

MARKLUND
MINUTES OF THE FINANCE COMMITTEE MEETING
Thursday, June 29, 5:30 P.M.
Marklund Hyde Center
Geneva, IL

CALL TO ORDER

Mike Herlihy called the meeting to order at 5:30 p.m.

ALSO PRESENT

Jeff Blanchette, Bill Dolen Gerry Estes, Duane Fitch, Dan Foley, Frank Murnane, George Webster, John Wick

NOT PRESENT

N/A

STAFF

Kudus Badmus, Gil Fonger, Kelly Kramer

PREVIOUS MINTUES

Mike H. asked for a motion to approve the meeting minutes of 04/06/2017 and 05/18/17. Frank M. motioned, Jeff B. seconded. All were in favor and the minutes were approved without exception.

FINANCIAL STATEMENTS

Kudus B. began by informing the committee that four Marklund clients passed away in the month of June – one at MWC and three at MHC. The current MHC waitlist is at 57. Returning to the financial statements, Kudus B. shared that current YTD net contribution from CEC (unaudited) is \$3.5M. YTD operating results noted a cash loss of \$318K (net of CEC contribution), which is \$323K better than budget. Although the school operated at \$17K under budget for the month of May due to staggered enrollments, YTD it is favorable to budget by \$178K. Due to a rate adjustment following the CEC acquisition which brought their program under Marklund's DHS license, the DT program is currently favorable to budget by \$92K YTD. The REST program is favorable to budget by \$81K due to increased trainings in FY17. On the expense side, Salaries are currently \$24K over budget, with Kudus B. explaining that we expect to come in closer to / on budget by the end of FY2017. Occupancy is currently \$46K better than budget primarily due to the timing of utilities. Increased REST expenses, along with \$30K in acquisition expenses, resulted in an unfavorable variance of \$76K in the Administrative line item. Total fundraising income for Marklund Charities is \$3.5M – a positive variance of 75% over budget. We received two major legacy gifts totaling just over \$1M as well as a 3-year, \$180K pledge for the Aquatic Therapy Program. YTD, the Community Events line item is favorable to budget by \$75K. Though we did not participate in the budgeted housewares show, the motorcycle pledge run brought in a net revenue of \$92K. On the expense side, YTD Charities is unfavorable to budget by \$97K, mostly in salaries and benefits as a result of the CEC acquisition. Gil F. informed the committee that the Development position brought over from the acquisition was recently eliminated. The Endowment Fund noted a combined Net Gain of \$959K YTD. Net proceeds for Marklund Charities are \$3.7M -favorable to budget by \$2.4M. Referencing the Balance Sheet, Duane F. asked for clarification on the \$159K Land line-item. Kudus B. responded that it is the 5 acres of drummer soil behind the MHC Administration building. Frank M. asked if there is any buildable land available for Geneva expansion,

and Gil F. responded there is a 1.5-acre parcel along Wyatt Drive, which would be suitable for a school. Frank M. asked if there are any plans to put homes on that site, and Gil F. responded that future plans to expand MHC Residential lie primarily in CILA exploration. John W. asked about Marklund's line of credit, with Kudus B. responding the full \$5M is available as of the date of this meeting. Mike H. asked about Marklund's A/R. Gross A/R for 30-60 day timeframe is \$1.6M as of the end of May. Kudus B. shared that we received \$2.1M from the state in June, reducing our A/R balance to \$3.3M as of the date of this meeting. Gerry E. noted this is encouraging, given the budget standoff.

OTHER BUSINESS

Sheila Palese passed away on June 14, triggering the transfer of the balance (\$591,148.44 as of June 28) in the Palese Trust account to Marklund. We are estimating a total of \$25K in funeral expenses and taxes. The current portfolio is very conservatively managed, and we are proposing we instruct TCI to apply the same investment strategy (CPI + 4.5%) that we apply to the rest of the Endowment. After some discussion, John W. advised waiting to approach TCI until the trust dissolves. Gil F. is anticipating we will have more information regarding the named Trustee, etc., by the time the Executive Committee meets on July 31. John W. asked about Marklund's current level of cyber security, given the recent breaches on other health systems. Gil F. shared the various measures we have in place to protect clients' data, including back-ups on both coasts, firewalls, encryption, and strict HIPAA adherence. Duane F. asked if the next Board Meeting in October could include an update on security. Gil F. responded we would put together a report, with John W. asking if we could include our disaster recovery plan in that report.

ADJOURNMENT

With no further business, Mike H. called for a motion to adjourn. Bill D. motioned, John W. seconded, and the meeting was adjourned at 6:35 p.m.