Capital Senior Living Corporation (CSU) CEO Kimberly Lody on Q1 2020 Results – Earnings Call Transcript

May 21, 2020 2:00 PM GMT **Capital Senior Living Corporation (CSU)**

Capital Senior Living Corporation (NYSE:CSU) Q1 2020 Results Conference Call May 21, 2020 2:00 PM GMT

Corporate Participants

Brandon Ribar - Executive VP & COO

Carey Hendrickson - Executive VP & CFO

Kimberly Lody - President, CEO & Director

Conference Call Participants

Ben Mackovak - Cavalier Capital - Analyst

Jeffrey Bronchick - Cove Street Capital, LLC - Principal & Portfolio Manager

Steven Valiquette - Barclays Bank PLC, Research Division - Research Analyst

Operator

Good day and welcome to the Capital Senior Living 2020 Q1 Earnings Conference Call. Today's conference is being recorded. All statements today, which are not historical facts may be deemed to be forward-looking statements within the meaning of the federal security laws. These statements are made of today's date, and the company expressly disclaims any obligation to update these statements in the future. Actual results and performance may differ materially from forward-looking statements. Certain of these factors that could cause actual results to differ are detailed in the earnings release the company issued earlier today as well as in reports the company files with the SEC from time to time, including the risk factors contained in the report on Form 10-K and quarterly reports on Form 10-Q. Please see today's press release for the full safe harbor statement, which may be found at capitalsenior.com/investor-relations and was furnished in an 8-K filing this morning. Please also note that during this call, the company will present non-GAAP financial measures. For reconciliation on each non-GAAP measure from the most comparable GAAP measure, please also see today's press release. At this time, I would like to turn the call over to Capital Senior Living's President and CEO, Ms. Kimberly Lody.

Kimberly Lody

Thank you, and good morning to our shareholders, analysts, employees and other participants. Welcome to Capital Senior Living's First Quarter 2020 Earnings Call. Joining me for today's call is Carey Hendrickson, our Chief Financial Officer; and Brandon Ribar, our Chief Operating Officer. I appreciate you joining us today, particularly during this uncertain time, and I hope that you and your families remain safe and healthy. Before getting into the quarter, let me begin by saying that I am so very proud of our 6,000-plus employees who have diligently cared for our residents' physical, cognitive and emotional well-being during the COVID-19 pandemic. While much of the world shut down in recent months, and we have faced escalating challenges and changes to our operating model on a 24/7 basis, our staff have been heroic in their response providing personalized care and comfort to the population most vulnerable to this highly contagious infection. I want to thank the entire Capital Senior Living team for their relentless passion and commitment to our business, our residents and to one another during this unprecedented time. At the onset of the pandemic, we swiftly expanded our existing comprehensive disease prevention protocols to include real-time best practices and guidance from federal, state and local authorities. We established a multidisciplinary task force that continues to serve as an around-the-clock emergency response team to support our communities and to help them understand and operationalize the various federal, state and local guidance on addressing COVID-19. The task force developed, delivered and reinforced training on COVID-19 prevention and mitigation protocols. They established innovative compensation and scheduling programs to address the unique staffing challenges presented by the pandemic. They developed and implemented checklists, protocols and 24/7 communications platforms to provide our communities easy access to operational and clinical support day and night. They spent long hours procuring, storing, distributing and managing our stock of masks, gowns, face shields, gloves, sanitizer, test kits and other critical supplies. Our Capital Senior Living team responded to a quickly evolving crisis in real-time in the face of changing government guidance and an evolving understanding of COVID-19. We believe we have operated carefully and responsibly across our portfolio of senior living communities, and we will continue to do so for the health and wellness of our residents and employees. Brandon will provide additional detail on our COVID-19 response. Turning to our first quarter 2020 operating results. I am encouraged by the progress made during the past 15 months to improve our operational performance while also addressing the company's financial foundation. My comments will focus on sequential comparisons of our 118 same-store communities, which includes 4 communities excluded from our reported results in 2019 and brought back online in 2020. It also excludes one community that was sold during the first quarter, and excludes 6 Healthpeak communities that were transitioned from triple-net leases to management agreements during the quarter. For the 118 communities, sequential occupancy declined 67 basis points from 80.6% in Q4 of 2019 to 79.9% in Q1 of 2020. The result of a decrease of 50 occupied units in independent living and a decrease of 26 occupied units in assisted living or memory care. Q1 2020 revenue for the 118 communities was $101.6 million compared to $102.2 million in Q4 of 2019, a decline of 0.6%. Operating expenses were $3.3 million or 4.5% lower in Q1 compared to Q4 2019, with improvements in nearly every cost category. Net operating income for these 118 communities increased $2.7 million or 9.4% sequentially, and the NOI margin improved 290 basis points from 27.9% in the fourth quarter of 2019 to 30.8% in the first quarter of 2020. We still have more work to do, but we are pleased with this improved performance. To provide some context for the second quarter, of course, at this time, no one can predict the full extent and duration of the COVID pandemic nor its ongoing impact on the overall economy, our industry or our business. What I can share with you is that the impact to our business during the last 8 weeks has been very similar to the impact reported for our industry by various research houses and trade associations. April move-ins were 45% of the normal pre-COVID move-in volume and move-outs were about the same as in the pre-COVID months. For May, move in activity is improving compared to April. And through May 18, move-ins are approximately 62% of normalized volume in pre-COVID months. Turning for a moment to our balance sheet. As we announced back in March, during Q1, we were able to successfully reach mutually beneficial agreements with all of our landlords to reduce our short- and long-term lease liabilities. These lease terminations immediately reduced our rent and CapEx obligations by approximately $1.8 million per month through the end of 2020. Annual cash flow will improve by approximately $22 million when the transitions are complete. The related lease liabilities on our balance sheet, which were approximately $253 million at December 31, 2019, were reduced to $38.8 million at March 31, 2020, and will be eliminated by December 31 of this year. During the last earnings call, I mentioned that CFFO from the consolidated leased assets in the portfolio was approximately negative $4 million or negative $0.14 per share in the fourth quarter, while our owned portfolio of 79 communities delivered CFFO of approximately $3 million or positive $0.09 per share during the same period. During the first quarter of 2020, CFFO for the consolidated leased assets was approximately negative $2 million or negative $0.07 per share, while our owned portfolio of 79 communities delivered CFFO of approximately positive $7 million or positive $0.23 per share in the same period. The termination of the leases is a significant accomplishment and one that will be meaningfully accretive to the long-term performance of the company. To summarize, we delivered improving Q1 results that highlight progress the company is making to stabilize operations, strengthen our financial foundation and execute our turnaround strategy. While we are seeing positive developments take shape in our operating and financial performance, the COVID-19 pandemic's negative effects on the U.S. economy and our company's financial results will likely continue for the next several months. Despite these additional obstacles, I am confident in our team's ability to navigate the current environment with excellence and quickly resume our work to continue improving our operations and our financial foundation when market conditions stabilize. Now I'll turn the call over to Brandon to provide a detailed review of our operations.

