



Pine Crest  
Nursing Home  
Audit  
Presentation

Year Ended December 31, 2019

**WIPFLI**

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The following information is solely for the use of the Board of Trustees and management of Pine Crest Nursing Home (the “Facility”). The financial information was derived from the audited financial statements and from other information obtained through the course of our audits.

# Audit Summary

## Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States

To express an opinion about whether the financial statements prepared by management with the Board of Trustees' oversight are fairly presented in all material respects in conformity with accounting principles generally accepted in the United States (GAAP).

Our procedures are designed to obtain reasonable, rather than absolute, assurance about the financial statements.

As part of our audit, we considered internal control solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process.

# Audit Summary

## Qualitative Aspects of Accounting Practices

- We noted no transactions entered into by the Facility during the year ended December 31, 2019, for which there is a lack of authoritative guidance or consensus.
- The disclosures in the financial statements are neutral, consistent, and clear. Financial statement disclosures related to the coronavirus pandemic and the management agreement executed with North Central Health Care subsequent to December 31, 2018 are considered to be sensitive disclosures.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

- The most sensitive estimates affecting the financial statements are the accounts receivable allowance for doubtful accounts, the estimates related to the Wisconsin Retirement System and Life Insurance net pension liability (asset) and deferred outflows and deferred inflows of resources, and fixed asset depreciation and assigned useful lives.
- Wipfli evaluated the key factors and assumptions used to develop the estimates and found the estimates to be reasonable in relation to the financial statements taken as a whole.

# Audit Summary

## Planned Scope and Timing of the Audit

- We performed the audit according to the planned scope in accordance with planning discussions held with management and our engagement letter. Completion of the audit was delayed by COVID-19 pandemic and delays in obtaining information related to the accrued sick leave estimates as of December 31, 2018.

## High Level of Support and Cooperation From Management

- We did not encounter any difficulties in dealing with management in performing and completing our audit.

## Disagreements With Management

- For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of our audit.

# Audit Summary

## Audit Adjustments

- Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The following entries were posted during the audit process:

	Assets and Deferred Outflows	Liabilities and Deferred Inflows	Net Position		
			Beginning	Change	Ending
Correct beginning net position for sick leave	\$ -	\$ -	\$ (449,290)	\$ 449,290	\$ -
Adjust for WRS - GASB 68	2,890,718	3,038,293	-	(147,575)	(147,575)
Adjust for LRLIF - GASB 75	701,815	746,188	-	(44,373)	(44,373)
Record property tax levy for subsequent year	440,815	440,815	-	-	-
Record Workers compensation liability	-	27,674	-	(27,674)	(27,674)
Other client proposed entries	(6,456)	5,108	-	(11,564)	(11,564)
<b>Totals</b>	<b>\$ 4,026,892</b>	<b>\$ 4,258,078</b>	<b>\$ (449,290)</b>	<b>\$ 218,104</b>	<b>\$ (231,186)</b>

# Audit Summary

## Uncorrected Items Noted During the Audit

- The following item, which was not recorded in the financial statements, was determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Effect on 12/31/2019 financial statements if entry is not made - Overstated (Understated)

Description	Assets and	Liabilities and	Net Position		
	Deferred Outflows	Deferred Inflows	Beginning	Change	Ending
Understatement of accounts receivable	\$ 30,123	\$ -	\$ -	\$ 30,123	\$ 30,123

## Scope of Audit Report

- Issued an unmodified opinion on the financial statements of the Facility.

## Independence

- There are no relationships between Wipfli LLP and the Facility that, in our professional judgment, would reasonably be thought to impair our independence.

# Audit Summary

In planning and performing our audit of the Facility's financial statements, we considered the Facility's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Facility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Facility's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Deficiencies in internal control are defined as follows:

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a deficiency, or combination of control deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control such as that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

We consider the deficiency on the following page to be a significant deficiency.

# Audit Summary

## Financial Accounting and Reporting

A client's internal control over financial reporting does not end at the general ledger but extends to the financial statements and notes. As part of our professional services for the year ended December 31, 2019, Wipfli assisted in drafting the financial statements and related notes. The Facility does not have sufficient expertise to prepare its own financial statements and footnotes. Because the Facility relies on Wipfli to provide the necessary understanding of current accounting and disclosure principles in the preparation of the financial statements, a significant deficiency exists in the Facility's internal controls.

Like the Facility, many nursing homes do not find it is cost effective to hire someone with sufficient expertise to prepare the annual audited financial statements with the required footnote disclosures. In these situations, an organization will often rely on an independent accounting firm to assist with this process. Our procedures are designed to obtain reasonable, rather than absolute, assurance about the financial statements.

