

**Logan Manor Community Health Services**  
**A Fund of the City of Logan, Kansas**

Independent Auditor's Report and Financial Statements

December 31, 2021 and 2020

**Logan Manor Community Health Services**  
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**December 31, 2021 and 2020**

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## Independent Auditor's Report

Board of Trustees  
Logan Manor Community Health Services  
Logan, Kansas

### ***Opinion***

We have audited the accompanying financial statements of Logan Manor Community Health Services (Manor), a fund of the City of Logan, Kansas, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Logan Manor Community Health Services' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Logan Manor Community Health Services as of December 31, 2021 and 2020, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the provisions of the Kansas Municipal Audit and Accounting Guide. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Logan Manor Community Health Services and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Logan Manor Community Health Services' ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Logan Manor Community Health Services' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Logan Manor Community Health Services' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinions on the basic financial statements is not affected by this missing information.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Logan Manor Community Health Services' basic financial statements. The schedules of Net Resident Service Revenue and Other Revenue and Divisional Revenues and Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole

*BKD, LLP*

Wichita, Kansas  
March 14, 2022

**Logan Manor Community Health Services**  
**A Fund of the City of Logan, Kansas**  
**Balance Sheets**  
**December 31, 2021 and 2020**

**Assets**

	<b>2021</b>	<b>2020</b>
<b>Current Assets</b>		
Cash	\$ 454,199	\$ 482,191
Short-term certificates of deposit	54,606	53,777
Resident accounts receivable, net of allowance; 2021 - \$60,000, 2020 - \$60,000	189,619	242,042
Supplies	17,946	36,826
Prepaid expenses and other	36,384	36,384
Total current assets	<u>752,754</u>	<u>851,220</u>
<b>Noncurrent Cash Restricted by External Donors</b>	<u>99,118</u>	<u>99,118</u>
<b>Capital Assets, Net</b>	<u>790,892</u>	<u>814,366</u>
Total assets	<u><u>\$ 1,642,764</u></u>	<u><u>\$ 1,764,704</u></u>

**Liabilities and Net Position**

<b>Current Liabilities</b>		
Accounts payable	\$ 41,777	\$ 57,194
Accrued expenses	186,205	136,676
Unearned revenue	66,214	225,567
Total current liabilities	<u>294,196</u>	<u>419,437</u>
<b>Net Position</b>		
Net investment in capital assets	790,892	814,366
Restricted - nonexpendable	99,118	99,118
Unrestricted	458,558	431,783
Total net position	<u>1,348,568</u>	<u>1,345,267</u>
Total liabilities and net position	<u><u>\$ 1,642,764</u></u>	<u><u>\$ 1,764,704</u></u>

**Logan Manor Community Health Services**  
**A Fund of the City of Logan, Kansas**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Operating Revenues</b>		
Net resident service revenue, net of provision for uncollectible accounts; 2021 - \$0, 2020 - \$10,000	\$ 2,151,481	\$ 2,339,006
Other	<u>19,047</u>	<u>14,297</u>
Total operating revenues	<u>2,170,528</u>	<u>2,353,303</u>
<b>Operating Expenses</b>		
Salaries and wages	1,559,198	1,646,222
Employee benefits	436,234	349,882
Contract labor	109,473	181,365
Medical supplies and drugs	91,557	104,740
Food	89,353	111,100
Utilities and telephone	87,493	75,252
Repairs and maintenance	63,965	54,308
Insurance	76,468	57,599
Mileage	2,080	4,649
Dues and subscriptions	45,659	40,029
Advertising	1,560	1,201
Office supplies	12,698	12,609
Supplies and other	32,942	37,923
Depreciation	<u>96,570</u>	<u>95,428</u>
Total operating expenses	<u>2,705,250</u>	<u>2,772,307</u>
<b>Operating Loss</b>	<u>(534,722)</u>	<u>(419,004)</u>
<b>Nonoperating Revenues</b>		
Interest income	1,743	774
Noncapital grants and gifts	-	551
Provider Relief Funds ( <i>CARES Act</i> )	<u>304,280</u>	<u>311,079</u>
Total nonoperating revenues	<u>306,023</u>	<u>312,404</u>
<b>Deficiency of Revenues Over Expenses Before Capital Grants and Gifts</b>	<u>(228,699)</u>	<u>(106,600)</u>
Capital grants and gifts	<u>232,000</u>	<u>38,826</u>
<b>Increase (Decrease) in Net Position</b>	3,301	(67,774)
<b>Net Position, Beginning of Year</b>	<u>1,345,267</u>	<u>1,413,041</u>
<b>Net Position, End of Year</b>	<u><u>\$ 1,348,568</u></u>	<u><u>\$ 1,345,267</u></u>