Brandon Ribar

Thank you, Kim, and good morning. While much has changed and evolved across the nation in the 7 weeks since we last provided an update on our business, the fundamental building blocks of our company remain the same. The strength, compassion and confidence of our local leadership teams and the frontline caregivers and employees across each of our communities continue as the foundation of CSL. While the impacts of COVID-19 on the country and senior living as a whole remain uncertain, I am confident in our ability to navigate this challenging time. Our Q1 operating results and ongoing leadership and employee retention metrics continue to support that confidence. I will briefly provide an overview of key operating metrics before providing updated information on COVID specific to our portfolio. Total employee turnover continues to trend favorably in the first 4 months of 2020, with a more than 10 percentage point decline year-over-year. Given the national employment landscape and the significant increase in candidate flow our communities have experienced, we are optimistic this trend will continue and also allow CSL to recruit talent from adjacent industries. Leadership stability continues to be strong with 91% of our executive directors retained through the first 4 months of the year and combined turnover of our key leadership roles in our communities, decreasing nearly 8 percentage points year-over-year through April. We continue to monitor the number of communities showing sequential quarterly improvement as an indicator of progress on our SING strategy, which began 1 year ago. Our results in Q1, as referenced by Kim, show significant progress across much of our portfolio in both revenue growth and an even stronger improvement in net operating income. Nearly half of our communities grew revenue quarter-over-quarter, and our occupancy numbers at the end of April remains stable. 90 of our 118 same-store communities, or 76%, increased net operating income from Q4 2019 to Q1 of 2020. These improvements resulted in the $2.7 million or 9.4% increase in Q1. While the impacts of COVID on Q2 performance and beyond still remain uncertain, we continue to implement strong operating practices and protocols to responsibly manage business performance through these unprecedented times. From a clinical and operational perspective, our local teams have remained focused on the safety and needs of our residents throughout the pandemic. As a company, we have invested just over $2 million in March, April and May to support and acknowledge the work of our incredible frontline employees, provide the appropriate personal protective equipment and maintain a safe and clean environment for our employees and residents. We continue our diligent approach to maintaining a safe and enjoyable environment for our residents and to consistently communicating with the thousands of loved ones with residents in our care. In terms of direct changes to our business, there have been significant operating impacts across each of our Capital Senior's communities. Due to the restrictions on visitors to senior living communities throughout March and April and the stay-at-home orders issued across the country, a significant reduction in the number of leads and tours occurred across the board. Consistent with the industry as a whole, CSL experienced a more than 40% drop in leads and tours and a nearly 55% drop in overall move-ins in April. At the same time, move-outs remained at levels consistent with prior months. On the supply front, the company purchased more than twice our monthly average of medical, nursing and food supplies. We expect these costs to continue through the second quarter as our communities continue with fully masked caregiving protocols, in-unit dining and additional safeguards to protect our residents. Third, all of our communities have shifted to in-unit dining throughout April and May, creating significant labor and supply demand to complete this change in our operating model. So briefly, where are we today from an operating perspective. All employees must wear masks at all times while working in our communities. We've restricted all visitors into communities to only include authorized medical personnel and emergency medical staff. Tours are limited to only the prospect and one family member in some communities and another completely restricted to virtual tours only. In early March, we established 7 regional supply hubs throughout the country to ensure communities have quick access to all PPE beyond their on-site stock, if needed. We continue weekly live video broadcast with all communities to discuss operational protocol changes, address all frequently asked questions, and provide guidance on the changing government landscape. We've created a micro site that houses materials created for managing all aspects of the business, including safety protocols, training videos, communication resources for family members, clinical and operational checklist and an index of all previously generated content related to managing in the COVID environment. And finally, we continue to conduct a daily survey with all communities to gather information on the real-time needs of our employees and residents. As of April 30, 136 total residents or just over 1% of our 10,217 residents had tested positive for COVID, impacting 12 of our communities or less than 10% of the portfolio. In May, we have seen continued stability with fewer communities impacted and declining incidents of positive test results across the company. We remain confident in our leadership teams across our individual communities and our regional team to navigate the always-changing environment and continue providing a safe and enjoyable environment for current and future residents. We've developed significant materials and processes to support our welcome strategy as states and our communities shift to a less-restrictive environment. At this point, however, we expect an additional 30 to 60 days before communities implement the reopening protocols. As Kim mentioned, we are optimistic that lead and tour levels in May will continue to trend significantly ahead of April, and June will show further improvement, assuming no significant changes in the national health landscape. We are so thankful for the daily commitment each of our employees makes to provide care and service to our residents and remain confident in our team to manage through this challenging environment. Now I'll turn the call over to Carey to provide a detailed review of our financials.

