	-	-	-	$18,720	$0	$18,720
Activities	$180	$0	415	-	-	-	$74,700	$0	$74,700
Subtotals			10,397	-	-	-	$1,738,491	$0	$1,738,491

NON CLINICAL

PROJECT SCOPE OF WORK	A Cost/Square Foot New	B Cost/Square Foot Mod.	C Gross Sq. Ft. New	D Gross Sq. Ft. Circ.*	E Gross Sq. Ft. Mod.	F Gross Sq. Ft. Circ.*	G Const. $ (AxC)	H Mod. $ (BxE)	Total cost (G+H)
AREA									
Resident Units	$184	$0	-	-	-	-	$0	$0	$0
Resident Baths	$210	$0	-	-	-	-	$0	$0	$0
Administrative	$175	$0	620	-	-	-	$108,500	$0	$108,500
Laundry	$225	$0	-	-	-	-	$0	$0	$0
Kitchen/Food Prep/Food Storage	$310	$272	469	-	2,482	-	$145,390	$675,104	$820,494
Dining	$210	$128	1,992	-	2,154	-	$418,320	$276,447	$694,767
Sitting / Living / Family Room	$180	$0	962	-	-	-	$173,160	$0	$173,160
Rehab / Therapy	$190	$0	-	-	-	-	$0	$0	$0
Spa / Restrooms	$210	$0	-	-	-	-	$0	$0	$0
Staff Support / Maintenance	$200	$0	703	-	-	-	$140,600	$0	$140,600
Service / Storage / Receiving	$115	$0	1,168	-	-	-	$134,320	$0	$134,320
Mechanical	$90	$0	401	-	-	-	$36,090	$0	$36,090
Circulation	$100	$75	1,715	-	600	-	$171,500	$45,000	$216,500
Soiled / Clean Utility	$200	$0	-	-	-	-	$0	$0	$0
Medication	$180	$0	-	-	-	-	$0	$0	$0
Activities	$180	$0	-	-	-	-	$0	$0	$0
Subtotals			8,030	-	5,236	-	$1,327,880	$996,551	$2,324,431

TOTAL PROJECT				-		-	$3,066,371	$996,551	$4,062,922

LUTHER OAKS, INC.
CON APPLICATION
ECONOMIC FEASIBILITY

1. 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.

Projected Annual Operating Costs FY17 in current dollars

Projected Census

Long Term Skilled Dementia-Private Pay	8.00
Traditional LTC	7.00
Medicare	2.00
Public Aid	-
Total Average Census	17.00
Days	365
Total Census Days	6,205

Direct Costs (in current dollars)

	Annual Cost	Per Patient Day
Salaries	767,989	123.77
Employee Benefits	191,997	30.94
Program Services	92,774	14.95
Total Direct Costs (current dollars)	1,052,760	169.66
Direct Operating Costs per patient day (current dollars)		169.66

2. 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.

<u>Projected Annual Capital Costs FY17 in current dollars</u>

Project Depreciation Expense FY17	243,167
Projected Census Days FY17	6,205
Projected FY17 Capital Cost per patient day	39.19

LUTHER OAKS, INC.
CON APPLICATION
CRITERION 1125.800
ESTIMATED TOTAL PROJECT COST – RELATED COST DATA

1. Land Acquisition Cost – The applicant shall provide the purchase price or fair market value, whichever is applicable, for the acquisition of land that is required in order to undertake the project. Acquisition of land is not a capital expenditure and is not included as part of project costs.

The fair market value of the additional acres to be leased by Luther Oaks from Trinity Lutheran Church for the project is $239,993.82.

2. Operating Start-Up Cost – The applicant shall provide a schedule of estimated non-capitalized operating start-up costs and an estimate of any initial operating deficit.

Non-Capital Start up Costs

	FY15	FY16	Total
Net Operating Deficit	(450,000)	(543,910)	(993,910)

3. Construction and Modernization Costs and Schedule – The applicant shall provide a construction or project completion schedule that details the anticipated dates and percent of project construction or modernization completion at the 25th, 50th, 75th, 95th and 100th percentile of project funds expended.

Appended as **ATTACHMENT APP.B-2** is the construction and modernization costs and schedule.

4. Debt Service Relief Fund – Applicants shall provide the amount that will be placed in a debt service reserve fund and shall also provide the terms and conditions of uses of the fund.

Luther Oaks will have $300,000 placed in a Debt Service Reserve Fund. The uses of the fund will be limited to paying debt service on the financing obtained for the project.

Luther Oaks
A Lutheran Life Community
Bloomington, Illinois

Hoffman

October 17, 2013

Milestone Schedule

Description	Date
Construction Start	June 2014
25% of New Construction & Modernization Funds Expended	September 2014
50% of New Construction & Modernization Funds Expended	December 2014
75% of New Construction & Modernization Funds Expended	March 2015
95% of New Construction & Modernization Funds Expended	May 2015
100% of New Construction & Modernization Funds Expended	June 2015

