

*State of South Carolina*



*Office of the State Auditor*

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA  
DEPUTY STATE AUDITOR

(803) 253-4160  
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June 11, 2009

Ms. Rhonda Nelson, Director of Accounting  
Epic Management, LLC  
402 Hunting Crest Court  
Boiling Springs, South Carolina 29316

Re: AC# 3-DUN-L5 – Dundee Manor, LLC

Dear Ms. Nelson:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period May 7, 2005 through November 30, 2005. That report was used to set the rate covering the contract periods beginning May 7, 2005.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976, as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Yours very truly,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA  
Deputy State Auditor

RHGjr/mr

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Ms. Kathleen C. Snider

**DUNDEE MANOR, LLC  
BENNETTSVILLE, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING MAY 7, 2005  
AC# 3-DUN-L5**

**AGREED-UPON PROCEDURES REPORT  
ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

## CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIODS BEGINNING MAY 7, 2005	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIODS MAY 7, 2005 THROUGH SEPTEMBER 30, 2005	B-1	4
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2005 THROUGH NOVEMBER 30, 2005	B-2	5
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD DECEMBER 1, 2005 THROUGH SEPTEMBER 30, 2006	B-3	6
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2006 THROUGH SEPTEMBER 30, 2007	B-4	7
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED NOVEMBER 30, 2005 FOR THE CONTRACT PERIODS MAY 7, 2005 THROUGH SEPTEMBER 30, 2005	C-1	8
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED NOVEMBER 30, 2005 FOR THE CONTRACT PERIODS OCTOBER 1, 2005 THROUGH SEPTEMBER 30, 2006	C-2	10
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED NOVEMBER 30, 2005 FOR THE CONTRACT PERIOD OCTOBER 1, 2006 THROUGH SEPTEMBER 30, 2007	C-3	12
ADJUSTMENT REPORT	1	14
COST OF CAPITAL REIMBURSEMENT ANALYSIS FOR THE CONTRACT PERIODS MAY 7, 2005 THROUGH SEPTEMBER 30, 2005	2	18
COST OF CAPITAL REIMBURSEMENT ANALYSIS FOR THE CONTRACT PERIODS OCTOBER 1, 2005 THROUGH SEPTEMBER 30, 2006	3	20
COST OF CAPITAL REIMBURSEMENT ANALYSIS FOR THE CONTRACT PERIOD OCTOBER 1, 2006 THROUGH SEPTEMBER 30, 2007	4	22

# State of South Carolina



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RICHARD H. GILBERT, JR., CPA  
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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 22, 2008

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Dundee Manor, LLC, for the contract periods beginning May 7, 2005, and for the seven month cost report period ended November 30, 2005, as set forth in the accompanying schedules. The management of Dundee Manor, LLC is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Dundee Manor, LLC, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Summaries of Costs and Total Patient Days, Adjustment Report, and Cost of Capital Reimbursement Analyses sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the South Carolina Department of Health and Human Services and Dundee Manor, LLC dated as of October 1, 2001 and October 1, 2006, as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
September 22, 2008

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA  
Deputy State Auditor

**DUNDEE MANOR, LLC**  
 Computation of Rate Change  
 For the Contract Periods  
 Beginning May 7, 2005  
 AC# 3-DUN-L5

	<u>05/07/05-</u> <u>05/31/05</u>	<u>06/01/05-</u> <u>09/30/05</u>	<u>10/01/05-</u> <u>11/30/05</u>	<u>12/01/05-</u> <u>09/30/06</u>	<u>10/01/06-</u> <u>09/30/07</u>
Adjusted Reimbursement Rate	\$129.27	\$129.27	\$134.91	\$140.86	\$140.73
Interim Reimbursement Rate (1)	<u>128.66</u>	<u>129.26</u>	<u>135.53</u>	<u>141.53</u>	<u>143.84</u>
Increase/(Decrease) in Reimbursement Rate	\$ <u>.61</u>	\$ <u>.01</u>	\$ <u>(.62)</u>	\$ <u>(.67)</u>	\$ <u>(3.11)</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated February 13, 2008.

