

THE MCAULEY
PART OF THE MERCY COMMUNITY

December 20, 2018

Mr. Rich Wysocki
Principal Cost Analyst
Office of CON and Rate Setting
Department of Social Services
55 Farmington Ave.
Hartford, Connecticut 06105

Dear Mr. Wysocki:

Please find attached the Disclosure Statement as of June 30, 2018, for The McAuley Center, Inc. I trust that you will find our documents in order.

Also attached is the narrative describing any material differences between the 2018 Proforma income and cash flow statements and the actual results for the June 30, 2018 fiscal year end.

If you should have any questions regarding either document, please do not hesitate to contact me. I can be reached at 860-570-8254.

Sincerely yours,



Eric Dana
Executive Director of The Mercy Community

Encl. The McAuley Center, Inc. Disclosure Statement – 2018
The McAuley Center, Inc. Narrative of Material Differences - 2018

NARRATIVE OF DIFFERENCES OF ACTUAL RESULTS FROM PROFORMA

PERIOD ENDING JUNE 30, 2018

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 2018 did differ slightly from the projected 2018 Proforma statements. The material differences for the FY 2018 period are:

- Census levels had declined due to a higher number of residents expiring and the units not being sold as quickly. This decreased the monthly service fee revenues which were offset by the amortization revenue from the termination of the residents' contracts.
- The utility costs were higher due to the colder winter months and warmer summer months. In addition one of the cooling towers needed to be replaced which required portable unit rental using more electricity and water.
- A change in Food Service management vendors reduced purchased service cost but increased dietary supply and food costs.
- A decrease in lifecare residents in skilled nursing care had resulted in purchased service cost decreases.
- Trinity Health had made available additional capital funds to improve the facility which allowed more renovations and upgrades to be done sooner than originally planned. Many of these renovations were capitalized in FY 2018. This increased the expense associated with Depreciation and Interest on intercompany borrowing.
- The replacement of the cooling tower not only impacted utility costs but there were repairs needed which were not able to be capitalized increasing the repair and maintenance expense.
- A new project to enhance the physical plant and amenities offered to the residents is in progress which is being funded through intercompany borrowing. The current impact is on cash and debt service.

See attached schedules for the details.

McAuley Center, Incorporated

BALANCE SHEET AND CHANGES IN NET ASSETS FOR FISCAL YEAR ENDED JUNE 30, 2018 (in thousands of dollars)

<u>ASSETS</u>	<u>Proforma 2018</u>	<u>Actual 2018</u>	<u>Comments</u>
Current Assets:			
Cash and Cash Equivalents	\$9,800	\$12,815	Advance of Intercompany Cash for Capital Acquisitions
Accounts Receivable, net	348	74	Timing of Resident Service Fee Payments
Prepaid Expenses and Other Current Assets	303	579	Increase of Current Portion of Assets whose Use is Limited
Total Current Assets	\$10,451	\$13,468	
Assets Whose Use Is Limited - non-current Property, Plant and Equipment, net	1,547	1,532	
Other Assets	41	41	Capital Acquisitions for renovation Project
TOTAL ASSETS	\$26,826	\$31,355	
<u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities:			
Current Maturities of Debt	\$289	\$289	
Accounts Payable and Accrued Expenses	2,674	5,989	Increase in Accounts Payable and Intercompany Advances
Other Accrued Liabilities	996	880	Decrease in Salary and Wage Liability
Total Current Liabilities	\$3,959	\$7,158	
Long-term debt, less current portion	\$11,856	\$11,934	
Other Long-term liabilities	18,999	19,494	
Total Liabilities	\$30,855	\$31,428	
Net Assets			
Fund Balance (Unrestricted)	(\$7,995)	(\$7,284)	
Temporarily Restricted Fund Balance	(5)	53	
Permanently Restricted Net Assets	12	0	
Total Fund	(7,988)	(7,231)	
TOTAL LIABILITIES & NET ASSETS	\$26,826	\$31,355	
	0	0	
CHANGES IN NET ASSETS			
Unrestricted Net Assets			
Beginning Unrestricted Net Assets	(\$7,374)	(\$7,441)	
Change in Controlling Interest			
Excess of Revenues over Expenses	(621)	157	Termination Income for Resident Deaths
Total Unrestricted Net Assets	(7,995)	(7,284)	
Temporarily Restricted Net Assets			
Beginning Temporarily Restricted Net Assets	(\$5)	\$53	
Use of Temporarily Restricted Funds			
Ending Temporarily Restricted Net Assets	(5)	\$53	
Permanently Restricted Net Assets			
Beginning Permanently Restricted Net Assets	\$12	\$0	
Ending Permanently Restricted Net Assets	\$12	\$0	
TOTAL NET ASSETS	(7,988)	(7,231)	

McAuley Center, Incorporated

STATEMENT OF OPERATIONS FOR FISCAL YEAR ENDED JUNE 30, 2018 (in thousands of dollars)

	<u>Proforma</u> 2018	<u>Actual</u> 2018	Comments
<u>REVENUE</u>			
Operating Revenue	\$11,874	\$12,056	
Total Operating Revenue	\$11,874	\$12,056	
<u>OPERATING EXPENSES</u>			
Salaries and Wages	\$2,555	\$2,650	
Employee Benefits	873	633	
Professional Fees	3	3	
Supplies	54	603	Reclassify where Food Costs are Presented
Purchased Services	3,746	2,497	- Decrease in Sodexo/Unidine Management Services - Reclassify where Food Costs are Presented - Decrease of Residents in Long Term Care
Depreciation & Amortization	1,790	1,821	Capitalization of CIP
Interest	403	436	Increase in Intercompany borrowing rate
Other	0	0	
Other	3,069	3,256	Increase in Repairs & Maintenance
Total Operating Expenses	\$12,495	\$11,899	
OPERATING INCOME	(\$621)	\$157	
Non-Operating Revenue			
Investment Income	\$0	\$0	
Net Non-Operating Revenue	\$0	\$0	
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(\$621)	\$157	

McAuley Center, Incorporated

STATEMENT OF CASH FLOWS FOR FISCAL YEAR ENDED JUNE 30, 2018 (in thousands of dollars)

	<u>Proforma 2018</u>	<u>Actual 2018</u>	Comments
<u>SOURCES OF CASH</u>			
Excess of Revenues over Expenses from Operations	(\$621)	\$157	Termination Income for Resident Deaths
Items Not Affecting Working Capital			
Depreciation	\$1,790	\$1,821	Capitalization of CIP
Other			
Total Sources of Cash	<u>\$1,170</u>	<u>\$1,978</u>	
<u>USES OF CASH</u>			
Change in Working Capital, excluding current portion of debt	(\$4)	(\$2,130)	- Intercompany cash advance for Capital Acquisitions
Additions to Plant, Property and Equipment, net	1,489	3,046	Capital Acquisitions for Renovation Project
Other Assets	(10)	3	
Accounts Payable & Accrued Expense	51	(1,105)	Increase in Accounts Payable and Intercompany Advances
Long-term Debt Principal Repayments	289	289	
Other Long Term Liabilities	(24)	(519)	Increase in Deferred Entrance Fees
Total Uses of Cash	<u>\$1,791</u>	<u>(\$416)</u>	
Cash Provided (Used) Prior to Interest Income	(\$621)	\$2,394	
Cash Provided From Interest Income	\$0	\$0	
Cash Provided (Used)	(\$621)	\$2,394	
CASH BALANCE, BEGINNING OF PERIOD	\$10,421	\$10,421	
CASH BALANCE, END OF PERIOD	<u>\$9,800</u>	<u>\$12,815</u>	