

**Narrative of Material Differences Between Proforma and
Actual For the Fiscal Year Ending June 30, 2020**

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 2020 did differ slightly from the projected 2020 Proforma statements. The material differences for the FY 2020 period are:

- Accounts payable and other liabilities were lower than projected in the 2020 Proforma statements, and the related cash disbursements to reduce these obligations resulted in a lower cash balance at the end of FY2020.
- The McAuley Center performed an evaluation of the current market value of its fixed assets and, in compliance with Generally Accepted Accounting Principals, made an adjustment to the balance sheet. This reduction resulted in a one-time expense of \$13.8M.
- The COVID-19 pandemic impacted operations at The McAuley Center:
 - Supply costs increased with the scarcity and importance of personal protective equipment grew.
 - Staffing challenges were overcome with Thank You pay for staff working during the early outbreak.
 - Visitor restrictions impeded marketing tours and new resident move-ins. This lower occupancy translated into lower than anticipated revenue.
 - Residents avoided non-emergent medical treatment in the first wave of COVID-19, which resulted in lower than anticipated care costs.

See attached schedules for the details.

McAuley Center, Inc.

Balance Sheet and Changes in Net Assets

6/30/2020

(000s)

<u>ASSETS</u>	<u>Proforma 2020</u>	<u>Actual 2020</u>	<u>Comments</u>
Current Assets:			
Cash and Cash Equivalents	\$ 13,725	\$ 7,007	Reduced cash due to payoff of AP
Accounts Receivable, Net	126	11	
Prepaid Expenses and Other Current Assets	198	345	
Total Current Assets	14,049	7,363	
Assets Whose Use Is Limited - Non-Current	1,857	1,668	
Property, Plant and Equipment, Net	22,309	8,129	Writedown of fixed assets to market value
Other Assets	41	41	
TOTAL ASSETS	\$ 38,256	\$ 17,201	
<u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities:			
Current Maturities of Debt	\$ 276	\$ 275	
Accounts Payable and Accrued Expenses	9,784	594	
Other Accrued Liabilities	1,021	250	
Total Current Liabilities	11,081	1,119	
Long-Term Debt, Less Current Portion	11,398	11,399	
Other Long-Term Liabilities	18,506	21,130	Increase in entrance fee liability and deferred revenue
Total Liabilities	40,985	33,648	
Net Assets			
Unrestricted Net Assets	(2,792)	(16,697)	Primarily due to writedown of fixed assets
Temporarily Restricted Fund Balance	62	250	
Permanently Restricted Net Assets	-	-	
Total Net Assets	(2,730)	(16,447)	
TOTAL LIABILITIES & NET ASSETS	38,255	17,201	
CHANGES IN NET ASSETS			
Unrestricted Net Assets			
Beginning Unrestricted Net Assets	(2,746)	(2,746)	
Change in Controlling Interest			
Excess of Revenues over Expenses	(46)	(13,951)	Primarily due to writedown of fixed assets
Total Unrestricted Net Assets	(2,792)	(16,697)	
Temporarily Restricted Net Assets			
Beginning Temporarily Restricted Net Assets	62	62	
Temporarily restricted donations		189	
Use of Temporarily Restricted Funds			
Ending Temporarily Restricted Net Assets	62	251	
Permanently Restricted Net Assets			
Beginning Permanently Restricted Net Assets	-	-	
Ending Permanently Restricted Net Assets	-	-	
TOTAL NET ASSETS	\$ (2,730)	\$ (16,447)	

McAuley Center, Inc.

Statement of Operations For the Fiscal Year Ended June 30, 2020

(000s)

	<u>Proforma 2020</u>	<u>Actual 2020</u>	
Revenue			
Operating Revenue	\$ 12,719	\$ 12,340	Lower occupancy due to regional COVID-19 outbreaks
Operating Expenses			
Salaries and Wages	3,028	3,079	Reduced staffing, offset by higher wage incentives to retain staff during COVID-19
Employee Benefits	752	725	
Professional Fees	4	-	
Supplies	733	852	Increase in personal protective equipment and cleaning costs due to COVID-19
Purchased Services	3,114	2,721	Lower than anticipated resident care costs in skilled nursing facility
Depreciation & Amortization	1,785	2,195	Expanded refurbishment program
Interest	514	257	
Asset impairment	-	13,826	Impairment of assets
Other	2,840	2,667	Lower repairs and maintenance costs than anticipated
Total Operating Expenses	<u>12,770</u>	<u>26,322</u>	
Operating Income	(51)	(13,982)	
Non-Operating Revenue	5	31	
Increase (Decrease) in Unrestricted Net Assets	<u>\$ (46)</u>	<u>\$ (13,951)</u>	

McAuley Center, Inc.

Statement of Cash Flows For the Fiscal Year Ended June 30, 2020

(000s)

	Proforma 2020	Actual 2020	
			Comments
Sources of Cash			
Excess of Revenues over Expenses from Operations	(46)	(13,951)	
Items Not Affecting Working Capital			
Depreciation	1,785	2,195	Expanded refurbishment program
Other	-	13,826	Asset impairment
Total Sources of Cash	1,739	2,070	
Uses of Cash			
Change in Working Capital, excluding current portion of debt	(185)	(153)	
Additions to Plant, Property and Equipment, net	1,785	1,812	
Other Assets	(4)	(189)	Donor restricted funds received
Accounts Payable & Accrued Expense	96	9,926	Decrease in accounts payable
Long-term Debt Principal Repayments	276	276	
Other Long Term Liabilities	(183)	(2,807)	Increase in entrance fees liability and deferred revenue
Total Uses of Cash	1,786	8,865	
Cash Provided (Used) Prior to Interest Income	(47)	(6,795)	
Cash Provided From Interest Income	1	31	
Cash Provided (Used)	(46)	(6,764)	
Cash Balance, Beginning of Period	13,771	13,771	
Cash Balance, End of Period	13,725	7,007	