**DUNDEE MANOR, LLC**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Periods May 7, 2005 Through September 30, 2005  
 AC# 3-DUN-L5

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 70.76	\$ 70.99	
Dietary		15.69	12.15	
Laundry/Housekeeping/Maintenance		<u>12.22</u>	<u>10.42</u>	
Subtotal	\$ <u>-</u>	98.67	93.56	\$ 93.56
Administration & Medical Records	<u>\$1.22</u>	<u>13.84</u>	<u>15.06</u>	<u>13.84</u>
Subtotal		112.51	<u>\$108.62</u>	107.40
<u>Costs Not Subject to Standards:</u>				
Utilities		2.73		2.73
Special Services		.15		.15
Medical Supplies & Oxygen		3.98		3.98
Taxes and Insurance		7.12		7.12
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$126.49</u>		121.38
Inflation Factor (N/A)				-
Cost of Capital				7.55
Cost of Capital Limitation				(.88)
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.22
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>-</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$129.27</u>

**DUNDEE MANOR, LLC**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2005 Through November 30, 2005  
 AC# 3-DUN-L5

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 70.76	\$ 75.11	
Dietary		15.69	12.63	
Laundry/Housekeeping/Maintenance		<u>12.22</u>	<u>10.97</u>	
Subtotal	\$ <u>.04</u>	98.67	98.71	\$ 98.67
Administration & Medical Records	\$ <u>2.29</u>	<u>13.84</u>	<u>16.13</u>	<u>13.84</u>
Subtotal		112.51	<u>\$114.84</u>	112.51
<u>Costs Not Subject to Standards:</u>				
Utilities		2.73		2.73
Special Services		.15		.15
Medical Supplies & Oxygen		3.98		3.98
Taxes and Insurance		7.12		7.12
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$126.49</u>		126.49
Inflation Factor (N/A)				-
Cost of Capital				7.56
Cost of Capital Limitation				(.89)
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.29
Cost Incentive				.04
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(.58)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$134.91</u>

**DUNDEE MANOR, LLC**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period December 1, 2005 Through September 30, 2006  
 AC# 3-DUN-L5

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 70.76	\$ 75.11	
Dietary		15.69	12.63	
Laundry/Housekeeping/Maintenance		<u>12.22</u>	<u>10.97</u>	
Subtotal	\$ <u>.04</u>	98.67	98.71	\$ 98.67
Administration & Medical Records	\$ <u>2.29</u>	<u>13.84</u>	<u>16.13</u>	<u>13.84</u>
Subtotal		112.51	<u>\$114.84</u>	112.51
<u>Costs Not Subject to Standards:</u>				
Utilities		2.73		2.73
Special Services		.15		.15
Medical Supplies & Oxygen		3.98		3.98
Taxes and Insurance		7.12		7.12
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$126.49</u>		126.49
Inflation Factor (4.70%)				5.95
Cost of Capital				7.56
Cost of Capital Limitation				(.89)
Profit Incentive (Maximum 3.5% of Allowable Cost)				2.29
Cost Incentive				.04
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(.58)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$140.86</u>

**DUNDEE MANOR, LLC**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 2006 Through September 30, 2007  
 AC# 3-DUN-L5

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 70.76	\$ 79.77	
Dietary		15.69	13.46	
Laundry/Housekeeping/Maintenance		<u>12.22</u>	<u>12.03</u>	
Subtotal	\$ <u>6.59</u>	98.67	105.26	\$ 98.67
Administration & Medical Records	\$ <u>3.03</u>	<u>13.84</u>	<u>16.87</u>	<u>13.84</u>
Subtotal		112.51	<u>\$122.13</u>	112.51
<u>Costs Not Subject to Standards:</u>				
Utilities		2.73		2.73
Special Services		.15		.15
Medical Supplies & Oxygen		3.98		3.98
Taxes and Insurance		7.12		7.12
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$126.49</u>		126.49
Inflation Factor (4.60%)				5.82
Cost of Capital				7.39
Cost of Capital Limitation				(.72)
Profit Incentive (Maximum 3.5% of Allowable Cost)				3.03
Cost Incentive				6.59
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(7.87)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$140.73</u>

**DUNDEE MANOR, LLC**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended November 30, 2005  
 For the Contract Periods May 7, 2005 Through September 30, 2005  
 AC# 3-DUN-L5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,434,918	\$12,897 (14) 27 (15)	\$14,123 (13)	\$1,433,719
Dietary	324,652	1,129 (14)	6,602 (11) 1,382 (13)	317,797
Laundry	43,808	236 (14)	9,277 (11) 436 (13) 840 (16)	33,491
Housekeeping	128,790	935 (14)	1,143 (13)	128,582
Maintenance	105,291	388 (14)	7,700 (1) 12,200 (11) 331 (13)	85,448
Administration & Medical Records	303,991	1,042 (14)	17,500 (5) 336 (12) 1,464 (13) 5,264 (15)	280,469
Utilities	56,148	-	890 (6)	55,258
Special Services	4,172	377 (14)	1,534 (17)	3,015
Medical Supplies & Oxygen	80,842	64 (14)	346 (17)	80,560
Taxes and Insurance	143,101	6,675 (8)	1,943 (7) 2,554 (9) 1,021 (10)	144,258