# Financial Analysis

## Statements of Net Position

	(In Thousands)					Dollar	Percent
	2015	2016	2017	2018	2019	Change	Change
<b>Current assets:</b>							
Cash	\$ 384	\$ 379	\$ 44	\$ 173	\$ 189	\$ 16	9%
Assets limited as to use	-	772	31	-	-	-	0%
Accounts receivable - Net	1,105	1,125	1,011	1,049	1,304	255	24%
Other current assets	642	698	650	520	512	(8)	-2%
SP receivable	750	475	300	455	-	(455)	-100%
<b>Total current assets</b>	<b>2,881</b>	<b>3,449</b>	<b>2,036</b>	<b>2,197</b>	<b>2,005</b>	<b>-192</b>	<b>-9%</b>
Assets limited as to use	13	5,160	762	-	-	-	0%
Net pension asset	977	-	-	1,170	-	(1,170)	-100%
<b>Capital assets - Net</b>	<b>3,389</b>	<b>4,966</b>	<b>12,335</b>	<b>12,225</b>	<b>11,719</b>	<b>(506)</b>	<b>-4%</b>
<b>Total noncurrent assets</b>	<b>4,379</b>	<b>10,126</b>	<b>13,097</b>	<b>13,395</b>	<b>11,719</b>	<b>(1,676)</b>	<b>-13%</b>
Deferred outflows of resources	1,012	3,544	2,480	2,229	3,869	1,640	74%
<b>Total assets and deferred outflows</b>	<b>\$ 8,272</b>	<b>\$ 17,119</b>	<b>\$ 17,613</b>	<b>\$ 17,821</b>	<b>\$ 17,593</b>	<b>\$ (228)</b>	<b>-1%</b>
<b>Liabilities:</b>							
Current liabilities	\$ 1,414	\$ 2,272	\$ 1,826	\$ 2,150	\$ 2,537	\$ 387	18%
Long-term debt	-	7,000	9,940	9,559	9,168	(391)	-4%
Net pension liability	-	638	326	610	1,921	1,311	215%
<b>Total liabilities</b>	<b>1,414</b>	<b>9,910</b>	<b>12,092</b>	<b>12,319</b>	<b>13,626</b>	<b>1,307</b>	<b>11%</b>
Deferred inflows of resources	-	1,343	1,028	2,765	2,510	(255)	-9%
<b>Net position</b>	<b>6,858</b>	<b>5,866</b>	<b>4,493</b>	<b>2,737</b>	<b>1,457</b>	<b>(1,280)</b>	<b>-47%</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 8,272</b>	<b>\$ 17,119</b>	<b>\$ 17,613</b>	<b>\$ 17,821</b>	<b>\$ 17,593</b>	<b>\$ (228)</b>	<b>-1%</b>

# Financial Analysis

## Statements of Revenue, Expenses, and Other Changes in Net Position

(In Thousands)

	2015	2016	2017	2018	2019	Dollar Change	Percent Change
Net resident service revenue	\$ 12,196	\$ 11,686	\$ 11,716	\$ 13,545	\$ 14,512	\$ 967	7%
Other operating revenue	42	11	7	15	10	(5)	-33%
<b>Total operating revenue</b>	<b>12,238</b>	<b>11,697</b>	<b>11,723</b>	<b>13,560</b>	<b>14,522</b>	<b>962</b>	<b>7%</b>
Operating expense:							
Salaries and wages	6,076	6,009	6,165	6,687	6,917	230	3%
Employee benefits:							
GASB 68	-	427	438	136	148	12	9%
GASB 75	-	-	-	64	44	(20)	-31%
Other	2,831	2,788	2,899	2,984	3,345	361	12%
Supplies and other	1,779	1,684	1,596	1,619	1,545	(74)	-5%
Purchased services	1,482	1,559	1,628	2,131	2,802	671	31%
Provider assessment	367	367	343	367	360	(7)	-2%
Debt issuance costs	-	-	139	-	-	-	0%
Provision for bad debts	27	103	125	62	73	11	18%
Depreciation and amortization	309	305	346	691	713	22	3%
Interest	16	-	32	253	252	(1)	0%
<b>Total operating expenses (including interest)</b>	<b>12,887</b>	<b>13,242</b>	<b>13,711</b>	<b>14,994</b>	<b>16,199</b>	<b>1,205</b>	<b>8%</b>
Operating loss	(649)	(1,545)	(1,988)	(1,434)	(1,677)	(243)	17%
Nonoperating income (loss)	(3)	6	(17)	(4)	(44)	(40)	1000%
Expenses in excess of revenue	(652)	(1,539)	(2,005)	(1,438)	(1,721)	(283)	20%
Tax levy funds received and other	569	547	633	557	441	(116)	-21%
<b>Change in net position</b>	<b>\$ (83)</b>	<b>\$ (992)</b>	<b>\$ (1,372)</b>	<b>\$ (881)</b>	<b>\$ (1,280)</b>	<b>\$ (399)</b>	<b>45%</b>

# Financial Analysis

## Schedule of Net Position Before GASB 68 and 75

The amounts recorded in accordance with GASB 68 and 75 are provided to the Facility by the State of Wisconsin Retirement System and can fluctuate significantly based on the actual experience and actuarial assumptions used each year by the State of Wisconsin Retirement System.

