

State of Illinois
Illinois Department of Healthcare and Family Services
Instructions for Completing
2023 Supportive Living Facility Cost Reports

These are the instructions for completing the Cost Report for Supportive Living Facilities (SLF). The cost report form is necessary in order that each SLF provide the same type of information to the Illinois Department of Healthcare and Family Services. This financial report is necessary for the State to carry out its role in the development of adequate health care plans. Please follow these instructions so that each SLF will file information consistent with the others in the state.

Thank you for your continued cooperation in this matter.

The 2023 cost report form is available by download from the Internet or by Email. It has been created with Excel 365. **When filing the cost report, be sure to submit a signed paper copy along with an electronic copy of the file. The electronic copy may be sent by Email or by CD (be sure to keep a copy of the file for your records).** You may send the cost report file by Email to:

HFS.HealthFinance@illinois.gov

You must use the 2023 Excel file when filing the cost report. **Any deviations from the 2023 format will result in the cost report being considered incomplete. As a result, the cost report will not be considered as being timely filed. Please do not change the form.**

The 2023 Cost Report Form is available on our web site at the following address:

<https://hfs.illinois.gov/medicalprograms/slf/costreport.html>

Important

- **All attachments requested in the cost report or the instructions must be submitted with the cost report in order for the report to be considered complete and timely filed. If possible, please include all attachments in the Excel file.** Also ensure that Schedule II has been properly signed and dated. The cost report cannot be filed by fax machine.
- **Supportive Living Facilities which have an approved Dementia Care Unit as part of their conventional facility must file two cost reports. The first cost report will combine the dementia care unit with the existing facility. The second report should only include costs associated with the dementia care unit.**

Instructions for Completing 2023 Supportive Living Facility Cost Reports

General Background

Regulations promulgated under the authority of the 89 Illinois Administrative Code Section 146.265 Records and Reporting Requirements require that each certified SLF file an attested cost report annually. Below are the instructions relating to the completion of the required cost report.

Any questions concerning the required information or appropriate entry of information should be addressed to:

**Bureau of Health Finance
Illinois Department of Healthcare and Family Services
201 South Grand Avenue East
Springfield, Illinois 62763
Telephone (217) 782-1630
Email HFS.HealthFinance@illinois.gov**

When Must You File?

This report should cover the facility's fiscal year ending in 2023. It is due on September 30, 2023, or ninety days after the close of the facility's fiscal year, **whichever comes later**. For example, cost reports for facilities with a 12/31/2023 year end are due March 31, 2024. A one month extension is available if requested by the due date.

If a SLF has changed ownership between the closing date of the last report and December 31, 2023, the SLF should notify the Bureau of Health Finance of the new owner's fiscal year end. The new owner may then be required to submit a cost report from the date of the change through December 31, 2023. This report will be due March 31, 2024. The cost report period must be a minimum of six months. A period of less than six months does not need to be filed.

If a SLF should experience difficulty in completing their cost report by the due date, they should request an extension of the filing date. **This extension request must be received in our office by to the due date. The maximum extension period is one month.**

Who Must File?

All certified facilities must file a cost report. If a cost report is not filed by the due date, the SLF will have its Medicaid payments withheld until a complete cost report has been filed.

Instructions for Completion of the SLF Cost Report Forms

Page 1:

I. Facility Identification

Enter the 9 digit Federal employer ID number on the line provided.

Complete all other requested information. Please make sure the address is that of the facility and not the central office.

A “Charitable Corporation” designates a corporation, or portions of a corporation to which the donations are tax deductible.

A “Sub-S” Corporation designates a small business corporation as defined under subchapter S of the Internal Revenue Code.

II. Certification By Authorized Facility Officer. The beginning and ending dates of the report should be indicated on the first page. The cost report year must be consistent with the previous year.

An authorized officer or the administrator of the facility must sign the certification on page one of the form. Please enter the name, telephone number and Email address (if available) of the individual who should be contacted in the event there are questions concerning any information contained in this report.

Anyone who is paid to prepare a cost report must sign the report and fill in the other blanks in the paid preparer’s information area. (This does not include employees of the facility.) Any cost report which has not been signed by both the facility officer and the paid preparer (if applicable) will be considered incomplete and will be returned to the facility for proper signature. The declaration of the preparer (other than the provider) is based on all information of which the preparer has any knowledge. A Certified Public Accountant may attach a signed and dated compilation report instead of signing the certification section. The CPA must make a note in the paid preparer section which states that a compilation report is attached. A sample of a compilation report may be obtained from the Bureau of Health Finance of the Illinois Department of Healthcare and Family Services.

Page 2:

III. Statistical Data.

- A. Enter the number of units the facility has certified for single and double units, the total number of units, and the total unit days available during the report period.