**DUNDEE MANOR, LLC**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended November 30, 2005  
For the Contract Periods May 7, 2005 Through September 30, 2005  
AC# 3-DUN-L5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Legal Fees	-	-	-	-
Cost of Capital	<u>133,938</u>	<u>23,226</u> (2)	<u>4,250</u> (1)	<u>152,914</u>
Subtotal	2,759,651	46,996	91,136	2,715,511
Ancillary	57,353	-	-	57,353
Nonallowable	452,430	17,500 (5)	23,226 (2)	453,147
		890 (6)	6,675 (8)	
		1,943 (7)	17,068 (14)	
		1,021 (10)		
		336 (12)		
		18,879 (13)		
		5,237 (15)		
		1,880 (17)		
CNA Training & Testing	<u>25</u>	<u>-</u>	<u>-</u>	<u>25</u>
Total Operating Expenses	<u>\$3,269,459</u>	<u>\$94,682</u>	<u>\$138,105</u>	<u>\$3,226,036</u>
Total Patient Days	<u>20,261</u>	<u>-</u>	<u>-</u>	<u>20,261</u>
Total Beds	<u>110</u>			

**DUNDEE MANOR, LLC**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended November 30, 2005  
 For the Contract Periods October 1, 2005 Through September 30, 2006  
 AC# 3-DUN-L5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,434,918	\$12,897 (14) 27 (15)	\$14,123 (13)	\$1,433,719
Dietary	324,652	1,129 (14)	6,602 (11) 1,382 (13)	317,797
Laundry	43,808	236 (14)	9,277 (11) 436 (13) 840 (16)	33,491
Housekeeping	128,790	935 (14)	1,143 (13)	128,582
Maintenance	105,291	388 (14)	7,700 (1) 12,200 (11) 331 (13)	85,448
Administration & Medical Records	303,991	1,042 (14)	17,500 (5) 336 (12) 1,464 (13) 5,264 (15)	280,469
Utilities	56,148	-	890 (6)	55,258
Special Services	4,172	377 (14)	1,534 (17)	3,015
Medical Supplies & Oxygen	80,842	64 (14)	346 (17)	80,560
Taxes and Insurance	143,101	6,675 (8)	1,943 (7) 2,554 (9) 1,021 (10)	144,258

**DUNDEE MANOR, LLC**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended November 30, 2005  
For the Contract Periods October 1, 2005 Through September 30, 2006  
AC# 3-DUN-L5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Legal Fees	-	-	-	-
Cost of Capital	<u>134,846</u>	<u>22,570</u> (3)	<u>4,250</u> (1)	<u>153,166</u>
Subtotal	2,760,559	46,340	91,136	2,715,763
Ancillary	57,353	-	-	57,353
Nonallowable	451,522	17,500 (5)	22,570 (3)	452,895
		890 (6)	6,675 (8)	
		1,943 (7)	17,068 (14)	
		1,021 (10)		
		336 (12)		
		18,879 (13)		
		5,237 (15)		
		1,880 (17)		
CNA Training & Testing	<u>25</u>	<u>-</u>	<u>-</u>	<u>25</u>
Total Operating Expenses	<u>\$3,269,459</u>	<u>\$94,026</u>	<u>\$137,449</u>	<u>\$3,226,036</u>
Total Patient Days	<u>20,261</u>	<u>-</u>	<u>-</u>	<u>20,261</u>
Total Beds	<u>110</u>			

