

To the Residents of the Admiral at the Lake:

The Financial Liaison Committee reviewed our financial status during our July meeting with Dan Churchill.

The Resident Council has since requested that we share with all the residents a summary of that meeting and of our understanding of Covid's financial impacts on the community.

The good news is that we are handling the pandemic very well. We have incurred greater than normal expenses, mostly for PPE (Personal Protective Equipment) and extraordinary personnel payments. However the receipt of considerable government support and stimulus money has offset most of those increased expenses. We expect that we will not have to pay back any of the emergency stimulus funding.

We are, however, experiencing some short term financial turbulence, principally due to two factors:

- Harbors occupancy is down slightly mostly because management is intentionally maintaining some skilled nursing bed vacancies to keep space available for isolating Covid patients. Happily, no residents have needed to use any of these beds .
- More importantly, the Admiral relies heavily on receipt of new entrance fee cash. Based on past experience, we would have expected to have around 10-12 new IL residents in the process of coming to The Admiral. And in fact, many of them would have moved in by now. But this year, although we have 10 apartments with a hold or a 10% deposit, we have had only 4 move ins. This has slowed the receipt of new resident entrance fees. The level of move ins is expected to return to normal, possibly by the end of the year. But the delay of the incoming cash is temporarily reducing our immediate "in the bank" cash on hand.

Our marketing is strong. Our waitlist is as robust as usual. Our long term financial position is as sound as ever. We are able to meet all our payment obligations. But we are unlikely to meet the target level for our cash on hand reserve balance which we committed to as part of our refinancing.

Dan Churchill has been communicating with our bondholder investors and he reports that they are comfortable with our performance;

they understand that our Covid related timing issues are not fundamental performance problems.

The FLC wishes to remind all of us that for 2020 we had a smaller increase in monthly fees than we had seen in prior years. This was done partly as a way of sharing with residents the financial benefit of the 2019 refinancing. The 2020 fee increase was not, however, a “new normal”. The continuing impacts of Covid 19 and the need to bring cash reserves to the target level suggest residents should anticipate the 2021 monthly fee increase will be greater than in 2020.

Please feel free to contact me or any other member of the Financial Liaison Committee if you have questions or wish further clarification.

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