**Logan Manor Community Health Services**  
**A Fund of the City of Logan, Kansas**  
**Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Cash Flows from Operating Activities</b>		
Receipts from and on behalf of residents	\$ 2,203,904	\$ 2,316,521
Payments to suppliers and contractors	(609,785)	(709,413)
Payments to employees	(1,945,903)	(1,993,779)
Other receipts, net	(140,306)	239,864
Net cash used in operating activities	(492,090)	(146,807)
<b>Cash Flows from Noncapital Financing Activities</b>		
Provider Relief Funds ( <i>CARES Act</i> )	304,280	311,079
Noncapital grants and gifts for specific operating activities	-	551
Net cash provided by noncapital financing activities	304,280	311,630
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of capital assets	(73,096)	(20,461)
Capital grants and gifts	232,000	38,826
Net cash provided by capital and related financing activities	158,904	18,365
<b>Cash Flows from Investing Activities</b>		
Interest income	914	774
Net cash provided by investing activities	914	774
<b>Increase (Decrease) in Cash</b>	(27,992)	183,962
<b>Cash, Beginning of Year</b>	581,309	397,347
<b>Cash, End of Year</b>	\$ 553,317	\$ 581,309



**Logan Manor Community Health Services**  
**A Fund of the City of Logan, Kansas**  
**Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Reconciliation of Cash to the Balance Sheets</b>		
Cash in current assets	\$ 454,199	\$ 482,191
Noncurrent cash restricted by external donors	<u>99,118</u>	<u>99,118</u>
Total cash	<u><u>\$ 553,317</u></u>	<u><u>\$ 581,309</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating Loss	\$ (534,722)	\$ (419,004)
Depreciation	96,570	95,428
Changes in operating assets and liabilities		
Resident accounts receivable, net	52,423	(22,485)
Accounts payable and accrued expenses	34,112	(2,533)
Other assets	18,880	(23,780)
Unearned revenue	<u>(159,353)</u>	<u>225,567</u>
Net cash used in operating activities	<u><u>\$ (492,090)</u></u>	<u><u>\$ (146,807)</u></u>

**Logan Manor Community Health Services**  
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**Notes to Financial Statements**  
**December 31, 2021 and 2020**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations and Reporting Entity***

The City of Logan d/b/a Logan Manor Community Health Services (Manor) is an adult care facility located in Logan, Kansas. The Manor is a fund of the City of Logan, Kansas (City), and the City Commissioners appoint members to the Board of Trustees of the Manor. The Manor primarily earns revenues by providing inpatient residential long-term care and assisted living services to its residents who are from the northwest Kansas area.

***Basis of Accounting and Presentation***

The financial statements of the Manor have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific such as intergovernmental revenue from property taxes and investment income are included in nonoperating revenues and expenses. The Manor first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Short-term Certificate of Deposit***

Investments in nonnegotiable certificates of deposit are carried at amortized cost.

***Resident Accounts Receivable***

The Manor reports resident accounts receivable for services rendered at net realizable amounts from third-party payers, residents and others. The Manor provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

**Logan Manor Community Health Services**  
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**December 31, 2021 and 2020**

***Supplies***

Supply inventories are stated at the lower of cost or market. Costs are determined using the first-in, first-out (FIFO) method.

