

## Finance Committee Minutes

**May 17, 2023**

Chair Wayne Kelley called the meeting to order at 3 p.m. in the Pointe Conference Room. Twenty eight residents were present. Kelley noted that the meeting will focus on GHBC's financial performance through March 31, 2023, the halfway point of its current fiscal year, and on questions about Goodwin Living at Home's financial performance.

"March did not look good," said Jean Reed, introducing his overview of revenues at March 31. Goodwin Living (referring here to the Obligated Group consisting of GHBC, GHA, GLAH and Specialized Care) reported total revenue for the six months ending March 31 of \$58 million, and an operating loss of \$776,628, compared to a budgeted gain of \$5.45 million. Total revenue for the period was under budget by \$3.5 million. Investment income (under budget by \$2.6 million) and amortization of deferred revenue (under budget by \$1.6 million) were the major contributors to not meeting revenue projections.

Turning to GHBC, Reed reported that six-month revenue totaled \$23 million, and operating loss for the period was \$596,523, compared to a budgeted gain of \$2.5 million. The primary reasons for the loss were lower investment income and amortization of deferred revenue. Operating expenses also exceeded budget by \$1.72 million for the period. GHBC operating losses were offset by unrealized gains in trading securities and other non-operating income, Reed concluded.

Mollie Warner highlighted expenses for the first six months of fiscal year 2023. GL (the Obligated Group) reported \$54 million in total expenses in the six-month period ending March 31, \$2.7 million over the \$51 million budgeted. At GHBC, expenses totaled \$24 million, \$1.7 million over the \$22 million budgeted.

Major expense categories that exceeded budget included Plant Operations and Dining Services. Warner provided details on both departments' variances from budget, but concluded by urging the Finance Committee to focus its questions more on the overspending on administration and marketing, and on the disappointing performance of GLAH.

Kelley stressed that the Committee is focusing on following trends, and he expressed concern about use of entry fees to help cover operating costs.

Kelley next provided a slide presentation on GLAH and actuarial trends. The presentation is posted on the Finance Committee's website page.

Kelley noted that GLAH has underperformed in its nine years of existence. Its members numbered 225 at the beginning of fiscal 2023, and GL has projected increasing that to 264 by fiscal year end. However, GL has earlier acknowledged that 350 members are needed to break even. Kelley expressed concern that GLAH expenses are lumped in one number, reported as

administrative expenses in the financial statements. However, Kelley reported that the GLAH 2023 budget projects revenue of \$1.54 million and expenses of \$2.52 million. Expenses are administrative, \$411,000; marketing and sales, \$805,000; and resident services, \$1.3 million. Kelley said that a total of 36 GLAH members have moved to GHBC over its nine-year life.

The Finance Committee discussed at length concerns and questions about GLAH and its impact on GHBC. Kelley said he will ask CFO Xan Smith to break out more details on GLAH expenses, and will seek Smith's explanations and answers to the Committee's questions about why GL has continued to support the financially floundering venture.

Kelley next showed the conclusion of his slide presentation on actuarial trends reported by the third-party actuarial firm AV Powell. GHBC's and GHA's actuarial surpluses, funded status and future service obligations all exceed industry averages, although the surplus dipped from 2021 to 2022 because of stock market drops. Kelley noted that the report shows just one measure of financial performance, noting that it would be ideal to have a dashboard showing a wide range of financial trends.

Extensive discussion followed, during which it was noted that GL management has been very open with residents about financial issues. The challenges of for-profit competition and related risks for a nonprofit CCRC were emphasized. GHBC is currently well into the development of its 2024 budget, and residents with recommendations are urged to share their input through the Resident Council or directly with Executive Director Justin Carwile.

Kelley advised that the June meeting will feature a question-and-answer session with CFO Smith, and will be held on a date to be determined when Smith is available. Kelley will alert Committee members to the date as soon as it's set.

There was no further business, and Kelley adjourned the meeting at 4:10 p.m.

Submitted by Nancy DeMarco