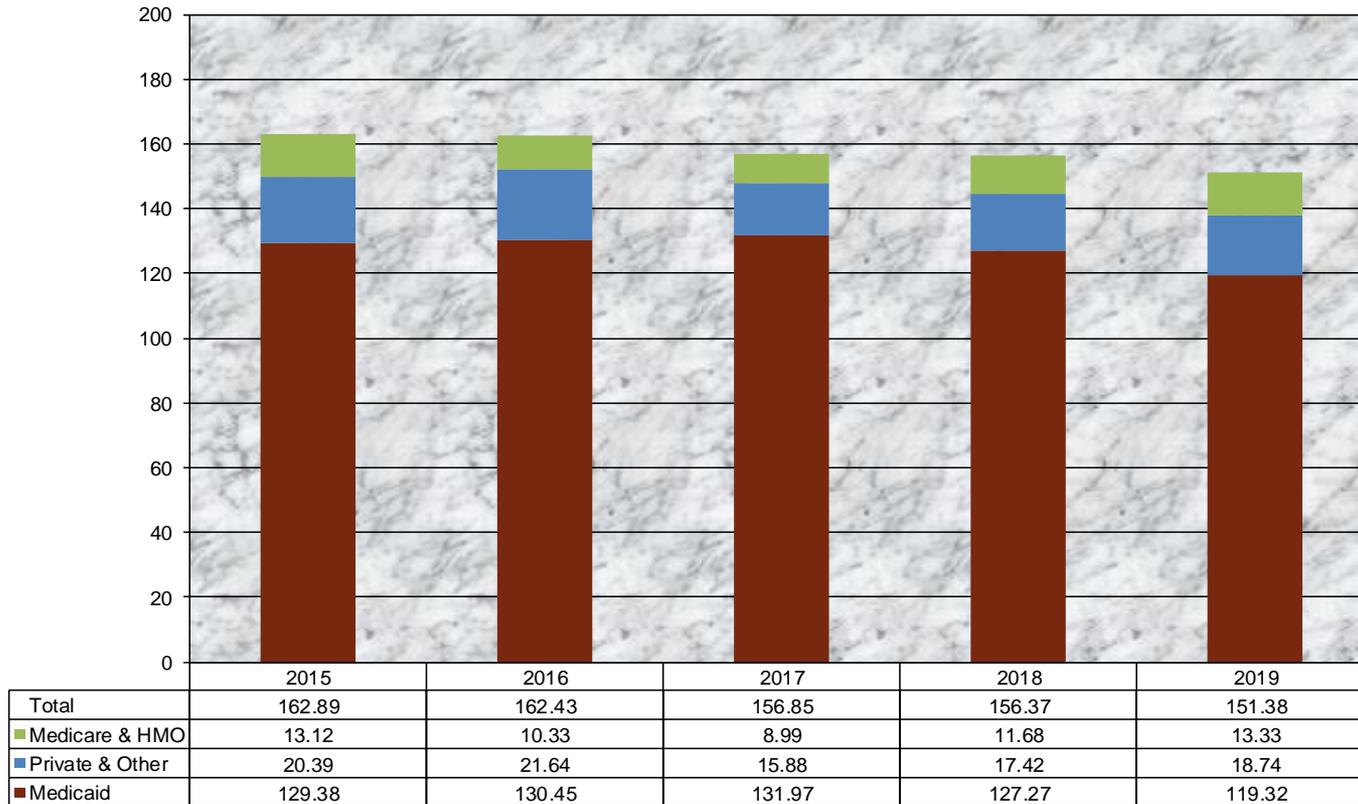
The below table shows the Facility's change in net position, excluding the impact of the GASB 68 and GASB 75 entries, for the years ended December 31, 2015 through 2019:

	2015	2016	2017	2018	2019
Total change in net position	\$ (83)	\$ (992)	\$ (1,372)	\$ (881)	\$ (1,280)
Add impact of:					
GASB 68	-	427	438	136	148
GASB 75	-	-	-	64	44
Total change in net position excluding impacting of GASB 68 & 75	\$ (83)	\$ (565)	\$ (934)	\$ (681)	\$ (1,088)