***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Manor:

Buildings	39 - 50 years
Building improvements	10 - 35 years
Major moveable equipment	3 - 15 years

***Capital Asset Impairment***

The Manor evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended December 31, 2021 and 2020.

***Compensated Absences***

Manor policies permit most employees to accumulate vacation, holiday, personal and sick leave benefits that may be realized as paid time off or as a cash payment. Expense and the related liability are recognized as vacation and sick leave benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

***Risk Management***

The Manor is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

**Logan Manor Community Health Services**  
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***Net Position***

Net position of the Manor is classified in three components on its balance sheets.

- Net investment in capital assets consist of capital assets net of accumulated depreciation.
- Restricted nonexpendable net position includes noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Manor, such as permanent endowments.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted nonexpendable.

***Net Resident Service Revenue***

The Manor has agreements with third-party payers that provide for payments to the Manor at amounts different from its established rates. Net resident service revenue is reported at the estimated net realizable amounts from residents, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

***Intergovernmental Revenue***

The Manor received \$10,000 in financial support from intergovernmental revenue derived from property taxes in both 2021 and 2020. Amounts are recorded in capital grants and gifts in the statement of revenues, expenses and changes in net position.

Property taxes are assessed by the City in November and are received beginning in January of the following year. Intergovernmental revenue is recognized in full in the year in which use is first permitted.

**Logan Manor Community Health Services**  
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**December 31, 2021 and 2020**

***Provider Relief Funds (CARES Act)***

On March 27, 2020, the *CARES Act* was signed into law as part of the government's response to the spread of the SARS-CoV-2 virus and the incidence of COVID-19. The *CARES Act* contained provisions for certain healthcare providers to receive Provider Relief Funds (PRF) from the U.S. Department of Health and Human Services (HHS). The distributions from the Provider Relief Funds are not subject to repayment, provided the Manor is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by HHS. The Manor is accounting for such payments as voluntary nonexchange transactions. Payments are recognized as revenue once the applicable terms and conditions required to retain the funds have been met and are classified as nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions is recorded as a component of unearned revenue in the accompanying balance sheets.

***Income Taxes***

As an essential government function of the City, the Manor is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Manor is subject to federal income tax on any unrelated business taxable income.

**Note 2: Deposits**

***Deposits***

Custodial credit risk is the risk in the event of a bank failure, a government's deposits may not be returned to it. The Manor's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the state of Kansas; bonds of any city, county, school district or special road district of the state of Kansas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

**Logan Manor Community Health Services**  
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**Notes to Financial Statements**  
**December 31, 2021 and 2020**

At December 31, 2021 and 2020, respectively, \$131,534 and \$177,308 of the Manor's bank balances of \$631,534 and \$677,308 were exposed to custodial credit risk as follows:

	<u><b>2021</b></u>	<u><b>2020</b></u>
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the Manor's name	<u>\$ 131,534</u>	<u>\$ 177,308</u>

***Summary of Carrying Values***

The carrying value of deposits shown above are included in the balance sheets as follows:

	<u><b>2021</b></u>	<u><b>2020</b></u>
Carrying value		
Deposits	\$ 607,923	\$ 634,986
Petty cash	<u>-</u>	<u>100</u>
	<u><u>\$ 607,923</u></u>	<u><u>\$ 635,086</u></u>
Included in the following balance sheet captions		
Cash	\$ 454,199	\$ 482,191
Short-term certificates of deposit	54,606	53,777
Noncurrent cash restricted by external donors	<u>99,118</u>	<u>99,118</u>
	<u><u>\$ 607,923</u></u>	<u><u>\$ 635,086</u></u>

**Logan Manor Community Health Services**  
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**Notes to Financial Statements**  
**December 31, 2021 and 2020**

**Note 3: Resident Accounts Receivable**

The Manor grants credit without collateral to its residents, many of whom are area residents and are insured under third-party payer agreements. Resident accounts receivable at December 31, 2021 and 2020, consisted of:

