

## Certificate of Need Financial Supplement Information

The Certificate of Need (CON) Section is providing additional information to assist applicants in the completion of the financial section of the application. Please contact Perry Smith, Financial Specialist at (517) 284-8971 or [smithp17@michigan.gov](mailto:smithp17@michigan.gov) if you have any questions.

**Audited Financial Statements:** These financial statements are required and must be from the two most recent years. If not available, the following documents must be substituted in replacement of audited financial statements:

- Balance Sheet (assets, liabilities, & equity)
- Income Statement (revenues and expenses)
- Statement of Cash Flows
- Notes to accompany the financial statements

The supplemental documents above must be provided from an independent party other than the applicant. New entities need to provide information on the parent company and/or owners, as applicable.

**Mathematical Errors:** Prior to submission of financial documents, please review each of the following forms for errors. No decimals should be used when completing the financial section of the application.

**Vendor Quotations:** A vendor quote listing the purchase price of covered clinical equipment, as well as any terms or conditions of financing, is required. Signature by vendor representative is required on all vendor quotations. Vendor quotes must be signed and dated within six (6) months prior to submission of application.

**Purchases Agreements:** Provide a copy of any purchase agreement(s) and include the price of the property and terms of sale (i.e., land, building, covered services). The Department reserves the right to request additional information to substantiate the purchase agreement between the parties.

**Leases:** Based on the definition of Capital Expenditure, both Capital and Operating lease costs must be listed in the Project Costs. The cost should be listed by taking the:

- Annual lease payment multiplied by the number of years of the lease term including any renewal options.
- Utilize the base rental rate, ignoring any additional rent increases.
- Leases with a per unit rental rate (case, day, procedure, scan, etc.) should be calculated by taking the total number of expected procedures per month/year multiplied by the per-unit cost and then multiplied by total number of months/years of the lease. Include a schedule detailing the total number of procedures for each year and include the calculations for the lease cost. For those leases that involve an equipment lease and a service fee, combine the lease rate and the service fee rate (i.e., Equipment rate is \$100 per scan. Service fee is \$300 per scan. The lease cost per scan is \$400).

A draft copy of lease agreement(s) specifying the terms of the lease as well as the annual cost information is required for capital and operating leases. Do not submit lease agreements that exclude the terms (cost per unit, term of the lease, payment schedule, total area, legal description, etc.).

**Cash as the Method of Financing:** Audited financial statements submitted must indicate that sufficient funds are available to cover the cash portion of the Sources of Funds. If this information is not available, provide a current bank statement (within 1 month of the application date) showing that sufficient funds are available. Please blank out the account number on the bank statement before submitting to the Department.

**Designated or Restricted Funds:** Provide credible documentation that the funds have been designated for the purpose specified in the application. Submission of a letter from the board of directors or other authorizing boards/executives stating that funds have been designated for the purpose specified in the application is acceptable.

**Debt or Bond Financing:** Provide a letter of support from a bank or financial institution specifying its interest in financing the project is required. The letter must provide the interest rate, term of debt, and repayment method. The letter must be on the financial institution letterhead and signed.

**RS Means:** Note the Department utilizes RS Means as a guide to evaluate construction and renovation costs.