For example, assume a facility had 100 single units for 12 months (365 days) and 50 double units for 12 months (365) days. If only one person is living in a double unit, you do not need to do anything with line 3. To account for double units that have 2 people living in them, the days for the second person should be reported in column 4. For example, during the year, 25 of the 50 double units had 2 people living in them. Therefore, 9,125 (25 X 365) should be entered on line 3 of column 4. This additional number is necessary so that the occupancy percentage in section C will not be over 100%.

	1	2	3	Calculation	4	
	Units at Beginning of Report Period	Licensure Level of Care	Units at End of Report Period	Unit Days Licensed During Report Period	Total	
1	100	Single Unit Apartment	100	100 x 365 = 36,500	36,500	1
2	50	Double Unit Apartment	50	50 x 365 = 18,250	18,250	2
3		Other		25 x 365 = 9,125	9,125	3
4	150	Total	150		63,875	4

B. Enter the total number of SLF resident days during the report (by type of unit). A resident day is defined as a 24 hour census-taking period during which the unit is occupied. The day of admission may be counted as a resident day; the day of discharge should not be included as a resident day unless it is the day of death.

An individual should be classified as a Medicaid recipient if any portion of his or her care is reimbursed by the Illinois Department of Healthcare and Family Services. **See additional descriptions for the primary source of payment categories at the bottom of Page 2 of the cost report form.**

C. Enter the portion of time that the total units were occupied. This percent is determined by dividing total census days on line 8, column 5, by total licensed unit days on line 4, column 4.

I. **Accounting Basis.** All facilities, other than governmental, must report on the accrual basis. In the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred, without regard to the time of receipt or payment.

Page 3:

IV. Cost Center Expenses. Please read the instructions carefully before each schedule is completed as any report not completed in accordance with the instructions will be returned and will be considered out of compliance with filing requirements. Enter actual costs by cost center for the cost reporting period shown on page one. Estimates of costs are not allowable. Please round to the nearest dollar here and throughout the report. Costs of care for all SLF residents regardless of payer are to be reported.

The entries in columns 1 through 4 must reflect the general ledger balance. Reclassifications and adjustments must be recorded in column 5 and the adjusted total (column 4 plus or minus column 5) would be entered in column 6. **All reclassifications and adjustments must be explained on an attached schedule.**

The following definitions should be used as a guide in completing Schedule IV:

Operating Expense.

A. General Services.

1. **Dietary Salaries:** Include gross salaries and wages earned by those preparing food, serving food, dishwashing, planning menus, ordering dietary supplies, maintaining dietary inventory and scheduling working hours for dietary employees. Throughout this report, gross salaries include vacation, sick pay and any employee authorized deduction. Gross salaries exclude other employee benefits paid for by the employer; employee benefits for all employees should be entered on line 12. All individual salaries and wages should be reported in the "Salary/Wage" column if those salaries and wages are subject to social security tax or IMRF for county facilities. All other individuals should be treated as consultants. Report all consultant fees in the "Other" column.

Food and Dietary Supplies: Food purchase expenses include food and food supplements for special diets. Supply expenses include those for preparing and serving food such as dishes, glassware, flatware, paper products used in food service, kitchen utensils, soaps and detergents, menus, aprons and uniforms for dietary personnel, as well as other miscellaneous dietary expenses. Expenses related to alcoholic beverages and vending machines must be adjusted out.

Other: Fees for dietary consultants are to be included in this item. (All individuals paid by the facility and not subject to social security withholding should be considered as consultants and entered in the "Other" column. Do not enter consultant fees in the "Salary/Wage" column.)

2. **Housekeeping, Laundry and Maintenance Salaries:** Include gross salaries and wages of housekeepers, maids, janitors, maintenance workers and laundry employees. Do not include employee benefits.

Housekeeping, Laundry and Maintenance Supplies: Housekeeping supplies such as brooms, brushes, cleaning compounds, disinfectants, germicides, insecticides, mops, polish, paper towels and drinking cups. Laundry supplies include linens, laundry soaps and bleaches.

Maintenance items include supplies, parts and materials required to maintain the building or equipment as well as inspection fees for the physical plant such as elevators or boilers. Most nondepreciable equipment should be included here. Exceptions are nondepreciable healthcare equipment, which should be entered on line 6 and nondepreciable office equipment, which should be entered on line 10.

All maintenance costs must be expensed in the fiscal year they were incurred. Repairs under \$2,500 must be expensed in the year the repair was performed. Equipment purchases under \$2,500 must be expensed in the year acquired.

Equipment must be depreciated if it costs **\$2,500** or more and has an estimated useful life of two years or more. If items with estimated lives of two years or more are acquired in quantity and the cost of the quantity is at least **\$2,500**, these items must also be depreciated over their useful lives. Single items of repair which cost **\$2,500** or more and have a life of two years or more must be considered as capital improvements and must be depreciated over the useful life of the repair. Improvements of this type must be reported on Schedule VIII-B. Leasehold improvements costing **\$2,500** or more are to be depreciated over the remaining life of the lease (including extensions) or the useful life of the improvement, whichever is shorter.

