



Good Samaritan

Pontiac

May 11, 2012

VIA PERSONAL DELIVERY

Illinois Health Facilities and Services Review Board
525 West Jefferson Street, 2nd Floor
Springfield, Illinois 62761
Attn: Mike Constantino

Re: Response to IHFSRB Additional Information Request for Good Samaritan – Pontiac Certificate of Need Application, Project Number 12-027

Mr. Constantino,

This letter is written in response to your additional information request for the Good Samaritan – Pontiac certificate of need application, project number 12-027 (the "CON Application"). In your email dated April 20, 2012, you requested the following information:

1. Financial and personnel projections plus the underwriting package referenced in the Busey Bank Letter
2. Confirmation that the USDA loans have been secured and a complete explanation of what the USDA loans are and how much equity is to be contributed.
3. Information regarding whether the applicants met the pre-application requirements of the USDA
4. Information regarding what will be used for security for the USDA loans
5. Any market study that was completed

With respect to Item 1, we provided Busey Bank with the following information: a Projected Financial Report; 3 years of audited financial statements; 12-31-2011 income and expense and balance sheet; floor plan of the proposed project; square foot plans of the proposed project; and allocation of dollars for engineering, architect and construction of the proposed project. With the exception of the 12-31-2011 income and expense and balance sheet, all other information provided to Busey Bank is included in the CON Application. The 12-31-2011 income and expense and balance sheet is attached to this correspondence. In addition, we also submit revised projections based on the amended cost of the project and a more conservative estimate of census projections. The cash flow is positive in 2014 after absorbing the construction costs and operating line of credit.

With respect to Items 2 through 4, we have completed the pre-application process for funding from the USDA through the Community Facilities Program. (Guide O requirements) We are preparing the final application at this time for submission. We have met their requirements to apply as a not-for-profit entity and our legal documents are acceptable. We anticipate contributing \$2,500,000 in equity in connection with this funding. The USDA funding will be secured with the facility proposed in the CON Application and real estate to be acquired through the proposed project. There will be a long term direct loan with USDA and operation loan with USDA guarantee.

Lastly, with respect to Item 5, a market study was not submitted in connection with our request to Busey Bank.

Sincerely,

A handwritten signature in cursive script, appearing to read "Richard H. Hiatt".

Richard H. Hiatt, President

Enclosures

Good Samaritan Pontiac
Balance Sheet as of December 31, 2011

Balance Sheet	Pontiac
Assets:	
Cash	\$ 169,205
AR	1,159,214
Prepaid	691
Inventory	-
Reserved Funds	-
Land & Land Improvements	-
Building	84,669.00
Furniture	-
Vehicles	-
Construction In Process	-
Accumulated Depreciation	-
Remainder Interest in RE	-
Life Services Self-insured Pool	-
Total Assets	<u>\$1,413,779</u>
Current Liabilities:	
AP	\$ 705,930
Accruals	171,038
MedCash	-
Total current liabilities	<u>\$ 876,968</u>
Long Term Liabilities:	
Mortgage Payable	-
Deferred Support	-
Total long term liabilities	<u>-</u>
Total Liabilities	<u>876,968</u>
Equity:	
Earnings/FundBalance	536,811
Total liabilities and equity	<u>\$1,413,780</u>

Good Samaritan-Pontiac
Statement of Cash Flows for the Period Ended December 31, 2011

Net Income	\$	(29,654)
Increase in Accounts Receivable		229,890
Decrease in Accounts Payable		-225,722
Depreciation		
Net Cash Provided by Operating Activities	\$	<u>(485,266)</u>