# Financial Analysis

## Financial Ratios

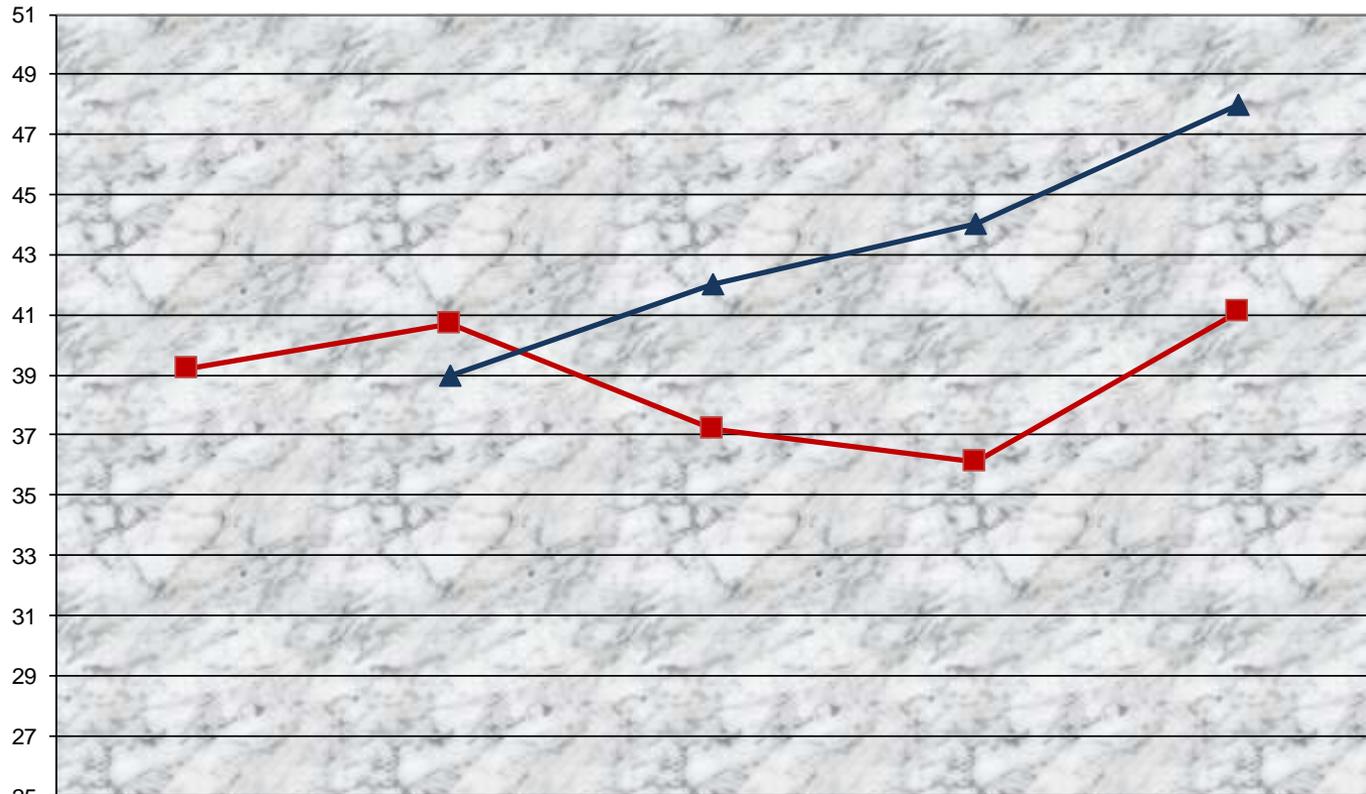
Average Daily Census by Payor



# Financial Analysis

## Financial Ratios (Continued)

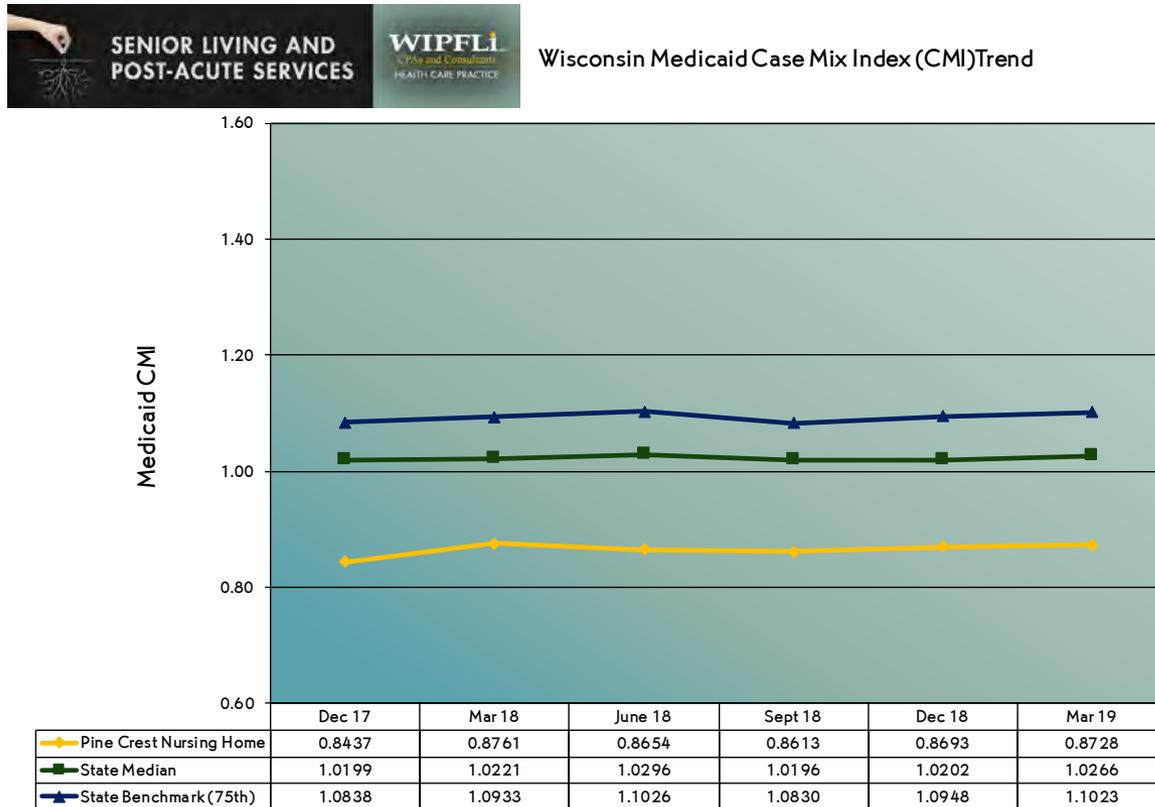
Accounts Receivable - Net / [(Net Revenue Less IGT Revenue) / Days in Fiscal Year]



	2015	2016	2017	2018	2019
—■— Pine Crest	39	41	37	36	41
—▲— Wipfli Database *		39.0	42	44	48

# Financial Analysis

## Financial Ratios (Continued)



Source: Department of Human Services Medical Assistance ("MA") Case Mix Index dataset. The March 2019 CMI will be utilized to establish MA rates effective October 1, 2019.

# Five-Star Quality Ratings

CMS 5 Star Ratings	Overall	Health Inspections	Staffing	Quality
<b>Within 25 miles:</b>				
Pine Crest Nursing Home	3	2	5	4
Benedictine Manor of Wausau	4	2	4	5
Wausau Manor	4	3	3	5
Marshfield Clinic Comfort and Recovery-Wausau	4	4	N/A	N/A
North Central Health Care	3	2	4	4
Pride TLC Therapy and Living Campus	5	5	5	5

# Industry Update

## One word can sum up current healthcare trends - COVID-19.

- We understand COVID-19 is putting an incredibly heavy burden on our healthcare clients, and we wish the entire Facility team the best as they face the challenges of COVID-19.
- Fortunately, Congress has passed several important pieces of legislation to provide financial relief to individuals, businesses, and healthcare organizations. The two primary pieces of legislation include the Families First Coronavirus Recovery Act (FFCRA) and the Coronavirus Aid, Relief, and Economic Security (CARES) Act.
- FFCRA and CARES Act, as well as changing regulations implemented oversight agencies, have resulted in an array of changes to regulatory, payment, and employment-related requirements as the state and nation work to “flatten the curve,” prevent outbreaks within care facilities and other congregate settings of the elderly, and prepare for a potential influx of patients in America’s hospitals. We understand the Facility is working hard to remain abreast of and comply with these changes.

