

## **Finance Committee Minutes**

**February 14, 2023**

Chair Norman Hicks called the meeting to order at 3:05. in the Pointe Conference Room. About 25 residents attended, as well as Justin Carwile, Executive Director, GHBC, and Xan Smith, Chief Financial Officer, GHI.

The chair noted that he had discussed with Bill Weber the idea raised in the January meeting of a report to residents on the financial situation of GHI. Bill has agreed to come up with a format for a report to be issued twice a year, including a dashboard of key indicators and written text. The draft should be ready for next month's meeting.

Hicks then introduced Xan Smith, CFO of GHI who provided a summary of the financial results for the first quarter of the fiscal year 2024 which ended on December 31, 2023, and the actuarial review as of end FY23 . Xan's presentations are attached.

Xan noted that the financial situation of the Goodwin obligated group is very strong. It exceeds most of the standards of the Fitch BBB medians. For instance, the ratio of cash to Debt is 121% (end December 2023), vs. a Fitch median of 62%. However, while the net operational margin (NOM) has improved, it continues to be negative (-2.3%), and below the Fitch average of 4.7%. Goodwin Living at Home has improved its performance but continues to show a small deficit. Of concern, he noted, is the Capital Expenditure/Depreciation rate at 52%, indicating that GHI is not replacing its capital stock as it ages. In discussion, he acknowledged this and noted that capital spending fell during the pandemic, and GHI has plans to accelerate it in the future.

On the plus side, occupancy rates have returned to 95% by end of the quarter, having dipped during the year with the incorporation of TVA into the total. TVA's present occupancy is now 90%, and GHBC is 96%. Xan also showed the results of the latest actuarial review. As of Sept. 2023, the funded status of GHA and GHBC was positive and above the AVP median,

indicating that GLI has sufficient reserves to cover its obligation to pay future health care costs of its residents.

VP Smith also distributed a copy of the FY23 audit, which gave GLI a clean bill of health. This had been seen before and reviewed by some members of the Committee. Wayne Kelley raised a question about Note 3, which shows construction in progress \$6.5 million. Xan explained that this was the value of design work for the Chantilly project, paid for by the Development Corp. out of its contributed capital. The Chantilly project is on hold, given the rising interest rates and uncertain market conditions.

The chair raised the question of which issues should be dealt with at future meetings. Two topics were raised: the status of GH at Home, and the plans to accelerate capital expenditures. The Committee voted to focus the next meeting on capital expenditure plans, and to invite John Cruz, Construction Project Manager, to make a presentation on plans and issues. The next meeting will be held on March 13.

The meeting was adjourned at 4:21.

NLH / 2-21-24