All costs relating to each equipment item, improvement or repair project must be aggregated before being compared to the appropriate \$2,500 threshold in the previous paragraph. For example, if the nursing home incurs \$600 labor cost and materials cost totaling \$2,000 for one repair project, then the total of \$2,600 must be capitalized rather than be recorded as a current year operating expense.

Software and Computer Equipment - If the total cost for software and equipment is less than \$2,500, the cost should be reported as a supply cost in the department for which it is primarily used. If the total cost for the software and equipment exceeds \$2,500, the cost must be capitalized as equipment and depreciated.

Other: Enter other expenses relating to housekeeping, laundry, and maintenance and not applicable to salaries or supplies. If laundry services are purchased, that expense should be entered here.

3. **Heat and Other Utilities:** Enter the expense of electricity, water, gas and other utilities. Do not include telephone expense; telephone expense must be reported on line 10. Cable TV expense for the lobby only should be reported here. Cable TV expense for the residents' rooms is not allowable and must be adjusted out in column 5 of this schedule.
4. **Other:** Enter all expenses of general services which do not fit logically into the first 3 items on this schedule. Please attach a separate schedule detailing the expenses included on this line. **Security and waste removal expense should be listed here and detailed appropriately.**
5. **Total General Services:** Sum of lines 1 through 4.

B. Health Care and Programs

6. **Health Care:** Include gross salaries and wages of the health care staff, including nurses and certified nurse assistants, employees ordering health care supplies, maintaining health care inventories and scheduling working hours for health care employees. Supervisory health care personnel and medical records personnel as well as those rendering direct SLF resident care should be included. Do not include employee benefits. The salaries of all health care and personal care staff must be reported on line 6.

Health care Supplies: Include all health care supplies used in rendering care to residents such as adhesive, catheters, dressings, gauze, hypodermic syringes and needles, rubber goods, shampoo, shaving cream, soap, toothbrushes, toothpaste, thermometers and other “personal care items”. Resident clothing expenses are not allowable.

Other: Include the fees for a nurse consultant, medical records consultant, medical advisor, pharmacist consultant and all licensed therapist consultants in this item.

7. **Activity and Social Service Salaries:** Include gross salaries and wages of individuals working with the activity program and those on the social service staff (including psycho-social and social service designee) whether they are full-time or part-time. Do not include employee benefits and do not include individuals reported on other line items.

Activity and Social Service Supplies: Include supplies used in the activity and social service programs.

Other: Enter the fees for the activity and social service consultants if applicable. Expense of religious services should be included in this line item.

8. **Other:** Enter health care costs not fitting into the categories listed in lines 6 and 7. Please attach a separate schedule detailing the expenses included in this line.
9. **Total Health Care and Programs:** Sum of lines 6 through 8.

C. General Administration

10. **Administrative and Clerical Salaries:** Include gross salaries and wages of administrative and clerical personnel such as the facility administrator, controller and manager. Do not include employee benefits. Compensation paid to a non-working officer, employee or owner is not allowable and must be adjusted out. **Do not include the salary of medical records personnel here as it must be recorded on line 6.**

Administrative and Clerical Supplies: Include office supplies, printing, postage and copier expense.

Other: Enter all other clerical expense not related to salaries or supplies, including telephone expense. Telephone and pager leasing expense must be reported here as opposed to line 21. **Telephone revenue may be offset in column 5 instead of trying to determine the cost of residents’ phone bills.** Fines, penalties and bank overdraft charges are not allowable expenses and must be adjusted out in column 5. Management fees should be reported here.

11. **Marketing Salaries:** Include gross salaries and wages of marketing, public relations and advertising personnel. Do not include employee benefits.

Marketing Materials, Promotions and Advertising Supplies: Include supplies, printing, postage and brochures expense.

Other: Enter all other marketing expenses not related to salaries or supplies, including television, radio and newspaper advertising.

12. **Employee Benefits and Payroll Taxes:** Enter the expense to the facility for benefits paid by the facility for all employees such as retirement, pension, annuity, physical examinations, life insurance, health insurance, workers' compensation insurance, malpractice insurance for individual employees, payroll taxes, meals, unemployment insurance and necessary employee vaccinations. Benefits shown as costs must be required by law, a written contract or written policies of the facility.

If a facility provides uniforms or a uniform allowance for its employees, the cost of such should be reported on the same line as the employee's salary, but must be classified under column 2, "supplies". Do not include the uniform allowance on line 12 – "Employee Benefits".

Payments to an IRA are not an allowable cost. Tickets to sporting events, concerts and other forms of entertainment are not allowable expenses.

For any non-cash compensation to be allowable, the employee must have been issued a W-2 for the value. Adequate supporting documentation must be available which specifies the item, amount, verification of value, purchase documents, etc.