Good Samaritan Pontiac
Income Statement for the Period Ended December 31, 2011

	Dec YTD	Dec
Income Statement		
Revenues		
Nursing home	\$2,680,190	\$ 218,588
Other	5,587	3,701
Livingston County economic grant	740,000	80,000
Total revenue	<u>3,425,777</u>	<u>302,289</u>
Expenses		
Nursing home expenses		
Nursing	1,525,102	188,620
Dietary	252,596	26,797
Housekeeping	72,639	7,840
Laundry	50,997	(2,085)
Maintenance	122,011	15,110
Utilities	195,265	12,893
Activities	36,532	2,702
Social services	36,448	2,996
Administration	412,496	71,622
Employee benefits	362,781	(26,013)
Non-Operating Building Project	14,183	14,183
Equip non-capital	1,441	161
Other - Assesment fee, marketing.	110,999	258,501
Total nursing home expnses	<u>3,193,491</u>	<u>331,943</u>
Assisted living expenses	-	-
Duplex expenses	-	-
Total expenses	<u>3,193,491</u>	<u>331,943</u>
Net Income (loss)	<u>\$ 232,285</u>	<u>(29,654)</u>

Good Samaritan Pontiac Projection Notes Provided by Applicant
May 10, 2012

1. The following financial projections incorporate increased costs of the project and provide an update on the next five years of operation for Good Samaritan Pontiac.
2. The report reflects the use of the Equity contribution of \$2,500,000 for construction of the Facility in 2012 and 2013. It also reflects the construction funding and soft costs payments of \$12,090,261, as stated on page 5 of the application, and additional cost of the land for \$480,000. Total estimated project costs plus the cost of the land \$15,070,261.
3. Due to the delayed Medicaid payments from the State of Illinois, Accounts Receivable is scheduled in all time frames to reflect 120 days outstanding.
4. The projections assume an end loan with the USDA to be \$12,570,261 at a 4% interest rate for 40 years. The construction loan is projected to be at an interest rate of 5%. (It should be noted that if the USDA loan were in effect today it would be 3.75% and we are anticipating an even lower rate at the time of closing.) With the USDA there is no financing fee; therefore, \$70,000 was removed from the original project costs in the CON application, as reflected in the modification to the application.
5. Census projections were changed to provide more conservative projections. Originally full occupancy of 120 residents was anticipated in April 2014 (with a mix of 57 Medicaid, 35 Private, and 28 Medicare). The revised projection anticipates a capacity of 115 residents on October 2014 (with a mix of 67 Medicaid, 29 Private, and 19 Medicare).
6. The ratio of debt service coverage to total debt has dropped, which is understandable due to the census change being heavier in Medicaid.
7. Still the occupancy exceeds 90% in less than two years, and the cash flow or statement of activities reflects a positive income and cash flow in 2014.

GOOD SAMARITAN - PONTIAC
(An Illinois Not-for-Profit Corporation)

PROJECTED STATEMENTS OF FINANCIAL POSITION
December 31, 2012 through 2017

ASSETS	Projected					
	2012	2013	2014	2015	2016	2017
Current Assets:						
Operating cash	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Invested cash	3,176	2,222	140,577	1,608,941	3,164,728	4,650,636
Accounts receivable	856,270	1,220,852	2,563,245	2,810,422	2,828,031	2,846,032
Prepaid expenses	705	719	733	748	763	778
Inventory	15,755	23,369	39,970	44,191	44,715	45,209
Total current assets	1,025,906	1,397,162	2,894,526	4,614,302	6,188,237	7,692,656
Property and Equipment:						
Land and land improvements	480,000	480,000	480,000	480,000	480,000	480,000
Construction in progress	7,002,742	-	-	-	-	-
Building and building improvements	-	13,838,279	13,838,279	13,838,279	13,838,279	13,838,279
Furniture, equipment and fixtures	-	850,082	850,082	890,082	890,082	930,082
Vehicles	40,000	40,000	80,000	80,000	120,000	120,000
Property and equipment (at cost)	7,522,742	15,208,361	15,248,361	15,288,361	15,328,361	15,368,361
Less accumulated depreciation	(5,714)	(491,816)	(983,632)	(1,479,448)	(1,980,978)	(2,486,508)
Net property and equipment	7,517,028	14,716,545	14,264,729	13,808,913	13,347,383	12,881,853
Financing Costs	-	-	-	-	-	-
Less amortization	-	-	-	-	-	-
Financing costs, net	-	-	-	-	-	-
Total assets	\$ 8,542,933	\$ 16,113,707	\$ 17,159,255	\$ 18,423,215	\$ 19,535,619	\$ 20,574,509
LIABILITIES AND NET ASSETS						
Current Liabilities:						
Accounts payable	\$ 446,036	\$ 568,677	\$ 942,870	\$ 1,025,613	\$ 1,047,356	\$ 1,069,615
Line of credit	655,000	310,000	-	-	-	-
Current maturities of long-term debt	21,261	130,578	135,898	141,435	147,197	153,194
Accrued liabilities	114,008	142,965	216,551	239,508	246,694	254,094
Total current liabilities	1,236,304	1,152,221	1,295,319	1,406,556	1,441,247	1,476,904
Long-Term Liabilities						
Notes payable	5,161,812	12,391,853	12,255,955	12,114,520	11,967,322	11,814,128
Total long-term liabilities	5,161,812	12,391,853	12,255,955	12,114,520	11,967,322	11,814,128
Total liabilities	6,398,117	13,544,074	13,551,274	13,521,076	13,408,569	13,291,032
Net Assets:						
Unrestricted	2,144,817	2,569,632	3,607,981	4,902,139	6,127,050	7,283,477
Total net assets	2,144,817	2,569,632	3,607,981	4,902,139	6,127,050	7,283,477
Total liabilities and net assets	\$ 8,542,933	\$ 16,113,707	\$ 17,159,255	\$ 18,423,215	\$ 19,535,619	\$ 20,574,509