# One word can sum up current healthcare trends - COVID-19.

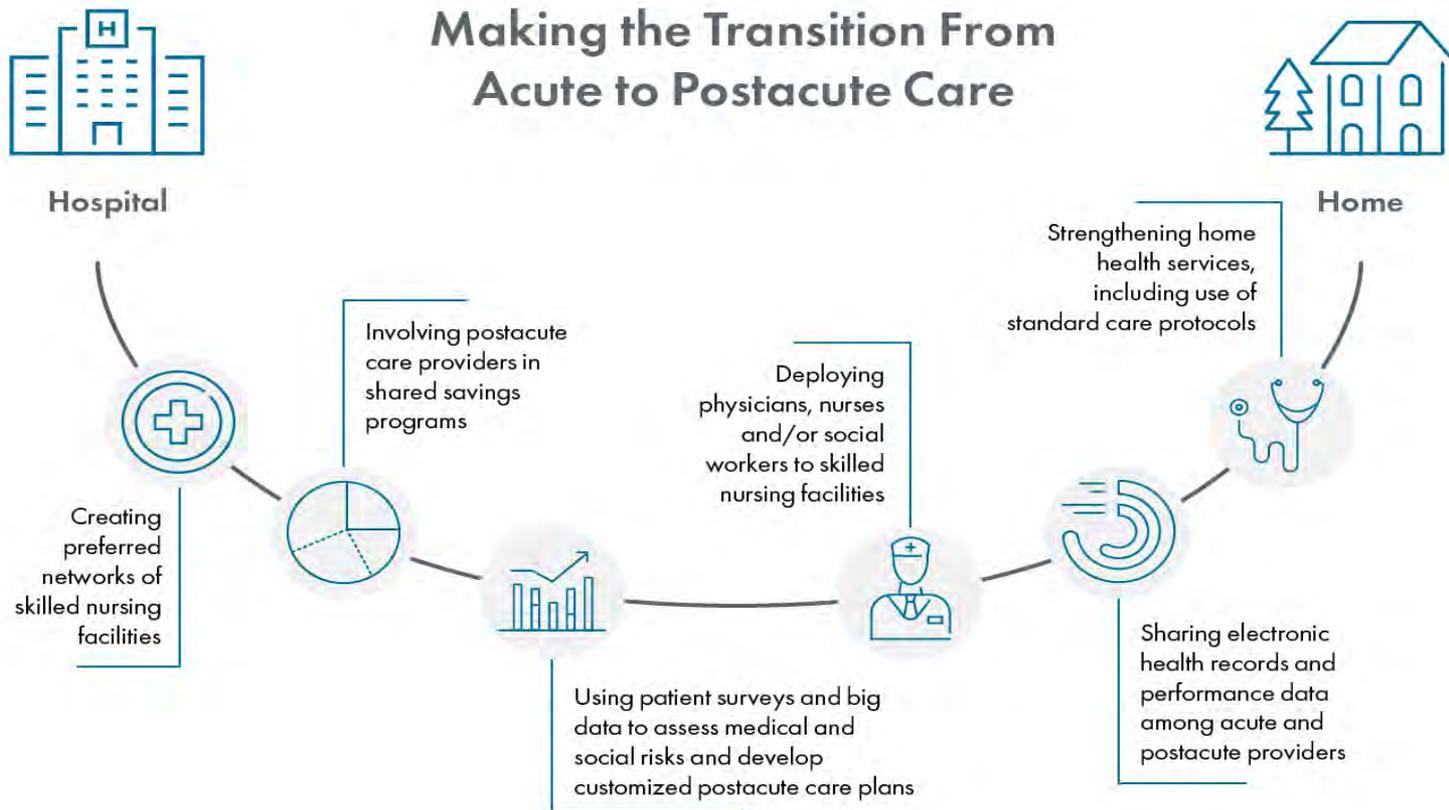
- There are several important funding opportunities available to healthcare providers as a result of the CAREs Act. These funding opportunities include the following:
  - ▶ Medicare Accelerated and Advance Payment
  - ▶ Federal Emergency Management Administration Grants
  - ▶ Federal Communications Commission (FCC) Telehealth Grants
  - ▶ Health and Human Services Provider Relief Fund
  - ▶ Small Business Administration Paycheck Protection Program and Economic Injury Disaster Loan

## One word can sum up current healthcare trends - COVID-19.

- The Facility has received funds from the HHS Provider Relief Fund. There are prescribed terms and conditions associated with these funds including limitations on the use of the funds. We recommend the Facility track the cost of COVID-19 response separately to the extent possible by setting up additional accounts within the general ledger to track COVID-19 revenue and expenses. The expenses might involve payroll-related costs, supplies, or additional contracted services.
- We will keep management informed as new information becomes available.

