

THE McAULEY

PART OF THE MERCY COMMUNITY

Narrative of Material Differences Between Proforma and Actual For the Fiscal Year Ending June 30, 2022

Effective June 30, 2014, Mercy Community Health and its Affiliates became part of Trinity Health. This consolidation resulted in the transition of several financial systems from the ones Mercy Community Health had been using to the enterprise systems used by Trinity Health.

The McAuley Center's actual performance for FY 2022 were unfavorable to the projected 2022 Proforma statements. The material differences for the FY 2022 period are:

- Cash, long-term liabilities, and entrance fee amortization revenue are lower than anticipated as fewer new independent living residents elected long-term care inclusive contracts.
- 2022 actual supply costs exceeded the projected expense due to the impact of significant inflation on food and other supplies.
- The costs of health care for independent living residents with long-term care inclusive contracts for 2022 was higher than anticipated, resulting in an unfavorable variance from projection for purchased services.

See attached schedules for the details

McAuley Center, Inc.

Balance Sheet and Changes in Net Assets

6/30/2022

(000s)

<u>ASSETS</u>	<u>Proforma 2022</u>	<u>Actual 2022</u>	Comments
Current Assets:			
Cash and Cash Equivalents	\$ 6,996	\$ 4,604	
Accounts Receivable, Net	330	213	
Prepaid Expenses and Other Current Assets	27	345	
Total Current Assets	7,353	5,162	
Assets Whose Use Is Limited - Non-Current	1,917	1,812	
Property, Plant and Equipment, Net	8,139	8,217	
Other Assets	41	41	
TOTAL ASSETS	\$ 17,450	\$ 15,232	
<u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities:			
Current Maturities of Debt	\$ 282	\$ 187	
Accounts Payable and Accrued Expenses	1,061	1,185	
Other Accrued Liabilities	329	256	
Total Current Liabilities	1,672	1,628	
Long-Term Debt, Less Current Portion	10,835	10,931	
Other Long-Term Liabilities	20,571	19,241	Lower entrance fees due to change in contract mix
Total Liabilities	33,078	31,800	
Net Assets			
Unrestricted Net Assets	(15,698)	(16,651)	Net loss compared to forecasted net income
Temporarily Restricted Fund Balance	71	83	
Permanently Restricted Net Assets	-	-	
Total Net Assets	(15,627)	(16,568)	
TOTAL LIABILITIES & NET ASSETS	17,451	15,232	
CHANGES IN NET ASSETS			
Unrestricted Net Assets			
Beginning Unrestricted Net Assets	(16,447)	(16,447)	
Use of Unrestricted Net Assets	-	-	
Excess of Revenues over Expenses	749	(204)	Net loss compared to forecasted net income
Total Unrestricted Net Assets	(15,698)	(16,651)	
Temporarily Restricted Net Assets			
Beginning Temporarily Restricted Net Assets	71	71	
Temporarily restricted donations	-	12	
Use of Temporarily Restricted Funds	-	-	
Ending Temporarily Restricted Net Assets	71	83	
Permanently Restricted Net Assets			
Beginning Permanently Restricted Net Assets	-	-	
Ending Permanently Restricted Net Assets	-	-	
TOTAL NET ASSETS	\$ (15,627)	\$ (16,568)	

McAuley Center, Inc.

Statement of Operations For the Fiscal Year Ended June 30, 2022 (000s)

	<u>Proforma</u> <u>2022</u>	<u>Actual</u> <u>2022</u>	<u>Comments</u>
Revenue			
Operating Revenue	\$ 11,543	\$ 11,272	Lower entrance fees revenues due to change in contract mix
Operating Expenses			
Salaries and Wages	2,906	2,938	
Employee Benefits	815	753	
Professional Fees	-	-	
Supplies	1,048	1,214	Primarily due to the impact of inflation on food and other supplies
Purchased Services	2,580	2,966	Increased cost of resident medical care
Depreciation & Amortization	581	609	
Interest	414	369	
Other	2,455	2,491	
Total Operating Expenses	<u>10,799</u>	<u>11,340</u>	
Operating Income	744	(68)	
Non-Operating Revenue	5	(136)	
Increase (Decrease) in Unrestricted Net Assets	<u>\$ 749</u>	<u>\$ (204)</u>	Net loss compared to forecasted net income

McAuley Center, Inc.

Statement of Cash Flows For the Fiscal Year Ended June 30, 2022

(000s)

	Proforma 2022	Actual 2022	Comments
Sources of Cash			
Excess of Revenues over Expenses from Operations	749	(204)	Net loss compared to forecasted net income
Items Not Affecting Working Capital			
Depreciation	581	609	
Other	-	-	
Total Sources of Cash	1,330	405	
Uses of Cash			
Change in Working Capital, excluding current portion of debt	(36)	(133)	
Additions to Plant, Property and Equipment, net	1,163	1,268	
Other Assets	-	(12)	
Long-term Debt Principal Repayments	282	282	
Other Long Term Liabilities	(823)	507	Lower entrance fees due to change in contract mix
Total Uses of Cash	586	1,912	
Cash Provided (Used) Prior to Interest Income	744	(1,507)	
Cash Provided From Interest Income	5	(136)	Unfavorable investment market conditions
Cash Provided (Used)	749	(1,643)	
Cash Balance, Beginning of Period	6,247	6,247	
Cash Balance, End of Period	6,996	4,604	