GOOD SAMARITAN - PONTIAC
(An Illinois Not-for-Profit Corporation)

PROJECTED STATEMENTS OF ACTIVITIES
December 31, 2012 through 2017

	Projected					
	2012	2013	2014	2015	2016	2017
Operating revenue:						
Net resident income	\$ 2,568,811	\$ 3,662,555	\$ 7,689,736	\$ 8,431,265	\$ 8,484,093	\$ 8,538,097
Operating expenses:						
Nursing	1,074,988	1,426,863	2,800,861	3,042,334	3,099,900	3,159,192
Housekeeping, laundry and plant	352,265	413,751	526,068	565,582	582,550	600,025
Dietary	223,434	318,507	525,926	588,427	606,890	625,096
Employee welfare	378,278	474,359	718,517	794,689	818,529	843,085
Bad debts	51,376	73,251	153,795	168,625	169,682	170,762
Activities and social services	59,829	73,145	101,068	110,211	113,518	116,923
	<u>2,140,170</u>	<u>2,779,877</u>	<u>4,826,235</u>	<u>5,269,868</u>	<u>5,391,068</u>	<u>5,515,084</u>
Income before general and administrative expenses and capital expenses	428,641	882,678	2,863,501	3,161,397	3,093,025	3,023,013
General and administrative expense	536,046	632,188	830,983	883,808	893,068	902,607
Income (loss) before capital expense	(107,405)	250,491	2,032,518	2,277,589	2,199,957	2,120,405
Capital expenses:						
Interest	16,375	107,714	506,271	493,201	487,664	481,902
Amortization	-	-	-	-	-	-
Depreciation	5,714	486,102	491,816	495,816	501,530	505,530
	<u>22,089</u>	<u>593,816</u>	<u>998,087</u>	<u>989,017</u>	<u>989,194</u>	<u>987,432</u>
Income (loss) before other income	(129,494)	(343,325)	1,034,431	1,288,573	1,210,763	1,132,974
Other income:						
Gifts & Other	2,500	3,125	3,906	4,883	6,104	7,629
Interest and investment income	-	16	11	703	8,045	15,824
Operating grant	-	-	-	-	-	-
	<u>2,500</u>	<u>3,141</u>	<u>3,917</u>	<u>5,586</u>	<u>14,148</u>	<u>23,453</u>
Change in unrestricted net assets	(126,994)	(340,184)	1,038,348	1,294,158	1,224,911	1,156,427
Temporarily restricted assets:						
Construction grant	1,735,000	765,000	-	-	-	-
Change in net assets	1,608,006	424,816	1,038,348	1,294,158	1,224,911	1,156,427
Net Assets:						
Beginning of year	536,811	2,144,817	2,569,632	3,607,981	4,902,139	6,127,050
End of year	<u>\$ 2,144,817</u>	<u>\$ 2,569,632</u>	<u>\$ 3,607,981</u>	<u>\$ 4,902,139</u>	<u>\$ 6,127,050</u>	<u>\$ 7,283,477</u>

