

DATE: January 22, 2020
TO: Board of Directors, Marklund
FROM: Kudus O. Badmus, Chief Financial Officer *KB*
SUBJECT: Summary Comments – December, 2019 Financial Statements

BALANCE SHEET

Overall, Cash and Cash Equivalents increased by \$123K or 14% from last month. Larger transactions that affected cash include the following: a decrease in Accounts Receivables of \$71K or 2% and a Restricted Transfers-in of \$112K offset by a decrease in Total Current Liabilities of \$17K or less than 1%.

INCOME STATEMENT

YTD operating results noted a Cash gain of \$735K; favorable to budget by \$343K or 87%.

The following scope of explanation includes line items that have a 10% YTD variance from budget. Other line items are listed at the discretion of management.

YTD
Operating Revenues

Operating Revenues consisting of Residential Services, School Tuition, Community Day Services and Other noted an unfavorable variance of \$135K or less than 1%.

Residential Services:

YTD, this line item is unfavorable to budget by \$157K or 2% due to a large number of unreimbursed hospital days and vacancies created by the loss of several residents during the first half of the fiscal year. However, while we have been able to fill some spots, finding an appropriate prospect for the open beds at MPC is taking longer than anticipated due to the readiness of the prospects on our waiting list. For the month, while MPC operated at 3 residents below budget, one of the discharges was temporary to allow for I.V. infusion therapy at another facility.

School Tuition:

YTD, this line item approximates budget with a slight favorable variance of \$7K. Although the program operated at 1 student under budget this month, YTD average enrollments are in line with budgeted expectations.

Community Day Services:

YTD, this line item is unfavorable to budget by \$33K, mostly the result of our open beds. As mentioned in Residential Services, we recorded a large number of open bed days in the first half of the fiscal year. Overall, the CDS programs operated at 4 clients below budget during the current month.

YTD
Operating Expenses

Salaries:

YTD favorable to budget by \$145K or 2%. The majority, \$120K, of this variance relates to the timing of hiring of Paraprofessionals and remunerations for closed days at the school. As we near the end of the fiscal year, the gap is expected to be closer. Overall, for the month we operated at 42 FTE open positions, of which 3 and 28 represent nurses and PSP's respectively. A large number of our direct care openings were covered through overtime and our In-House Registry staff. As an incentive, we also award pick-up bonuses to staff willing to take on extra shifts. Additionally, sign-on bonuses have been instituted for our Housekeeping and Laundry departments.

Benefits:

YTD, favorable to budget by \$55K or 2%; for the most part, this line item correlates with the Salaries line item. We budgeted Benefits at 26% of salaries for fiscal year 2020.

Consulting:

YTD, unfavorable to budget by \$17K or 20% due to the utilization of Agency to fill open positions for teachers at the school. The positions have now been filled by regular staff.

Consulting-Nurses & Aides:

YTD, this line item is favorable to budget by \$122K or 43% reflecting the difficulty in getting contract Aides and Nurses to fill our open positions. We have been using our In-House Registry and current employees to cover staff shortages.

Occupancy:

The YTD favorable variance of \$83K (7%) mainly reflects depreciation and timing of certain expenses including gas and electric.

Interest:

YTD, favorable to budget by \$106K due to the minimal use of the Line of Credit. Also, interest on the construction loan is currently part of Construction in Progress and recorded in Operations.