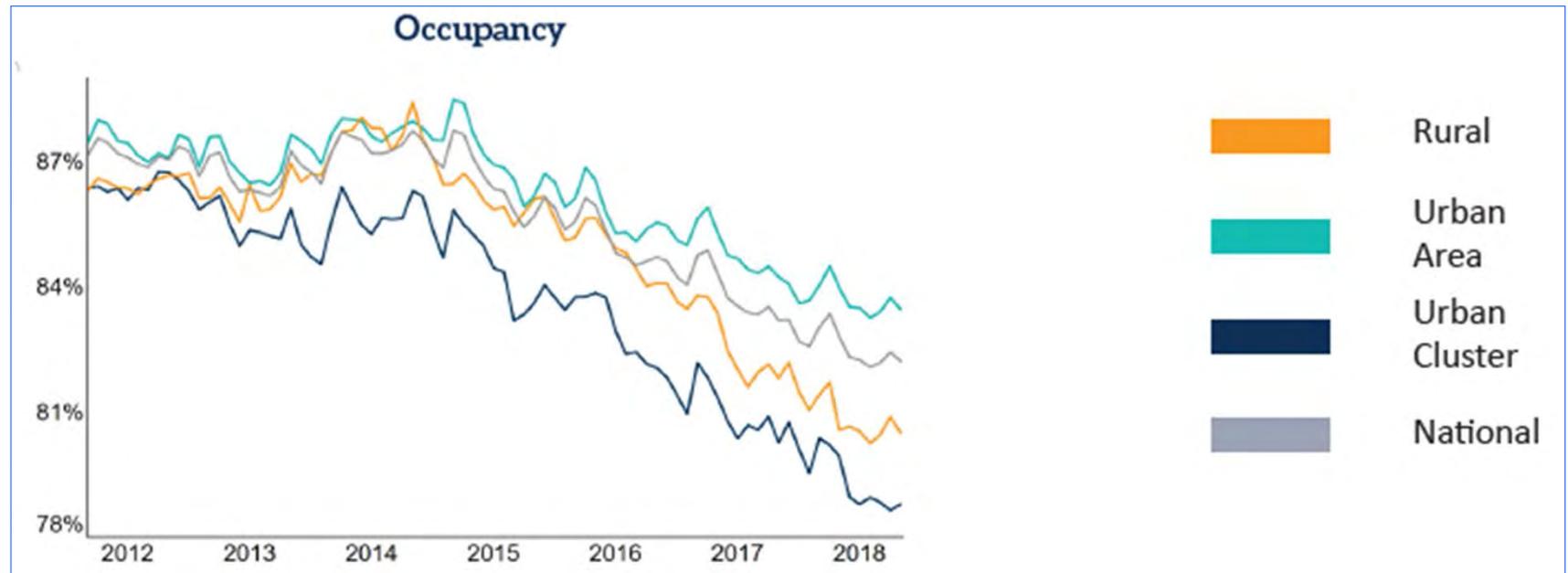
# Industry Update and Trends

## A Changing Landscape for Post-Acute Care



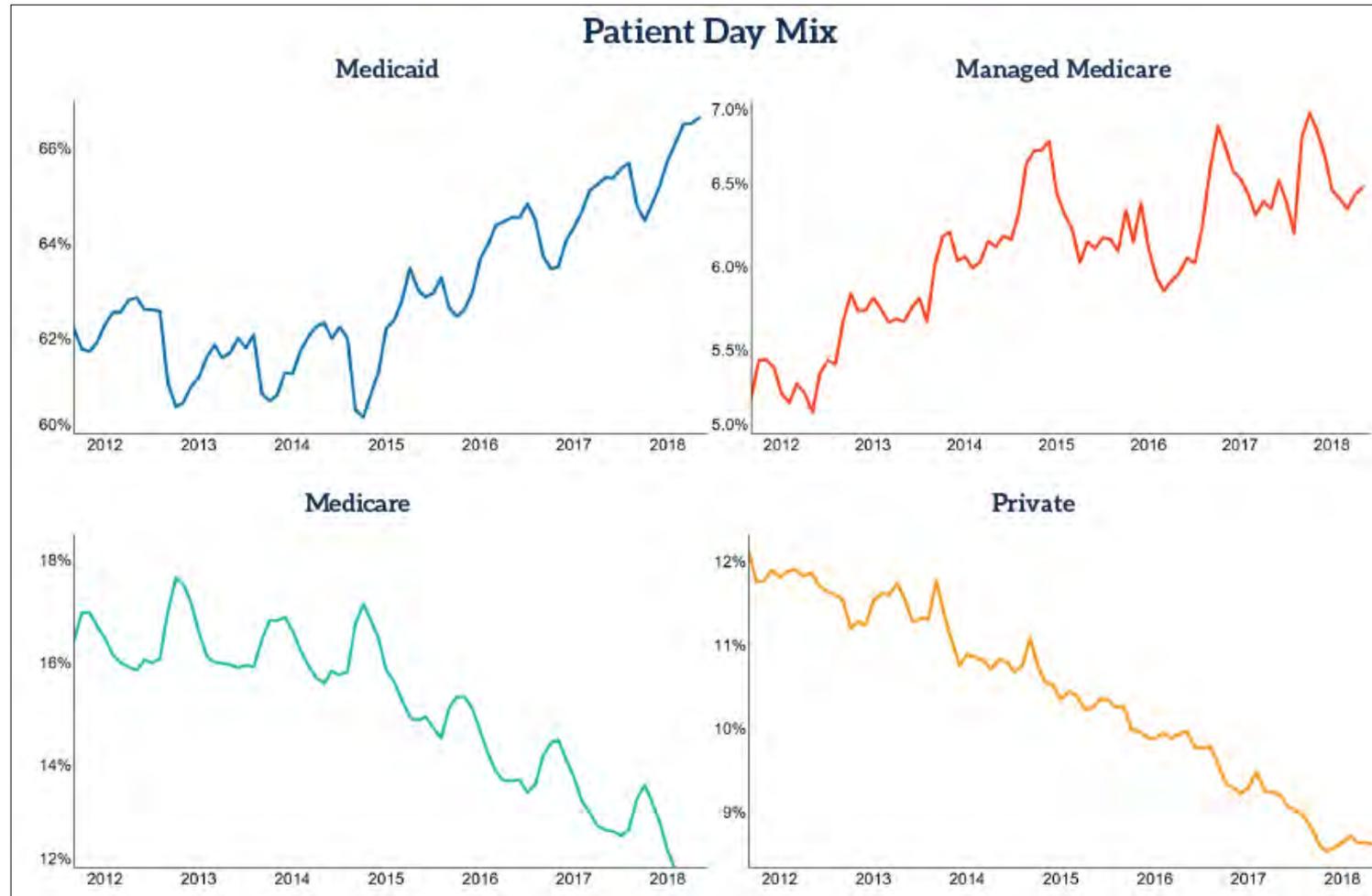
# Industry Update and Trends

## Nursing Home Occupancy



# Industry Update and Trends

## National Nursing Home Payor Mix



## Industry Update and Trends

### National Nursing Home Payor Mix (Continued)

Nationally, Wisconsin experienced the largest reduction in nursing home residents from 2013 through 2017.