	<b>2021</b>	<b>2020</b>
Medicaid	\$ 92,700	\$ 153,531
Medicare	10,539	48,950
Residents	<u>146,380</u>	<u>99,561</u>
	249,619	302,042
Less allowance for uncollectible accounts	<u>60,000</u>	<u>60,000</u>
	<u><u>\$ 189,619</u></u>	<u><u>\$ 242,042</u></u>

**Note 4: Capital Assets**

Capital assets activity for the years ended December 31, 2021 and 2020, was:

	<b>2021</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>
Land and improvements	\$ 76,282	\$ -	\$ -	\$ -
Buildings and equipment	2,902,293	73,096	-	32,000
Major moveable equipment	332,736	-	-	-
Construction in progress	<u>32,000</u>	<u>-</u>	<u>-</u>	<u>(32,000)</u>
	<u>3,343,311</u>	<u>73,096</u>	<u>-</u>	<u>-</u>
	3,416,407			
Less accumulated depreciation				
Land and improvements	44,998	184	-	-
Buildings and equipment	2,196,949	82,567	-	-
Major moveable equipment	<u>286,998</u>	<u>13,819</u>	<u>-</u>	<u>-</u>
	<u>2,528,945</u>	<u>96,570</u>	<u>-</u>	<u>-</u>
	2,625,515			
Capital Assets, Net	<u><u>\$ 814,366</u></u>	<u><u>\$ (23,474)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
	790,892			

**Logan Manor Community Health Services**  
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**Notes to Financial Statements**  
**December 31, 2021 and 2020**

	2020				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land and improvements	\$ 76,282	\$ -	\$ -	\$ -	\$ 76,282
Buildings and equipment	2,895,999	6,294	-	-	2,902,293
Major moveable equipment	318,569	14,167	-	-	332,736
Construction in progress	32,000	-	-	-	32,000
	<u>3,322,850</u>	<u>20,461</u>	<u>-</u>	<u>-</u>	<u>3,343,311</u>
Less accumulated depreciation					
Land and improvements	44,814	184	-	-	44,998
Buildings and equipment	2,113,881	83,068	-	-	2,196,949
Major moveable equipment	<u>274,822</u>	<u>12,176</u>	<u>-</u>	<u>-</u>	<u>286,998</u>
	<u>2,433,517</u>	<u>95,428</u>	<u>-</u>	<u>-</u>	<u>2,528,945</u>
Capital Assets, Net	<u>\$ 889,333</u>	<u>\$ (74,967)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 814,366</u>

**Note 5: Restricted Nonexpendable Net Position**

At December 31, 2021 and 2020, restricted nonexpendable net position, which consists of cash, was available for the following purpose:

	2021	2020
Assisted living improvements	<u>\$ 99,118</u>	<u>\$ 99,118</u>

**Note 6: Net Resident Service Revenue**

The Manor has agreements with third-party payers that provide for payments to the Manor at amounts different from its established rates. These payment arrangements include:

*Medicare.* Skilled nursing services rendered to Medicare program beneficiaries are paid at prospectively determined rates.



**Logan Manor Community Health Services**  
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**December 31, 2021 and 2020**

*Medicaid.* Services rendered to Medicaid program beneficiaries are reimbursed under a cost-based prospective reimbursement methodology. Manor is reimbursed at a prospective rate with annual cost reports submitted to the Medicaid program. Rates are adjusted on July 1 and January 1 using an average of the three previously filed annual cost reports and changes in the Medicaid resident case mix index. The Medicaid cost reports are subject to audit by the State and adjustments to rates can be made retroactively.

Approximately 58% and 67% of net resident service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2021 and 2020, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

**Note 7: Retirement Plans**

The Manor has a 401(a) money purchase pension plan covering substantially all employees. Contribution rates for plan members and the Manor expressed as a percentage of covered payroll were 2.6 percent and 4.5 percent for 2021 and 2.9 percent and 4.1 percent for 2020, respectively. Contributions actually made by plan members and the Manor aggregated \$40,843 and \$70,635 during 2021 and \$47,690 and \$67,157 during 2020, respectively. The Manor does not control the plan assets.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested, based on the plans stated vesting schedule, in the Manor contributions after completion of credible service with the Manor. Nonvested Manor contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. For the years ending December 31, 2021 and 2020, forfeitures reduced the Manor's pension expense by \$1,549 and \$8,821, respectively.