Luther Oaks
New Construction and Modernization Cost per BGSF Breakdown

October 31, 2013

CLINICAL

	A	B	C	D	E	F	G	H	Total
	Cost/Square Foot		Gross Sq. Ft.		Gross Sq. Ft.		Const. $	Mod. $	cost
PROJECT SCOPE OF WORK	New	Mod.	New	Circ.*	Mod.	Circ.*	(AxC)	(BxE)	(G+H)
AREA									
Resident Units	$184	$0	4,068	-	-	-	$748,105	$0	$748,105
Resident Baths	$210	$0	1,602	-	-	-	$336,420	$0	$336,420
Administrative	$175	$0	-	-	-	-	$0	$0	$0
Laundry	$225	$0	-	-	-	-	$0	$0	$0
Kitchen/Food Prep/Food Storage	$310	$272	-	-	-	-	$0	$0	$0
Dining	$210	$128	-	-	-	-	$0	$0	$0
Sitting / Living / Family Room	$180	$0	-	-	-	-	$0	$0	$0
Rehab / Therapy	$190	$0	622	-	-	-	$118,180	$0	$118,180
Spa / Restrooms	$210	$0	496	-	-	-	$104,160	$0	$104,160
Staff Support / Maintenance	$200	$0	-	-	-	-	$0	$0	$0
Service / Storage / Receiving	$115	$0	-	-	-	-	$0	$0	$0
Mechanical	$90	$0	-	-	-	-	$0	$0	$0
Circulation	$100	$75	2,797	-	-	-	$279,700	$0	$279,700
Soiled / Clean Utility	$200	$0	293	-	-	-	$58,506	$0	$58,506
Medication	$180	$0	104	-	-	-	$18,720	$0	$18,720
Activities	$180	$0	415	-	-	-	$74,700	$0	$74,700
Subtotals			10,397	-	-	-	$1,738,491	$0	$1,738,491

Total Beds	18	18	18
BGSF / Bed	577.6	0.0	577.6
Cost / BGSF	$167.21	$0.00	$167.21

NON CLINICAL

	A	B	C	D	E	F	G	H	Total
	Cost/Square Foot		Gross Sq. Ft.		Gross Sq. Ft.		Const. $	Mod. $	cost
PROJECT SCOPE OF WORK	New	Mod.	New	Circ.*	Mod.	Circ.*	(AxC)	(BxE)	(G+H)
AREA									
Resident Units	$184	$0	-	-	-	-	$0	$0	$0
Resident Baths	$210	$0	-	-	-	-	$0	$0	$0
Administrative	$175	$0	620	-	-	-	$108,500	$0	$108,500
Laundry	$225	$0	-	-	-	-	$0	$0	$0
Kitchen/Food Prep/Food Storage	$310	$272	469	-	2,482	-	$145,390	$675,104	$820,494
Dining	$210	$128	1,992	-	2,154	-	$418,320	$276,447	$694,767
Sitting / Living / Family Room	$180	$0	962	-	-	-	$173,160	$0	$173,160
Rehab / Therapy	$190	$0	-	-	-	-	$0	$0	$0
Spa / Restrooms	$210	$0	-	-	-	-	$0	$0	$0
Staff Support / Maintenance	$200	$0	703	-	-	-	$140,600	$0	$140,600
Service / Storage / Receiving	$115	$0	1,168	-	-	-	$134,320	$0	$134,320
Mechanical	$90	$0	401	-	-	-	$36,090	$0	$36,090
Circulation	$100	$75	1,715	-	600	-	$171,500	$45,000	$216,500
Soiled / Clean Utility	$200	$0	-	-	-	-	$0	$0	$0
Medication	$180	$0	-	-	-	-	$0	$0	$0
Activities	$180	$0	-	-	-	-	$0	$0	$0
Subtotals			8,030	-	5,236	-	$1,327,880	$996,551	$2,324,431

Total Beds	18	18	18
BGSF / Bed	446.1	290.9	737.0
Cost / BGSF	$165.36	$190.33	$175.22

TOTAL PROJECT				-		-	$3,066,371	$996,551	$4,062,922

Table 1125. APPENDIX B Financial and Economic Review Standards			
	Luther Oaks	State Standard	Above/Below State Standard
Preplanning	$1,070	1.8% x (Construction + Contingencies + Equipment) = 1.8% x ($1,738,491+ $151,693 + $163,200) = 1.8% x $2,053,384 = $36,960.91	Below State Standard
Site Survey and Preparation	$396,970	5% x (Construction + Contingencies) = 5% x ($1,738,491+ $151,693) = 5% x $1,890,184= $94,509.20	Above State Standard
New Construction Costs	$1,890,184/10,397 GSF = $181.80 per square foot	$191 per square foot	Below State Standard
Contingencies	$151,693	10% x New Construction Costs = 10% x $1,738,491= $173,849.10	Below State Standard
Architectural/ Engineering Fees	$147,079	7.06% to 10.60% x (Construction + Contingencies) = 7.06% to 10.60% x ($1,738,491+ $151,693) = 7.06% to 10.60% x $1,890,184= $133,447 - $200,400	Within State Standard
Consulting & Other Fees	$163,736	No State Standard	
Equipment	$80,000	$6,491 per bed	Below State Standard

Table 1125. APPENDIX B Financial and Economic Review Standards			
	Luther Oaks	State Standard	Above/Below State Standard
		$6,491 x 18 = $116,838	
Other Costs to be Capitalized	$40,855	No State Standard	

Explanation as to Non-compliance with State Standards

The Project complies with all of the State Standards with the exception of the standard related to Site Preparation. Luther Oaks exceeds the State Standard on Site Preparation costs because of certain extraordinary costs associated with the Project. The primary reason for exceeding the State Standard is that the topography of the location where the Project is to be located requires Luther Oaks to purchase and bring to the site a large amount of fill to grade the land prior to constructing the Project. In addition, Luther Oaks will need to extend a public waterway around the Project site, which increases the costs for Site Preparation. There are additional costs for Site Preparation that Luther Oaks needs to incur in order to comply with requests from the City of Bloomington. These costs include the expansion of parking for the facility in order to meet local zoning requirements as well as widening the drives for fire and emergency response as requested by the City of Bloomington.