13. **Insurance -- Property, Liability and Malpractice:** Enter expense for insurance on property and equipment; include liability, fire, comprehensive and malpractice insurance expenses for the facility. Do not include workers' compensation insurance or mortgage insurance on this line. Workers' compensation insurance should be classified on line 12 – "Employee Benefits" and mortgage insurance should be classified on line 22 "Ownership-Other".
14. **Other:** Please attach a separate schedule detailing the expenses included on this line.
15. **Total General Administration:** Sum of lines 10 through 14.
16. **Total Operating Expense:** Sum of lines 5, 9 and 15.

Capital Expense.

D. Ownership

17. **Depreciation:** Include depreciation of all depreciable assets in this item; no depreciation expense should be listed elsewhere on this schedule. Depreciation on care-related assets is an allowable cost subject to the following conditions.

1. Depreciation must be computed on a straight line basis, starting from the date of completion or installation. If an accelerated method is used for book purposes, an adjustment must be made in column 5 of Schedule IV.
2. Depreciation must be based on historical cost of the asset (purchased assets) or fair market value at the time of donation or inheritance of the asset (donated or inherited assets). Adjustments in basis are not allowable for purchase of partnership interest, for other transfer of assets among related parties or due to purchase of capital stock. The basis of the building and equipment may not be increased by retroactively capitalizing costs which were previously expensed on the books by the provider.
3. Depreciation must be spread over the useful life of the asset using the American Hospital Association guidelines followed by Medicare. Single items of equipment purchased at a cost of \$2,500 or more with an estimated life of two years or more are to be depreciated. If items with estimated lives of two years or more are acquired in quantity and the cost of the quantity is at least \$2,500, these items must also be depreciated over their useful lives. Single items of repair which cost \$2,500 or more and have a useful life of two years or more are to be considered as capital improvements and must be depreciated over the useful life of the item. Leasehold improvements costing \$2,500 or more are to be depreciated over the remaining life of the lease (including extensions) or the useful life of the improvement, whichever is shorter. Depreciation expense on new fixed assets must be based upon the number of months used in the current year.

All costs relating to each equipment item, improvement or repair project must be aggregated before being compared to the \$2,500 threshold in the previous paragraph. For example, if the SLF incurs a \$600 labor cost and materials cost totaling \$2,000 for one repair project, then the total of \$2,600 must be capitalized rather than be recorded as a current year operating expense.

4. Depreciation lives must be consistent from year to year. Also, the provider is not allowed to decrease the accumulated depreciation which was originally reported on the first Medicaid cost report.
18. **Interest:** Enter working capital interest and interest on care-related long-term debt from Schedule X, column 9, line 7.

Reasonable and necessary interest on both current and long-term capital indebtedness is an allowable cost provided that the indebtedness is related to SLF resident care. Interest paid by a facility to a related organization is allowable to the extent it does not exceed the prime rate of interest, but loans from related parties must be for a purpose that otherwise could have been borrowed from an unrelated financial institution. However, if the prime interest rate exceeds 125% of the prevailing mortgage rate at the time of the loan, then the interest rate will be limited to 125% of the prevailing mortgage rate.

Bond financing costs are to be amortized over the term of the bonds. This amortization must then be classified on line 18 of Schedule IV.

Contributions from owners which are in essence contributions to owners' equity must not be classified as loans. For example, funds provided by owners to replace operating losses are contributions to capital and thus interest on such loans is not allowable.

Interest income, or other investment income from unrestricted funds must be used to offset allowable interest expense. Restricted, for the purpose of this instruction, refers to restrictions outside the control of the management of the facility such as a restricted-purpose donation received. Thus, investment income from funds restricted in use by the management of the facility must be offset against interest expense.

The imputed value of interest income on loans receivable from officers, related parties or employees must also be offset against interest expense.

Interest paid on loans for the following purposes is not allowable: Purchase of capital stock, partnership buyouts of another partners ownership interest, loans by related parties in order to provide funds to compensate or pay dividends to related parties, land in excess of the portion necessary for SLF resident care, investments, buildings or equipment not being used for SLF resident care, interest expense associated with late payments of income tax, payroll tax, etc. and interest on transfers within an agency such as an interagency loan fund.

No interest cost shall be recognized to the extent it exceeds payment used on 125 percent of the prevailing mortgage rate at the time of the loan.

19. **Real Estate Taxes:** Enter real estate tax expense for the reporting period. Do not include employee withholding, unemployment tax, social security tax, or income tax. The **personal property replacement** tax is an income tax and is therefore, non-allowable. Adjust this expense out in column 5 of this schedule.
20. **Rent -- Facility and Grounds:** Include actual rent or lease expense paid to an unrelated party for facility and grounds. If you are renting from a related organization do not enter the rental amount but rather enter the related organization's actual costs (e.g., depreciation, interest, taxes, etc.) Real estate taxes included in rental amounts should be reclassified as tax expense (line 19).