The Manor also provides an additional defined contribution plan (457 plan). The Manor does not make contributions to the 457 plan. There were no contributions made by plan members in 2021 and 2020. The plan year begins January 1 and ends December 31. The Manor does not control the plan assets.

**Note 8: Professional Liability Coverage and Claims**

The Manor purchases professional liability insurance under a claims-made policy. Under such a policy, only claims made and reported to the insurer during the policy term, regardless of when the incidents giving rise to the claims occurred, are covered.

There have been no claims made against the Manor in 2021 or 2020, and as such no accrual has been made for potential future professional liability costs.

**Logan Manor Community Health Services**  
**A Fund of the City of Logan, Kansas**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

**Note 9: COVID-19 Pandemic & CARES Act Funding**

On March 22, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Resident volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended admissions by skilled nursing facilities.

While some of these policies have been eased and states have lifted moratoriums on non-emergent procedures, some restrictions remain in place, and some state and local governments are re-imposing certain restrictions due to increasing rates of COVID-19 cases.

The Manor's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The Manor has taken precautionary steps to enhance its operational and financial flexibility and react to the risks the COVID-19 pandemic presents to its business.

The extent of the COVID-19 pandemic's adverse effect on the Manor's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Manor's control and ability to forecast.

Because of these and other uncertainties, the Manor cannot estimate the length or severity of the effect of the pandemic on the Manor's business. Decreases in cash flows and results of operations may have an effect on the inputs and assumptions used in significant accounting estimates, including estimated bad debt allowance related to private pay resident accounts, and potential impairments of long-lived assets.

***Provider Relief Fund***

The Manor received \$144,927 and \$293,941 from the *CARES Act* Provider Relief Fund for the years ended December 31, 2021 and 2020, respectively. These distributions from the Provider Relief Fund are not subject to repayment, provided the Manor is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services (HHS).

**Logan Manor Community Health Services**  
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**Notes to Financial Statements**  
**December 31, 2021 and 2020**

The Manor accounts for such payments as voluntary nonexchange transactions. As such, payments are recognized as revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Manor's operating revenues and expenses through December 31, 2021 and 2020, the Manor recognized \$304,280 and \$68,374, respectively, related to the Provider Relief Fund, and these payments are recorded as nonoperating revenues – Provider Relief Funds (*CARES Act*) funding in the statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions of \$66,214 and \$225,567 is recorded as a component of unearned revenue in the accompanying balance sheets for the years ended December 31, 2021 and 2020, respectively.

The Manor will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Manor's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Manor is unable to attest to or comply with current or future terms and conditions, our ability to retain some or all of the distributions received may be affected. Provider Relief Fund payments are subject to government oversight, including potential audits.

***Other COVID-19 Funding***

During the year ended December 31, 2020, the Manor received funding through the Strengthening People and Revitalizing Kansas (SPARK) program. The Manor received and recognized \$242,705, related to this funding for the year ended December 31, 2020, and these payments are recorded as a component of Provider Relief Funds (*CARES Act*) in the accompanying statements of revenues, expenses and changes in net position.

**Note 10: Subsequent Events**

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Manor. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Subsequent events have been evaluated through March 14, 2022, which is the date the financial statements were issued.

**Logan Manor Community Health Services**  
**A Fund of the City of Logan, Kansas**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

**Note 11: Future Change in Accounting Principle**

***Leases***

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* (GASB 87) provides a new framework for accounting for leases under the principle that leases are financings. No longer will leases be classified between capital and operating. Lessees will recognize an intangible asset and a corresponding liability. The liability will be based on the payments expected to be paid over the lease term, which includes an evaluation of the likelihood of exercising renewal or termination options in the lease. Lessors will recognize a lease receivable and related deferred inflow of resources. Lessors will not derecognize the underlying asset. An exception to the general model is provided for short-term leases that cannot last more than 12 months. Contracts that contain lease and nonlease components will need to be separated so each component is accounted for accordingly.