**DUNDEE MANOR, LLC**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended November 30, 2005  
 For the Contract Period October 1, 2006 Through September 30, 2007  
 AC# 3-DUN-L5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,434,918	\$12,897 (14) 27 (15)	\$14,123 (13)	\$1,433,719
Dietary	324,652	1,129 (14)	6,602 (11) 1,382 (13)	317,797
Laundry	43,808	236 (14)	9,277 (11) 436 (13) 840 (16)	33,491
Housekeeping	128,790	935 (14)	1,143 (13)	128,582
Maintenance	105,291	388 (14)	7,700 (1) 12,200 (11) 331 (13)	85,448
Administration & Medical Records	303,991	1,042 (14)	17,500 (5) 336 (12) 1,464 (13) 5,264 (15)	280,469
Utilities	56,148	-	890 (6)	55,258
Special Services	4,172	377 (14)	1,534 (17)	3,015
Medical Supplies & Oxygen	80,842	64 (14)	346 (17)	80,560
Taxes and Insurance	143,101	6,675 (8)	1,943 (7) 2,554 (9) 1,021 (10)	144,258

**DUNDEE MANOR, LLC**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended November 30, 2005  
 For the Contract Period October 1, 2006 Through September 30, 2007  
 AC# 3-DUN-L5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Legal Fees	-	-	-	-
Cost of Capital	<u>132,536</u>	<u>21,433</u> (4)	<u>4,250</u> (1)	<u>149,719</u>
Subtotal	2,758,249	45,203	91,136	2,712,316
Ancillary	57,353	-	-	57,353
Nonallowable	453,832	17,500 (5) 890 (6) 1,943 (7) 1,021 (10) 336 (12) 18,879 (13) 5,237 (15) 1,880 (17)	21,433 (4) 6,675 (8) 17,068 (14)	456,342
CNA Training & Testing	<u>25</u>	<u>-</u>	<u>-</u>	<u>25</u>
Total Operating Expenses	<u>\$3,269,459</u>	<u>\$92,889</u>	<u>\$136,312</u>	<u>\$3,226,036</u>
Total Patient Days	<u>20,261</u>	<u>-</u>	<u>-</u>	<u>20,261</u>
Total Beds	<u>110</u>			

**DUNDEE MANOR, LLC**  
Adjustment Report  
Cost Report Period Ended November 30, 2005  
AC# 3-DUN-L5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$71,538	
	Other Equity	8,719	
	Fixed Assets		\$68,307
	Cost of Capital		4,250
	Maintenance		7,700
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Cost of Capital	23,226	
	Nonallowable		23,226
	To adjust capital return to allowable State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate period 05/07/05 - 09/30/05)		
3	Cost of Capital	22,570	
	Nonallowable		22,570
	To adjust capital return to allowable State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate period 10/01/05 - 09/30/06)		
4	Cost of Capital	21,433	
	Nonallowable		21,433
	To adjust capital return to allowable State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate period 10/01/06 - 09/30/07)		
5	Nonallowable	17,500	
	Administration & Medical Records		17,500
	To reclassify expense to the proper cost center HIM-15-1, Section 2135 State Plan, Attachment 4.19D		

**DUNDEE MANOR, LLC**  
Adjustment Report  
Cost Report Period Ended November 30, 2005  
AC# 3-DUN-L5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Utilities	890	890
	To reclassify expense to the proper cost center HIM-15-1, Section 2300 DH&HS Crosswalk		
7	Nonallowable Taxes and Insurance	1,943	1,943
	To adjust property insurance HIM-15-1, Section 2304		
8	Taxes and Insurance Nonallowable	6,675	6,675
	To adjust general insurance HIM-15-1, Section 2304		
9	Prepaid Expense Taxes and Insurance	2,554	2,554
	To remove expense applicable to the subsequent period HIM-15-1, Section 2302.1		
10	Nonallowable Taxes and Insurance	1,021	1,021
	To disallow expenses not adequately documented HIM-15-1, Section 2304		
11	Accrued Expenses	28,079	
	Dietary		6,602
	Laundry		9,277
	Maintenance		12,200
	To remove expense applicable to the subsequent period HIM-15-1, Sections 2302.1 and 2304		

**DUNDEE MANOR, LLC**  
Adjustment Report  
Cost Report Period Ended November 30, 2005  
AC# 3-DUN-L5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
12	Nonallowable Administration & Medical Records	336	336
	To remove travel expense State Plan, Attachment 4.19D		
13	Nonallowable General Services Dietary Laundry Housekeeping Maintenance Administration & Medical Records	18,879	14,123 1,382 436 1,143 331 1,464
	To remove provider's Granted PTO accrual HIM-15-1, Section 2146.2C		
14	General Services Dietary Laundry Housekeeping Maintenance Administration & Medical Records Medical Supplies & Oxygen Special Services Nonallowable	12,897 1,129 236 935 388 1,042 64 377	17,068
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
15	Nonallowable General Services Administration & Medical Records	5,237 27	5,264
	To adjust provider's home office allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
16	Revenue - Patient Laundry Laundry	840	840
	To offset income to related expense State Plan, Attachment 4.19D		

