

Finance Committee Minutes

April 19, 2023

Chair Wayne Kelley called the meeting to order at 3 p.m. in the Pointe Conference Room. Twenty five residents and Executive Director Justin Carwile were present. Noting GHBC's net operating loss of \$843,985 in the fiscal year ending September 30, 2022, Kelley asked Carwile to address that loss and efforts to reduce expenses.

Carwile noted that Dining Services and Facilities Management are the two GHBC departments that reported the largest losses, and he focused his comments on Dining Services labor costs. A major contributor to the department being over budget was "replacement factor," a budget figure that is intended to address overtime, holiday pay, hiring and training costs. In fiscal 2022 budgeting errors resulted in a significant understatement of amounts budgeted for replacement factor. Provision of free employee meals, increases in raw food costs, higher meal counts and other factors also contributed to Dining Services' budget shortfall.

Asked about budgeting errors, Carwile said new Vena software and the fact that replacement factor is entered into the budget by the Finance Department, not the executive directors or Dining Service directors, allowed the errors to be included. Managers are meeting with the CFO to assure that the errors are not repeated.

Carwile next described the budgeting timeline for fiscal 2024, that begins in several weeks with Vena software training and concludes with submission of a final budget to the Board of Trustees for approval at its September 14, 2023 meeting. See the attached Goodwin Living Budget Timeline.

Chair Kelley next turned to net operating margins at GHBC and GHA, and GHBC's trend from profit to loss in 2022. Noting that GHA has reported net operating losses since 2016, while GHBC reported net operating profits until 2022, GHBC has offset GHA's losses in the Obligated Group. Kelley described the background at the two properties – the addition of 108 Independent Living apartments with construction of the Pointe at GHBC vs. the construction of 80 nursing units at GHA.

Mollie Warner shared additional details on the differences in housing units offered by GHA and GHBC. At GHA, 35 percent of the 409 total available units are nursing/assisted living/memory care units, compared to less than 29 percent of the 453 total units at GHBC. Warner suggested that this has impacted profitability as well as the cultures of the sister properties.

Continuing to address GHBC's 2022 net operating loss, Kelley described rising expenses outpacing revenues. "We have first rate management," he continued, particularly citing CEO Rob Liebreich, COO Chandra Kumar, CFO Xan Smith, and Lindsay Hutter, Chief Strategy and Marketing Officer. "Growth is Rob's mandate," Kelley said, "but growth is expensive."

Kelley described the significant increases in expenses that followed the Board of Trustee's approval in 2018 of the Goodwin Strategic Plan for Growth. From 2017 to 2022, expenditures for administration rose 81 percent, marketing and sales rose 128 percent, dining rose 48 percent, health and wellness rose 91 percent. He then highlighted the Finance Committee's role in monitoring revenues, expenses and budget performance, and in raising questions with management.

Committee questions to Kelley and Carwile focused on possible steps to bring the budget into balance. GHBC's phone and cable systems are not problem areas, although Carwile noted that GHBC is awaiting a credit from Cox. Occupancy at GHBC is very strong. No inflation figures for 2024 budgeting have been determined yet. There are no plans for further management growth within the next several years.

Norman Hicks raised the question of how much of GHBC's reserves is designated to cover future obligations. Kelley noted that the actuaries calculate this annually, but the Finance Committee doesn't see the resulting number. Kelley will request that information from CFO Smith.

Asked about his goal for fiscal 2024 budgeting, Carwile said there must be solid accounting for Dining Services expenses, but he will not budget for any decrease in programs for residents.

In conclusion Kelley emphasized that GHBC is in very solid financial condition, and the Committee will continue to watch trends in financial performance closely. He again raised the issue of using entry fees to help cover operating costs and its potential implications. While not a concern presently, it continues to bear watching.

There was no further business, and Kelley adjourned the meeting at 4:05 p.m.

Submitted by Nancy DeMarco

Attachment: Goodwin Living Budget Timeline – Fiscal Year 2024

GOODWIN LIVING
Budget Timeline - Fiscal Year 2024

No.	Date	Description	Due From	Due To
1	Wednesday, April 5	Budget Timeline distributed	Finance	EDs / Dept Heads
2	Wednesday, April 5 – Friday, April 21	Install Vena add-in Complete Contributor Training Capital Projects Initiation	EDs / Dept Heads	
3	Monday, April 24	Access given to Vena IO for all <i>new</i> Contributors/Users	Finance	EDs / Dept Heads
4	Monday, April 24	Budget Memo and Guidelines distributed	Finance	EDs / Dept Heads
5	Monday, May 8	FY24 Budget Launch in Vena	Finance	Department Heads
6	Wednesday, May 10	Budget Training 1 - Why is the Budget Important? Vena Refresher & How to Budget	Finance	EDs / Dept Heads
8	Monday, May 15 – Friday, May 26	Staffing, Expense, Capital Budget Reviews	Department Heads Construction PM	EDs
9	Tuesday, May 16	Budget Office Hours 10-12pm	Finance	EDs / Dept Heads
10	Tuesday, May 23	Budget Office Hours 2-4pm	Finance	EDs / Dept Heads
12	Wednesday, May 31	Staffing, Expense, Capital Budget due	Department Heads	Finance
13	Friday, June 2	IL Census Budgets & Rates due	CSO / Sales	Finance
14	Friday, June 2	H&W Census Budgets, Payor Mixes and Rates due	EDs / AED / DON	Finance

15	Wednesday, July 5	First draft of budget	Finance	ST / EDs / Dept Heads
16	Week of July 10	Joint Budget Dept Meeting: GHA, GHBC, COO, CFO, CBO		
17	Friday, July 21	First revisions due	ST / EDs / Dept Heads	Finance
18	Friday, July 28	Second draft of budget	Finance	ST / EDs / Dept Heads
19	Week of July 31	Joint Budget Dept Meeting: GHA, GHBC, COO, CFO, CBO		
20	Friday, August 11	Final management revisions due	EDs	Finance
21	Friday, August 18	Final draft of budget	Finance	ST / EDs / Dept Heads
22	Wednesday, August 23	Budget sent to Finance Committee	CFO	Finance Committee
23	Thursday, August 31	Finance Committee meeting		
24	Wednesday, September 6	Final revisions, if necessary	Finance	ST / EDs / Dept Heads
25	Friday, September 8	Budget sent to Board of Trustees	Finance	Board of Trustees
26	TBD	GHA and GHBC Resident budget presentations	EDs, CFO	GHA Residents GHBC Residents
27	Thursday, September 14	Board of Trustees meeting		
28	TBD	Budget Training 2 - Management of Budget	Finance	EDs / Dept Heads