In response to the challenges arising from COVID-19, on May 7, 2020, GASB approved Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. While the proposal included an extra year to implement all guidance, GASB, in a unanimous vote, approved an 18-month postponement for GASB 87. All statements and implementation guides with a current effective date of reporting periods beginning after June 15, 2018, and later will have a one-year postponement. This change is effective immediately. GASB 87 is effective for financial statements for fiscal years beginning after June 15, 2021. Earlier application is permitted. Governments will be allowed to transition using the facts and circumstances in place at the time of adoption, rather than retroactive to the time each lease was begun. The Manor is evaluating the impact the statement will have on the financial statements.

## **Supplementary Information**

**Logan Manor Community Health Services**  
**A Fund of the City of Logan, Kansas**  
**Net Resident Service Revenue and Other Revenue**  
**Years Ended December 31, 2021 and 2020**

**Net Resident Service Revenue**

	<u>2021</u>	<u>2020</u>
Nursing service skilled care	\$ 1,939,159	\$ 2,121,612
Assisted living	200,432	208,024
Home and community based services	<u>11,890</u>	<u>9,370</u>
Net resident service revenue	<u><u>\$ 2,151,481</u></u>	<u><u>\$ 2,339,006</u></u>

**Other Revenue**

	<u>2021</u>	<u>2020</u>
Cafeteria sales	\$ 8,979	\$ 10,461
Miscellaneous income	10,068	3,102
Insurance proceeds - property damage	<u>-</u>	<u>734</u>
	<u><u>\$ 19,047</u></u>	<u><u>\$ 14,297</u></u>

**Logan Manor Community Health Services**  
**A Fund of the City of Logan, Kansas**  
**Divisional Revenues and Expenses**  
**Years Ended December 31, 2021 and 2020**

	2021			
	Skilled Nursing	Assisted Living	Home and Community Based Services	Total
<b>Operating Revenues</b>				
Net resident service revenue	\$ 1,939,159	\$ 200,432	\$ 11,890	\$ 2,151,481
Other	19,038	9	-	19,047
Total operating revenues	1,958,197	200,441	11,890	2,170,528
<b>Operating Expenses</b>				
Salaries and wages	1,439,030	120,168	-	1,559,198
Employee benefits	394,341	41,893	-	436,234
Contract labor	109,293	180	-	109,473
Drugs and medical supplies	89,447	2,110	-	91,557
Food and kitchen supplies	83,157	6,196	-	89,353
Utilities	64,182	23,311	-	87,493
Repairs and maintenance	56,338	7,627	-	63,965
Insurance	76,468	-	-	76,468
Supplies and other expenses	94,879	-	60	94,939
Depreciation	60,133	36,437	-	96,570
Total operating expenses	2,467,268	237,922	60	2,705,250
<b>Operating Income (Loss)</b>	<u>\$ (509,071)</u>	<u>\$ (37,481)</u>	<u>\$ 11,830</u>	<u>\$ (534,722)</u>

2020			
Skilled Nursing	Assisted Living	Home and Community Based Services	Total
\$ 2,121,612	\$ 208,024	\$ 9,370	\$ 2,339,006
14,383	(86)	-	14,297
2,135,995	207,938	9,370	2,353,303
1,513,686	128,087	4,449	1,646,222
296,826	52,997	59	349,882
181,215	150	-	181,365
103,060	1,680	-	104,740
103,499	7,601	-	111,100
58,590	16,662	-	75,252
46,949	7,359	-	54,308
57,599	-	-	57,599
93,640	2,771	-	96,411
60,564	34,864	-	95,428
2,515,628	252,171	4,508	2,772,307
\$ (379,633)	\$ (44,233)	\$ 4,862	\$ (419,004)