For a sale and leaseback transaction, any rental expense in excess of the expense that would have been incurred if the provider had retained legal title to the property must be adjusted out of Schedule IV.
21. **Rent -- Equipment:** Include expense of all equipment and vehicles leased or rented from an unrelated party.
22. **Other:** Show any other ownership expenses and attach a separate schedule detailing these expenses. Amortization of goodwill is not an allowable cost on the cost report.
23. **Total Ownership:** Sum of lines 17 through 22.
24. **Grand Total:** Sum of lines 16 and 23.

Non-Allowable Expenses - Several types of expenses are not allowable. Thus, be sure to

adjust out the following expenses in column 5 of Schedule IV: Any expense not directly related to SLF resident care; cost of care, meals, laundry, etc. for non-SLF residents; alcoholic beverages; bad debts; clothing; contributions; covenant not-to-compete; depreciation in excess of straight line, depreciation on non-care assets and excess depreciation on asset lives which are shorter than allowed by these instructions; dental expenses; collection fees; entertainment; fines and penalties; funeral expenses; fund raising expense; goodwill; non-care related interest expense, interest on transfers within an agency, interest on funds borrowed to fund negative equity and interest on late payments such as income taxes; investment expenses; income taxes and personal property replacement tax; lobbying expenses; overdraft charges, owner or key-man life insurance; personal expenses for the owner; principal payments on the mortgage; personal goods and supplies sold to residents; political action committee (PAC) dues; retainer fees; taxes for which exemptions are available to the provider; tobacco; trust fees and vending machine expenses. In addition, interest and investment income from non-restricted assets must be offset against interest expense on Schedule IV, line 18.

Attach a separate schedule listing the type and amount of these expenses which are included on the facility's general ledger.

Page 4:

V. Staffing and Salary Costs.

1. This column should contain the number of full-time equivalencies for each staff position listed in the column on the left. (A full-time equivalency is the number of full-time positions which would exist under a given job category if all the employees in that category worked a 40 hour week). Do not combine lines. For instance, do not report certified nurse assistants and registered nurses on the same line.
2. The average hourly wage should be established for each position by dividing the total number of dollars paid out to personnel with that job classification by the number of hours worked by all personnel in that job classification. If that data is not readily available, it is allowable to sample one month of the facility's records to arrive at accurate estimates of the average rate for each job classification.

VI. (A) Statement of Compensation for Owners, Relatives and Members of the Board of Directors. Enter the names of all individuals having any ownership interest or control in the facility (even those with less than 5% ownership) and the names of any immediate relatives of such individuals, who also received payment of any type (salary or wages, payment for services, pension, director fees, management fees, special fringe benefits provided only to owners and relatives as opposed to all employees or that portion of fringe benefits provided at a rate exceeding the rate provided to all employees, all non-cash compensation such as the personal use of facility vehicles, etc.) from the facility during the report period. For each individual listed, enter the function, average hours, ownership interest information, and the type and amount of compensation. The average number of hours must be entered, a statement such as "various" or "as needed" will not be accepted.

If the owners and related parties of this facility have received compensation from other SLFs or other entities, attach a schedule detailing the names of the entities as well as the amount paid and the average number of hours worked per week at each home.

Also, this schedule must be completed for any member of the Board of Directors who receives a salary from the facility, even if this is a non-profit facility. This schedule must include salaries paid by related entities, for which the costs have been included on Schedule IV.

VI. (B) Management fees paid to unrelated parties. Enter the names of the management companies that are providing management services to the SLF. Enter the amount of fees that were paid and accrued for services performed by the management company.

VII. Related Organizations.

A. Enter the names of all related parties or organizations as defined below. In column 1, enter related SLFs, even if there has not been any transactions with the reporting entity during the current year. In column 3, enter all other related business entities. The type of business affiliation must also be entered in this section.

For the purposes of Schedule VII, related organizations include those with 5 percent or more overlapping ownership and organizations with any ownership interest held by relatives of the owners of the reporting facility. Relatives include spouses, children, parents, brothers, sisters, grandparents, grandchildren, parents-in-law, sisters or brothers-in-law and sons or daughters-in-law, aunts, uncles and cousins.

An organization which has **any** control over operating policy of the reporting facility shall also be considered a related organization for the purposes of this schedule.

B. If the facility receives services from a parent organization or central office and the cost for these services was not included on page three, the value of these services should be entered in this schedule. An example of this would be a church-related facility whose accounting records were kept by a central church organization rather than the facility itself. In which case, attach a separate schedule itemizing the type and costs of those services.

C. If the facility has included on page three any expenses arising from transactions with related organizations -- organizations with five percent or more overlap in ownership--please attach a separate itemization of the nature of those services, their costs as they were entered on page three, and the underlying cost to the related party (i.e., not including markup).

