

MINUTES  
FINANCE LIAISON COMMITTEE

MEETING JULY 28, 2020

The meeting was called to order at 10:00 AM by Chairman Scott McCausland. Members present were Judy Ashenhurst, Ben Bastianen, Joan Bliss, Marcel Frankel, Barbara Hayler, Scott McCausland, and Jim Westerman. CEO Nadia Geigler, and CFO Dan Churchill. The COVID-19 restrictions still being in effect, the meeting was held online.

The Minutes of the June 2, 2020 meeting were approved by consensus. Scott noted that we would need to choose a new representative for the Association Council by the end of the year. He suggested we also consider whether it was time to choose a new Chairperson.

Dan reported highlights of the financial statement as of June 30, 2020. He noted that IL occupancy was below budget as was AL. He explained that these were both because the Covid 19 lockdown and IDPH guidelines were disrupting normal admissions. However operating revenue and expenses before special Covid affects were very close to budget for the year to date.

YTD Pandemic related expenses were nearly \$260,000 mostly due to stocking up on PPE and re-assigning personal from regular duties to pandemic essential activities. We received almost \$1.8 million in stimulus funds, about \$1.6 of which were PPP funds that he expects will be treated as a grant and will not have to be repaid. The remainder of the payments were from HHS because we are Medicare certified and have had Medicare patients in Skilled Nursing.

In total, YTD operating income before non-cash charges was (\$304,000) which was nearly \$1.7 million better than budget. However YTD net cash from entry fee activity at (\$552,000) was \$4.4 million below budget. The net entry fee shortfall is because the Covid lockdown and restrictions on movement blocked most of the budgeted closings and move-ins for March through June. Although YTD entry fees are very low, Dan expects two closings in August and has commitments for two more sometime before December 31. In addition there

are seven IL units on hold. Because of marketing incentives (abatment of six months of monthly fees if closing is by Dec. 31) Dan expects that much of the shortfall in IL move-ins will be made up by year end. However, some of the new residents will probably take advantage of the program to delay entry fee payment until after sale of the prior residence. Therefore he does not expect that we will catch up in cash receipts from entry fee activity by the end of the year.

Because of these Covid related effects on cash flow, we are not now meeting the bond covenant requirements. Nor does Dan think we will be able to meet them at year end which is the requirement. The year end DSCR (12 month trailing average) covenant is 1.20. It is currently only .96. The Days Cash on Hand covenant is 160 days (to be measured at 6/30 and 12/31.) Our Days Cash on Hand is only 118 days. We had budgeted to meet both covenants but the Covid 19 impact on entry fee activity now makes this unrealistic. These are not events of default: there is no expectation that we will fail to make debt payments in full on time. We may need to draw on the Northern Trust reserves, but it is unlikely that we will need to use the trustee held liquidity reserves.

However, because of missing the 6/30 Days Cash covenant Dan will need to send a letter explaining what we plan to do to correct the short fall. Evidence of the backlog of closings should explain that our problem is primarily a Covid caused timing problem, not any short coming of management or decline in the attractiveness of the Admiral. Failure to meet the DSCR on 12/31 will require us to hire a consultant to review our operations and report to the bond holders. Dan will try to get a waiver of the consulting requirement. Failing that, he hopes to use Kendal as the consultant in order to minimize cost and disruption.

Jim Westerman aptly summarized the situation as analogous to having a sail boat knocked down by a wind puff, but then naturally righting itself as the wind eases. Dan has had considerable contact with Ziegler and is hopeful that the bond holders will see things the same way. He believes that at this time, they are both understanding and appreciative that we are doing as well or better than other CCRC's operating on the entry fee model such as us.

Dan presented a budget preparation time table which is essentially the same as last year. He pointed out, however, that there is a great deal of uncertainty

because of the pandemic so plans may change. Based on the current plans, we set a date of October 6 for preliminary FLC review of budget scenarios for our comments with presentation of the final budget on October 13. We also scheduled a FLC meeting for September 1 to see how operating plans and budget assumptions are evolving.

The meeting was adjourned at 11:20.