**FIGURE 4: STATES WITH LARGEST REDUCTION IN NURSING HOME RESIDENTS (2013 - 2017)**

	Wisconsin	Montana	Tennessee	Minnesota	Illinois
Reduction in Nursing Home Residents	-12%	-9%	-8%	-8%	-6%

# Industry Update and Trends

## Caregiver Shortage Continues to Worsen

- In 2021, the first baby boomers (born between 1946 to 1964) will turn 75.
- After 2021, 3.4 million boomers will turn 75 each year . . . until 2032; then 4.3 million boomers will turn 75 each year.
- The average U.S. life expectancy is projected to be 84 in the year 2030 and is projected to be over 90 by 2050.



# Industry Update and Trends

## Patient Driven Payment Model

- Patient Driven Payment Model (PDPM) is the new reimbursement system for services provided by a SNF to Medicare beneficiaries.
- PDPM went into effect October 1, 2019, and is a significant change in the Medicare payment system.
- PDPM shifts the basis for reimbursement from therapy to medical acuity.
- This is consistent with trends for hospitals to discharge patients “quicker and sicker” and the trend for many rehabilitative surgeries to skip a SNF stay in favor of outpatient and home-based therapy.
- SNFs need to transition from strategies focused on therapy and rehabilitative services to strategies focused on medically acute patients.
- This trend requires SNFs to enhance the skill set and adopt new patient outreach and referral relationship strategies.

# Appendix

## Other Required Communications

# Other Required Communications

## Errors and Irregularities

- There were no material errors, irregularities, or illegal acts noted during the audit.

## Other Information in Documents Containing Audited Financial Statements

- We are not aware that the audited financial statements were included in any other documents.

## Significant Accounting Policies

- The significant accounting policies used by the Facility are outlined in Note 1 to the financial statements. There were no new accounting policies adopted in 2019.

## Management Representations

- We have requested certain representations from management that are included in the management representation letters, copies of which are attached.

## Management Consultations With Other Accountants

- In some cases, management may decide to consult with other accountants about auditing and accounting matters or obtaining a “second opinion” on certain situations. To our knowledge, management has not consulted other accountants on the application of GAAP which would affect the Facility’s financial statements or a determination of any type of auditor’s opinion which may be expressed on the financial statements.

## Other Required Communications (Continued)

### Major Issues Discussed With Management Prior to Retention

- We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Facility's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not, in our judgment, a condition of our retention.

## AUDIT REPRESENTATION LETTER

May 21, 2020

Wipfli LLP  
11 Scott Street  
Wausau, WI 54403

This representation letter is provided in connection with your audits of the financial statements of Pine Crest Nursing Home (the "Facility"), which comprise the balance sheets as of December 31, 2019 and 2018 and the related statements of revenue, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States (GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief as of date of this letter, the following representations made to you during your audits.

### Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 9, 2019, including our responsibility for the preparation and fair presentation of the financial statements in accordance with GAAP.
2. The financial statements referred to above are fairly presented in conformity with GAAP.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of GAAP.
7. All events subsequent to the date of the financial statements and for which GAAP requires adjustment or disclosure have been adjusted or disclosed. Information presented related to subsequent events, including the COVID19 pandemic and the management agreement executed between Lincoln County and Marathon County, for the management of Pine Crest Nursing Home is accurate and complete.
8. We agree with the adjusting journal entries proposed by you and which are given effect to in the financial statements, including the adjustment to correct for an error in the financial statements for the year ended December 31, 2018 for accrued sick leave.
9. The effects of the following uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Effect on 12/31/2019 financial statements if entry is not made - Overstated (Understated)						
Description	Assets and		Liabilities and		Net Position	
	Deferred Outflows	Deferred Inflows	Beginning	Change	Ending	
Understatement of accounts receivable	\$ 30,123	\$ -	\$ -	\$ 30,123	\$ 30,123	

10. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
11. Material concentrations have been properly disclosed in accordance with GAAP.
12. Guarantees, whether written or oral, under which the Organization is contingently liable, have been properly recorded or disclosed in accordance with GAAP.
13. We acknowledge our responsibility as it relates to the following nonattest/nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services.
  - a. Prepared the draft financial statements and related. We have reviewed, approved, and accepted responsibility for the financial statements and related.
  - b. Nursing home bed demand study
  - c. Depreciation assistance and maintenance of fixed asset records
  - d. Miscellaneous accounting and operational consulting

#### Information Provided

14. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other

matters.

- b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the Organization from who you determined it necessary to obtain audit evidence.
  - d. Minutes of the meeting of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
15. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
16. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
17. We have no knowledge of any fraud or suspected fraud affecting the Organization involving:
- a. Management.
  - b. Employees who have significant roles in internal control.
  - c. Others where the fraud could have a material effect on the financial statements.
18. We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements communicated by employees, former employees, grantors, regulators, or others.
19. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws, regulations, and provisions of contracts and grant agreements applicable to us whose effects should be considered when preparing financial statements. Specifically:
- a. There are no violations or possible violations of laws or regulations, such as those related to the Medicare and Medicaid antifraud and abuse statutes, including but not limited to the Medicare and Medicaid Anti-Kickback Statute, Limitations on Certain Physician Referrals (the Stark law), and the False Claims Act, in any jurisdiction, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency other than those disclosed or accrued in the financial statements.
  - b. Billings to third-party payors comply in all material respects with applicable coding guidelines (for example, ICD-10-CM and CPT-4) and laws and regulations (including those dealing with Medicare and Medicaid antifraud and abuse), and billings reflect only charges for goods and services that were medically necessary; properly approved by regulatory bodies, if required; and properly rendered.