**DUNDEE MANOR, LLC**  
Adjustment Report  
Cost Report Period Ended November 30, 2005  
AC# 3-DUN-L5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
17	Nonallowable Special Services Medical Supplies & Oxygen	1,880	1,534 346
	To adjust special (ancillary) services cost State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$250,415</u>	<u>\$250,415</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**DUNDEE MANOR, LLC**  
 Cost of Capital Reimbursement Analysis  
 For the Contract Periods May 7, 2005 Through September 30, 2005  
 AC# 3-DUN-L5

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.63785</u>
Deemed Asset Value (Per Bed)	41,198
Number of Beds	<u>110</u>
Deemed Asset Value	4,531,780
Improvements Since 1981	696,025
Accumulated Depreciation at 11/30/05	<u>(966,855)</u>
Deemed Depreciated Value	4,260,950
Market Rate of Return	<u>.0531</u>
Total Annual Return	226,256
Number of Days in Period	<u>208/365</u>
Adjusted Annual Return	128,935
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	128,935
Depreciation Expense	23,979
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	152,914
Total Patient Days	<u>20,261</u>
Cost of Capital Per Diem	\$ <u><u>7.55</u></u>

**DUNDEE MANOR, LLC**  
Cost of Capital Reimbursement Analysis  
For the Contract Periods May 7, 2005 Through September 30, 2005  
AC# 3-DUN-L5

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$2.68
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$6.67</u>
Reimbursable Cost of Capital Per Diem	\$6.67
Cost of Capital Per Diem	<u>7.55</u>
Cost of Capital Per Diem Limitation	<u>\$(-.88)</u>

**DUNDEE MANOR, LLC**  
 Cost of Capital Reimbursement Analysis  
 For the Contract Periods October 1, 2005 Through September 30, 2006  
 AC# 3-DUN-L5

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.71494</u>
Deemed Asset Value (Per Bed)	42,402
Number of Beds	<u>110</u>
Deemed Asset Value	4,664,220
Improvements Since 1981	696,025
Accumulated Depreciation at 11/30/05	<u>(966,855)</u>
Deemed Depreciated Value	4,393,390
Market Rate of Return	<u>.0516</u>
Total Annual Return	226,699
Number of Days in Period	<u>208/365</u>
Adjusted Annual Return	129,187
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	129,187
Depreciation Expense	23,979
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	153,166
Total Patient Days	<u>20,261</u>
Cost of Capital Per Diem	\$ <u><u>7.56</u></u>

**DUNDEE MANOR, LLC**

Cost of Capital Reimbursement Analysis

For the Contract Periods October 1, 2005 Through September 30, 2006  
AC# 3-DUN-L5

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$2.68
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$6.67</u>
Reimbursable Cost of Capital Per Diem	\$6.67
Cost of Capital Per Diem	<u>7.56</u>
Cost of Capital Per Diem Limitation	<u>\$(.89)</u>

**DUNDEE MANOR, LLC**  
 Cost of Capital Reimbursement Analysis  
 For the Contract Period October 1, 2006 Through September 30, 2007  
 AC# 3-DUN-L5

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.77878</u>
Deemed Asset Value (Per Bed)	43,399
Number of Beds	<u>110</u>
Deemed Asset Value	4,773,890
Improvements Since 1981	696,025
Accumulated Depreciation at 11/30/05	<u>(966,855)</u>
Deemed Depreciated Value	4,503,060
Market Rate of Return	<u>.0490</u>
Total Annual Return	220,650
Number of Days in Period	<u>208/365</u>
Adjusted Annual Return	125,740
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	125,740
Depreciation Expense	23,979
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	149,719
Total Patient Days	<u>20,261</u>
Cost of Capital Per Diem	\$ <u><u>7.39</u></u>

**DUNDEE MANOR, LLC**

Cost of Capital Reimbursement Analysis

For the Contract Period October 1, 2006 Through September 30, 2007  
AC# 3-DUN-L5

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$2.68
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$6.67</u>
Reimbursable Cost of Capital Per Diem	\$6.67
Cost of Capital Per Diem	<u>7.39</u>
Cost of Capital Per Diem Limitation	<u>\$(.72)</u>

2 copies of this document were published at an estimated printing cost of \$1.81 each, and a total printing cost of \$3.62. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.