GOOD SAMARITAN - PONTIAC
(An Illinois Not-for-Profit Corporation)

PROJECTED STATEMENTS OF CASH FLOWS
December 31, 2012 through 2017

	Projected					
	2012	2013	2014	2015	2016	2017
Cash Flows from Operating Activities:						
Change in net assets	\$ 1,608,006	\$ 424,816	\$ 1,038,348	\$ 1,294,158	\$ 1,224,911	\$ 1,156,427
Adjustments to reconcile change in net assets to net cash flows provided by (used in) operating activities:						
Depreciation	5,714	486,102	491,816	495,816	501,530	505,530
Amortization	-	-	-	-	-	-
(Increase) decrease in assets:						
Accounts receivable	302,944	(364,581)	(1,342,394)	(247,176)	(17,609)	(18,001)
Prepaid expenses	(14)	(14)	(14)	(15)	(15)	(15)
Inventory	(15,755)	(7,615)	(16,600)	(4,222)	(524)	(494)
Increase (decrease) in liabilities:						
Accounts payable	(269,894)	122,641	374,192	82,743	21,743	22,259
Accrued expenses and other current liabilities	(57,030)	28,958	73,586	22,957	7,185	7,401
Net cash provided by operating activities	1,583,971	690,306	618,934	1,644,262	1,737,222	1,673,106
Cash Flows from Investing Activities:						
Purchase of property and equipment	(7,438,073)	(7,685,619)	(40,000)	(40,000)	(40,000)	(40,000)
Net cash (used in) investing activities	(7,438,073)	(7,685,619)	(40,000)	(40,000)	(40,000)	(40,000)
Cash Flows from Financing Activities:						
Proceeds from notes payable	5,183,073	7,360,619	-	-	-	-
Proceeds from line of credit	655,000	-	-	-	-	-
Financing fees	-	-	-	-	-	-
Payments on line of credit	-	(345,000)	(310,000)	-	-	-
Payments on notes payable	-	(21,261)	(130,578)	(135,898)	(141,435)	(147,197)
Net cash provided by (used in) financing activities	5,838,073	6,994,359	(440,578)	(135,898)	(141,435)	(147,197)
Increase (decrease) in cash and cash equivalents	(16,029)	(955)	138,356	1,468,363	1,555,787	1,485,909
Cash and Cash Equivalents:						
Beginning	169,205	153,176	152,222	290,577	1,758,941	3,314,728
Ending	\$ 153,176	\$ 152,222	\$ 290,577	\$ 1,758,941	\$ 3,314,728	\$ 4,800,636

GOOD SAMARITAN - PONTIAC
 (An Illinois Not-for-Profit Corporation)

PROJECTED DEBT SERVICE COVERAGE RATIO
 December 31, 2012 through 2017

	Projected					
	2012	2013	2014	2015	2016	2017
Change in net assets	\$ 1,608,006	\$ 424,816	\$ 1,038,348	\$ 1,294,158	\$ 1,224,911	\$ 1,156,427
Add back:						
Mortgage interest expense	-	83,589	498,521	493,201	487,664	481,902
Depreciation and amortization	5,714	486,102	491,816	495,816	501,530	505,530
Other sources:						
Debt service provided by mortgage proceeds	29,588	299,160	-	-	-	-
Net income and other sources available for debt service	\$ 1,643,308	\$ 1,293,667	\$ 2,028,685	\$ 2,283,175	\$ 2,214,105	\$ 2,143,858
Annual debt service requirements - mortgage:						
Principal	-	21,261	130,578	135,898	141,435	147,197
Interest	-	83,589	498,521	493,201	487,664	481,902
Total annual debt service payments - total	\$ -	\$ 104,850	\$ 629,099	\$ 629,099	\$ 629,099	\$ 629,099
Number times debt service covered-total debt	-	12.34	3.22	3.63	3.52	3.41