For example, if a facility buys food from a catering company which has a related owner, list the amount of food purchase entered on page three which was from this organization. Then enter the actual cost of this food to the catering company as shown below.

Related Organization	Nature of Purchase	Facility Book Value	Actual Cost
Wholesale Grocery	Food	\$10,000	\$9,000

This of course, has the effect of removing any profit which is being generated in the other organization by the SLF.

VIII. Ownership Costs.

- A. Enter the purchase price of land and the year in which the land was acquired.
- B. **Building Depreciation:** This section should be completed if the facility is owned by the operating entity or if the operating entity rents from a related organization.

The first five lines of this schedule should include information on all buildings and additions. Building additions must be itemized separately by **calendar** year of acquisition. The cost of buildings should include fixed equipment costs in place at the time of purchase or addition (e.g., boilers, central air, plumbing, elevators, handrails, drinking fountains, sprinkler systems, smoke detectors, etc.) It must not include such costs as kitchen or laundry equipment or any furniture. The basis of the building and equipment may not be increased by retroactively capitalizing costs which were previously expensed on the books of the provider.

The next eleven lines are for land and building improvements which are being depreciated with lives of two years or more. (If more lines are needed, a schedule should be attached.) Single items of fixed equipment purchased at a cost of **\$2,500** or more with an estimated useful life of two years or more must be depreciated. Repairs or improvements costing **\$2,500** or more must be itemized. This would include the installation of sprinkler systems, smoke detectors, or nurses call stations; major plumbing or wiring replacement; and so forth. **Please specify the type(s) of improvement(s).** Labels such as “various” or “leasehold improvements” will not suffice. These must be itemized by the **calendar** year in which the improvement was constructed and put into use. If book methods of depreciation are not straight line, the book value must be shown and adjusted. Enter straight line depreciation for each line in column 7. The difference between columns 7 and 5 should be entered in column 8.

Total depreciation expense on Schedule IV must be equal to the total straight line depreciation expense found on Schedule VIII, line 17, column 7, plus line 20, column 3.

Also, if the facility rents from an unrelated party, any leasehold improvements made by the lessee costing **\$2,500** or more and with a useful life of two years or more should be listed on lines 6 through 16. Such improvements are to be depreciated over the remaining life of the lease (including extensions) or the useful life of the improvement, whichever is shorter.

Any items of land, building, fixed equipment, movable equipment or vehicles which are no longer in use or are not providing significant value for SLF resident care purposes must be reported as a non-care asset in section VIII (D) of the cost report. If a vehicle is used partially for personal purposes or purposes other than operation of the SLF then this portion of the cost is not allowable.

- C. **Equipment Depreciation:** All equipment, excluding fixed equipment, should be reported here. No itemization is necessary.

Remember that single items of equipment purchased at a cost of **\$2,500** or more with an estimated useful life of two years or more are to be depreciated. In addition, if items with estimated useful lives of two years or more are acquired in quantity and the cost of the quantity is at least **\$2,500**, these items must also be depreciated.

Software and Computer Equipment - If the total cost for software and equipment is less than \$2,500, the cost should be reported as a supply cost in the department for which it is primarily used. If the total cost for the software and equipment is \$2,500 or more, the cost must be capitalized as equipment and depreciated.

In addition, this schedule should be completed if the provider owns any movable equipment, though he rents the building and fixed equipment from an **unrelated** party.

Vehicle Depreciation: Only those vehicles being used exclusively for supportive living should be listed here. All other vehicles should be listed in Schedule VIII-D.

The Department of Healthcare and Family Services' rules allow the expense of only one resident care-related automobile to be reported on Schedule IV. Therefore, only one such automobile can be detailed here. All other automobiles must be reported in Section D.

- D. **Depreciable Non-SLF Care Assets:** List all assets here that are not used for SLF resident care purposes. For example: vehicles used only for personal use and the cost of the portion of the building not being used for SLF resident care should be listed here.

Page 6:

IX. Rental Costs.

- A. **Building and Fixed Equipment:** This section should be completed only if the facility rents from an **unrelated** party. The party holding the lease (i.e., the Lessor) must be identified and must not have any ownership interest in the operating corporation.

Question 2 is simply to determine if the real estate taxes are included in the amount shown on line 7. If the facility does not pay taxes in addition to the rental amount, the real estate taxes on that facility which are paid by the lessor should be deducted from total rent expense on page 3, line 20, and should be placed on page 3, line 19. Therefore, the total of lines 19 and 20 on page 3 should equal total rent expense on line 7 of this schedule.

Column 3, "Date of Lease" should reflect the initial date of the lease agreement between the lessor and the present lessee. Dates of amended lease agreements between the same two parties should not be entered here.

If the lessee should make leasehold improvements, such improvements must be listed on lines 6 through 16 of Schedule VIII-B.

Any lease which falls within guidelines issued by the American Institute of Certified Public Accountants, to be considered as a lease/purchase must be capitalized and recorded on Schedule VIII.