- c. There have been no communications (oral or written) from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction (including those related to the Medicare and Medicaid antifraud and abuse statutes), deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
- 20. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with GAAP.
- 21. We have disclosed to you the identity of the Organization's related parties and all the related party relationships and transactions of which we are aware.
- 22. The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any material asset been pledged, except as disclosed in the notes to the financial statements.
- 23. Receivables recorded in the financial statements represent valid claims for charges arising on or before the balance sheet date and have been appropriately reduced to their estimated net realizable value as follows:
  - a. Adequate consideration has been given to, and appropriate provision made for, estimated adjustments to revenue, such as for denied claims and changes to prospective payment system assignments.
  - b. Recorded valuation allowances are necessary, appropriate, and properly supported.
  - c. All peer review organizations, fiscal intermediary, and third-party payor reports and information have been made available to you.
- 24. Provision has been made, when material, for estimated retroactive adjustments by third-party payors under reimbursement agreements. In regards to cost reports filed with third-parties:
  - a. All required Medicare, Medicaid, and similar reports have been properly filed on a timely basis.
  - b. Management is responsible for the accuracy and propriety of all cost reports filed.
  - c. All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient-related and properly allocated to applicable payors.
  - d. The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations.

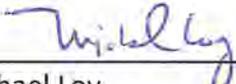
- e. Adequate consideration has been given to, and appropriate provision made for, audit adjustments by intermediaries, third-party payors, or other regulatory agencies.
  - f. All items required to be disclosed, including disputed costs that are being claimed to establish a basis for a subsequent appeal, have been fully disclosed in the cost report.
  - g. Recorded third-party settlements include differences between filed (and to be filed) cost reports and calculated settlements, which are necessary based on historical experience or new or ambiguous regulations that may be subject to differing interpretations. While management believes the entity is entitled to all amounts claimed on the cost reports, management also believes the amounts of these differences are appropriate.
25. We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of assets might not be recoverable and have appropriately recorded the adjustment.
26. The Organization has identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and I we believe the estimates are reasonable in the circumstances.
27. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that near term means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Organization vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.
28. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions and complying with terms of bond and debt agreements.
29. Inventories fairly represent the value of inventories at the lower of cost (or state other method) on the first-in, first-out method (or last-in, first-out method), or net realizable value.
30. The Organization is not subject to the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* because it did not expend more than \$750,000 in federal awards during the year.
31. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We

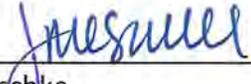
have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

32. We are responsible for the management's discussion and analysis and have chosen not to present it, which will require modification to the auditor's opinion.

Sincerely,

Pine Crest Nursing Home

  
\_\_\_\_\_  
Michael Loy

  
\_\_\_\_\_  
Jill Meschke

## Subsequent Events Representation Letter

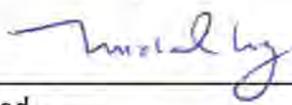
Wipfli LLP  
11 Scott Street  
Wausau, WI 54403

We are writing to confirm that Pine Crest Nursing Home had none of the following events occur during the time period starting with our most recent fiscal year-end December 31, 2019 to the date of the letter. There have been no:

1. Subsequent settlements of a contingent liability or litigation at an amount that is different from the amount recorded in the draft year-end financial statements, if applicable.
2. New (previously undisclosed to Wipfli LLP) pending or threatened litigation, claims, or assessments, or unasserted claims or assessments.
3. Substantive consultations with the attorneys, selected for confirmation by you, since the effective date of the respective legal confirmations.
4. Material adverse changes in financial position of the Facility since year-end.
5. Material changes to any significant estimates in the draft year-end financial statements.
6. Sales of any assets subsequent to year-end at a price significantly less than the carrying value in the draft financial statements.
7. Losses of major customers or significant customer bankruptcy since year-end.
8. Plant shutdowns or strikes, if applicable.
9. Changes to previously disclosed substantial contingent liabilities or commitments that existed at the date of the balance sheet, and no new substantial contingent liabilities or commitments have become known since the balance sheet date.
10. Significant changes in the capital stock, long-term debt, or working capital.
11. Changes in the current status of items in the financial statements being reported on that were accounted for on the basis of tentative, preliminary, or inconclusive data.
12. Unusual adjustments made during the period from the balance sheet date to the date of this inquiry.
13. Significant undisclosed (in the draft year-end financial statements) financial commitments.

14. Commitments or plans for major purchases of capital assets or inventory exist, and consideration was given to possible losses due to price changes.
15. Changes in accounting or financial policies.
16. Events that caused a decline in the value of any assets or that made any significant portion of fixed assets idle or obsolete.
17. Expiration or cancellation of significant insurance coverage.
18. New regulatory requirements or laws that could adversely affect the entity.
19. Liabilities in dispute or being contested.
20. Losses of major suppliers or key executive employees.
21. New, or change to, related-party transactions since year-end.
22. Minutes (or summaries in place of approved minutes) from trustee meetings have been prepared and not provided to you for the period under audit through the date of this letter.
23. Meetings of trustees where minutes have not yet been prepared.
24. Subsequent events disclosed in the audited financial statements related to the management agreement effective January 1, 2020 with NCHC and related to the COVID19 pandemic are accurate and appropriate.

Sincerely,  
Pine Crest Nursing Home



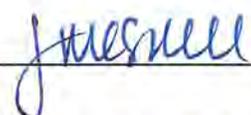
\_\_\_\_\_  
Signed

Michael Loy

\_\_\_\_\_  
Print Name

May 21, 2020

\_\_\_\_\_  
Date



\_\_\_\_\_  
Signed

Jill Meschke

\_\_\_\_\_  
Print Name

May 21, 2020

\_\_\_\_\_  
Date

# Thank You

## Contact Information

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