Director of Finance Report – March 2020

Attachments: Income Statement Q1, Balance Sheet J/F/M

General Remarks:

 Following several discussions with our Auditor, revisions have been made to both our Income Statement and Balance Sheet that move us away from the previous ‘Cash Flow’ style of in-house statements and toward a format that meets GAAP (Generally accepted accounting principles).

 There are two major circumstances that are affecting the revenue picture for this year so far, and will affect the remainder of this year as well. First, construction delays prevented the occupancy of the building until April 1, whereas our budget anticipated that occupancy would begin in March.

 The second and much more serious situation we are in is of course the current COVID-19 pandemic. Although the financial results to the end of March do not yet reflect much of this, COVID-19 will have a long-term impact on our operations. What remains to be seen is the full extent of this impact. What we know so far is this:

1. Move-ins for the North Wing are being delayed in order to comply with physical distancing restrictions.
2. At least one prospective resident has passed away after contracting COVID-19, and others may need to cancel their decision to move into the new Wing due to health issues.
3. Several current vacancies in the older wings have not been filled, also due to concerns about bringing new residents from outside into the existing population.
4. Several new hires have been necessary in order to provide screening and monitoring help so that the current residents and staff are protected from possible infection.
5. Increased costs are being incurred on items like PPE (Personal Protective Equipment) and other supplies such as disinfectants and hand sanitizer.

Income Statement – March and Year-to-Date (First Quarter)

 Revenues: Rent was significantly impacted by the delay of 1 month in starting move-ins for the North Wing. This situation will slowly improve over the next few months as more residents move into the North Wing. Although there is no real resolution of COVID-19 in sight at the present time, we are hoping that we will be able to get the majority of new tenants in by the end of June.

 Expenses and Net Income: Net Income to the end of March was a loss of $130K, which is almost the same as the previously expected rent receipts for the North Wing in March. Our budgeted Income for the first quarter was a loss of 26K, as the first quarter contains an extra payroll (this happens twice per year).

Balance Sheet – to March 31, 2020

 For several years the Society has maintained significant cash reserves in Savings Accounts that earn little in the way of interest, while at the same time carrying significant debt. We are attempting to rebalance this in a way that will still allow for any significant and extraordinary expenses to be managed without undue stress on the finances.

 The introduction of the Life Lease Program is allowing for some flexibility in cash management practices. As of the end of March, $500K has been placed for several residents, and during the month of April a further $550K has been received. Several other residents have expressed interest and we expect this Program to continue to grow. This has allowed us to skip one Construction Loan advance of some $600K to date; we are hopeful that by the time we need to book our Mortgage in July, we will have a good balance between Mortgage, Life Lease, an Operating Line, and Cash on Deposit. This will allow us to handle any unexpected cash needs that might arise in the future.

 If there are any questions at all concerning the current state of affairs or our ability to continue operations, please be assured that we are in a very strong financial position and with the Lord’s continued blessings we will come through the current difficulties in good shape. If you have specific questions about any aspect of the financial picture, please send them to me through Allan and I will do my best to clarify things.

 Henry Baker