The facility should enter the rent paid unrelated parties for movable equipment on line 9. If the facility rents any vehicles which are used for care-related purposes, a schedule should be attached which details the model year and make, the use of the vehicle, along with the rental expense.

If the facility owns any fixed or movable equipment or any vehicles, the appropriate sections on Schedule VIII must be completed. The same is true if the facility rents such assets from a related party.

X. Interest Expense.

Complete the information requested concerning all unpaid notes as of the last day of the reporting year as well as all notes paid during the report period. Itemize all long-term notes. Short-term notes, other than those from related parties, may be grouped together. Short-term notes to related parties must be reported individually. Short-term for this purpose is defined as revolving credit or due within one year from the date on which the loan was made. Bond issues should also be reported on this schedule; indicate bond issue by writing "bond" in column 1. The interest rate in column 8 should be reported in 4 digits (such as .0850 for 8.5%). All dollar amounts should be rounded to the nearest dollar.

SLF resident care-related debt and interest are that debt and interest which are necessary and proper for operation of the facility for the purpose of rendering SLF resident care. Necessary means interest incurred on a loan made to satisfy a financial need of the provider and for a purpose reasonably related to SLF resident care. For example, interest on loans for purposes of investing in something other than the provider's operations is not resident care related. Necessary also requires that the resident-care related portion of interest be reduced by investment income whenever the funds are not restricted in a way that prevents the use of the investment capital to substitute for borrowed funds. Proper means that interest be incurred at a rate not in excess of what a prudent borrower would have to pay in an arms-length transaction in the money market when the loan was made. Interest that is not related to resident care should be reported on lines 8 and 9 of this schedule. See additional comments concerning interest in the instructions relating to Schedule IV, line 18.

All interest expense including that paid to a related organization must be detailed here and should agree with total interest expense on Schedule IV, line 18, column 4. Then, the interest expense that is not allowable should be adjusted out of Schedule IV in column 5.

In the event of uncertainty regarding reporting of interest, consult the Bureau of Health Finance of the Illinois Department of Healthcare and Family Services.

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XI. Balance Sheet.

This schedule should be completed for both the SLF operations and the consolidated company. A separate balance sheet must be completed for each certified SLF. A balance sheet with more than one operating entity included will not be acceptable in meeting the requirement for completion of column 1 of this schedule.

Complete the balance sheet for the last day of the reporting year for all assets. All entries should reflect historical cost with the exception of donated assets. Donated assets should be valued at market value at the time of donation. An additional page should be attached explaining and documenting the determination of market value of donated assets.

The individual lines should be completed as follows:

A. Current Assets.

1. **Cash on Hand and in Banks:** Cash on hand, savings and checking accounts and petty cash. Any cash immediately available for operations should be included in this item.
2. **Cash -- Resident Deposits:** Any funds for use by the residents. Such funds may represent deposits from families or friends as well as from residents.
3. **Accounts and Short-Term Notes Receivable (minus allowance for doubtful accounts):** Includes accounts and short-term notes receivable (within the next 12 months) from all payers, including accrued interest receivable and retroactive settlements. Receivables from owners or related parties must be entered on line 8.
4. **Supply Inventory:** Drug, health care, food, gift shop, housekeeping and linen supplies which are on hand at the end of the year. Indicate the method of inventory valuation.
5. **Short-Term Investments:** Includes temporary (will be converted to cash within one year) investments such as certificates of deposit, government securities and marketable securities. The investment income from such non-restricted investments must be offset against interest expense on Schedule IV.
6. **Prepaid Insurance:** Includes the unexpired portions of insurance at the end of the reporting year.
7. **Other Prepaid Expenses:** Includes the unexpired portions of taxes, interest, rent, licenses and fees, etc., at the end of the reporting year.
8. **Accounts Receivable from (owners and related parties):** See the instructions related to Schedule IV, line 18. The imputed value of interest income on loans receivable from officers, related parties or employees **must** be offset against interest expense on Schedule IV.
9. **Other:** Specify the account name.
10. **Total Current Assets:** Sum of lines 1 through 9.

B. Long-Term Assets.

11. **Long-Term Notes Receivable:** Notes receivable for all payers and sources with due dates exceeding 12 months from the end of the reporting year.
12. **Long-Term Investments:** Certificates of deposit, government securities and marketable securities expected to be held for over a 12 month period.
- 13-17. **Property, Plant and Equipment:** Include all land, buildings, etc., at historical cost. Donated assets should be included at market value at the date of donation. These amounts (other than accumulated depreciation) must agree with Schedule VIII.
18. **Deferred Charges:** Includes deposits such as with the utility company; amounts held in escrow by a mortgage company; and unamortized goodwill. Amortization of goodwill is not an allowable expense and must be adjusted out of Schedule IV.
19. **Organization and Pre-Operating Costs:** Include the cost of organizing the business enterprise prior to operation and pre-operating costs from the time of organization until the time of the first admission.
20. **Organization and Pre-Operating Costs -- Accumulated Amortization:** List the accumulated amortization of organization and pre-operating costs through the current reporting year.
21. **Restricted Funds:** Enter the values for assets determined to be restricted according to generally accepted accounting principles.
- 22-23. **Other Long-Term Assets:** Specify the account names and enter the amount.
24. **Total Long-Term Assets:** Enter the sum of lines 11 through 23.
25. **Total Assets:** Enter the sum of lines 10 and 24.