GOOD SAMARITAN - PONTIAC
(An Illinois Not-for-Profit Corporation)

PROJECTED OCCUPANCY
December 31, 2012 through 2017

Number of Months in Operation					
2012	2013	2014	2015	2016	2017
12	12	12	12	12	12

Fiscal Year 2012 Cumulative Occupancy - Skilled Nursing Units													Total	Average
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec			
Medicaid	30	30	30	32	32	32	32	33	33	34	35	38	391	32.58
Private	5	5	5	6	6	6	6	6	6	6	6	6	69	5.75
Medicare	5	4	3	3	3	2	3	3	4	5	6	6	47	3.92
Occupancy:	40	39	38	41	41	40	41	42	43	45	47	50	507	42.25
Resident Days:	1,240	1,131	1,178	1,230	1,271	1,200	1,271	1,302	1,290	1,395	1,410	1,550	15,468	

Fiscal Year 2013 Cumulative Occupancy - Skilled Nursing Units													Total	Average
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec			
Medicaid	38	42	44	46	48	48	49	50	49	47	49	50	560	46.67
Private	6	6	6	7	7	7	8	9	13	14	15	16	114	9.50
Medicare	6	4	3	3	3	5	5	5	8	9	10	10	71	5.92
Occupancy:	50	52	53	56	58	60	62	64	70	70	74	76	745	62.08
Resident Days:	1,550	1,456	1,643	1,680	1,798	1,800	1,922	1,984	2,100	2,170	2,220	2,356	22,679	

Fiscal Year 2014 Cumulative Occupancy - Skilled Nursing Units													Total	Average
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec			
Medicaid	56	59	62	64	65	65	67	67	66	67	67	67	772	64.33
Private	13	14	15	17	20	22	27	27	28	29	29	29	270	22.50
Medicare	15	16	17	18	19	17	20	20	20	19	19	19	219	18.25
Occupancy:	84	89	94	99	104	104	114	114	114	115	115	115	1,261	105.08
Resident Days:	2,604	2,492	2,914	2,970	3,224	3,120	3,534	3,534	3,420	3,565	3,450	3,565	38,392	

Fiscal Year 2015 Cumulative Occupancy - Skilled Nursing Units													Total	Average
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec			
Medicaid	67	67	67	67	67	67	67	67	67	67	67	67	804	67.00
Private	29	29	29	29	29	29	29	29	29	29	29	29	348	29.00
Medicare	19	19	19	19	19	19	19	19	19	19	19	19	228	19.00
Occupancy:	115	115	115	115	115	115	115	115	115	115	115	115	1,380	115.00
Resident Days:	3,565	3,220	3,565	3,450	3,565	3,450	3,565	3,565	3,450	3,565	3,450	3,565	41,975	

Fiscal Year 2016 Cumulative Occupancy - Skilled Nursing Units													Total	Average
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec			
Medicaid	67	67	67	67	67	67	67	67	67	67	67	67	804	67.00
Private	29	29	29	29	29	29	29	29	29	29	29	29	348	29.00
Medicare	19	19	19	19	19	19	19	19	19	19	19	19	228	19.00
Occupancy:	115	115	115	115	115	115	115	115	115	115	115	115	1,380	115.00
Resident Days:	3,565	3,335	3,565	3,450	3,565	3,450	3,565	3,565	3,450	3,565	3,450	3,565	42,090	

Fiscal Year 2017 Cumulative Occupancy - Skilled Nursing Units													Total	Average
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec			
Medicaid	67	67	67	67	67	67	67	67	67	67	67	67	804	67.00
Private	29	29	29	29	29	29	29	29	29	29	29	29	348	29.00
Medicare	19	19	19	19	19	19	19	19	19	19	19	19	228	19.00
Occupancy:	115	115	115	115	115	115	115	115	115	115	115	115	1,380	115.00
Resident Days:	3,565	3,335	3,565	3,450	3,565	3,450	3,565	3,565	3,450	3,565	3,450	3,565	42,090	