C. Current Liabilities.

26. **Accounts Payable:** Includes trade accounts, advance billings and retroactive settlements.
27. **Officer's Accounts Payable:** Include all accounts payable by officers.
28. **Accounts Payable -- Resident Deposits:** Any amount due residents from funds deposited with the facility for the resident's personal use.
29. **Short-Term Notes Payable:** Notes, mortgage payments and bonds payable within the next twelve months.
30. **Accrued Salaries, Wages, Fees Payable:** Includes liabilities incurred but not paid for: such as salaries, wages, vacation, sick pay and union dues.

31. **Accrued Taxes Payable:** Federal, State and FICA tax withheld; unemployment taxes; disabilities insurance and employer's share of FICA tax. Also include real estate taxes, but exclude income taxes.
32. **Accrued Interest Payable:** All interest incurred but not paid on notes and mortgages payable.
33. **Deferred Compensation:** Accrued pension, profit-sharing and bonuses accrued and payable in the next twelve months.
34. **Federal and State Income Taxes:** Income taxes due on the reporting year's income, plus unpaid taxes on prior years' income. Include the personal property replacement tax payable on this line.
- 35-36. **Other Current Liabilities:** Specify the account name and enter the amount.
37. **Total Current Liabilities:** Enter the sum of lines 26 through 36.

D. Long Term Liabilities.

38. **Long-Term Notes Payable:** Notes with maturities exceeding 12 months.
39. **Mortgage Payable:** Enter long-term mortgage liability (that not due within twelve months). The mortgage liability for the immediate next twelve months should be included in short-term notes payable.
40. **Bonds Payable:** All bond liability due after twelve months should be listed. Bonds becoming due in the next twelve months should be listed in short-term notes payable.
41. **Deferred Compensation:** Accrued pension, profit-sharing and bonuses payable after one year.
- 42-43. **Other Long-Term Liabilities:** Enter the account name and amount.
44. **Total Long-Term Liabilities:** Enter the sum of lines 38 through 43.
45. **Total Liabilities:** Enter the sum of lines 37 and 44.
46. **Total Equity:** List total capital of all owners, capital stock outstanding, paid-in-capital in excess of par, treasury stock and retained earnings.
47. **Total Liabilities and Equity:** Enter the sum of lines 45 and 46. Line 47 must agree with line 25 (Total Assets).

XII. Income Statement.

Complete this schedule detailing the gross revenues and expenses of the **Operating Entity** for the reporting period. (**Do not net revenue against expense.**) Schedule XII must be completed. Financial statements on another format cannot be substituted for this schedule. If, for any reason, the income statement shown here is not compatible with the Schedule of Expenses shown on page 3, please attach such footnotes as are necessary to reconcile the difference.

All interest and investment income on unrestricted funds must be offset against interest expense on Schedule IV, line 18. Income/settlements such as, but not limited to those received from insurance companies or as the result of legal action must be offset against the applicable expense on Schedule IV.

The expense related to renting out a portion of the facility is not allowable. This would include rental of quarters to employees or others who are not SLF residents (i.e., renting space to a pharmacy). If facility space has been rented out, adjustments to the following cost centers on page 3 must be made when applicable: utilities, maintenance, insurance, building and improvement cost, depreciation, interest and taxes.

Any items not logically fitting into the given categories should be entered and identified under "other". **Items listed under "Other Revenue" must be fully explained and detailed on an attached schedule. Also indicate whether such "Other Revenue" has been offset against the appropriate expense on Schedule IV by column 5, if applicable.**

III. Net Resident Care Revenue detailed by Payer Source

Please complete lines 32 through 37 by detailing the Net Resident Care revenue by each type of payer source.

This section has been updated. This section requires the net "Resident Care Revenue" reported on line 3 of this page be detailed by payer source. The total amount reported in section III should agree with the amount reported on line 3. If possible, it should match up with the patient day payer sources reported on Page 2 of the cost report. **See additional descriptions for the primary source of payment categories at the bottom of Pages 2 and 8 of the cost report form.**

Attachments

Please use the worksheets in the cost report file to provide any additional information required by the cost report instructions. If necessary, you may add additional worksheets. There are two attachments in the Excel file that have been hidden. Right-Click on the worksheet tabs in the Excel file to see the available worksheet tabs.