Carey Hendrickson

Thank you, Brandon. While COVID-19 will certainly impact our results in the coming weeks and months, we do not want to lose sight of the hard work put in by our operations team in the first quarter that resulted in improvements in our key metrics or the significant actions we took in the first quarter of 2020 to improve our financial position and provide us with a path to growth and long-term value creation. As Kim noted, many of our key metrics improved in the first quarter on a sequential basis. Our net operating income increased $2.7 million in the first quarter of 2020 over the fourth quarter of 2019. Our adjusted EBITDAR, excluding approximately $300,000 of COVID-19 expenses, increased $900,000 sequentially over the fourth quarter of 2019. And adjusted CFFO, excluding those COVID-19 expenses, increased $1.8 million in the first quarter of 2020 over the fourth quarter of 2019. Very importantly, we reached agreements with all 3 of our REIT partners for the early termination of all of our leases by December 31, 2020, at the latest, through the release of our existing security deposits and our letters of credit with the respective REITs. And we'll see meaningful reductions in our rent payments until that time. When all of the lease terminations are complete, our cash flow will improve by approximately $22 million on an annual basis. The related lease liabilities on our balance sheet which were approximately $253 million at December 31, 2019, were reduced to $38.8 million at March 31 and will be eliminated by December 31, 2020. This is a major step forward in the transformation of Capital Senior Living. We recorded a noncash gain of $15.6 million in the lease transactions due in part to the release of a lending lease obligation related to a prior transaction. Because the maturity of most of our leases were shortened by 5 to 6 years, we reviewed the carrying value of our right-of-use assets on these communities. Due to the shorter time frame for recoverability and the impact of COVID-19 on these communities in the near term, we recorded a noncash impairment charge of $36.5 million on our right-of-use assets and our associated property, plant and equipment related to those communities. Another outcome of the lease agreements was that 6 communities formerly leased from Healthpeak were converted to management agreements effective March 1. The original maturity dates for these communities were in 2025 and 2026. We recorded a $6.2 million noncash loss related to this transaction due to the write-off of the right-of-use assets, lease liabilities and fixed assets associated with these 6 communities. We also disposed of a noncore community in the first quarter, resulting in net cash proceeds of $6.9 million. The community contributed only a minimal amount of CFFO in 2019 and produced negative cash after capital expenditures. We recorded a $7.4 million noncash loss on that transaction. Looking at our first quarter results, our total consolidated revenues in the first quarter were $106.1 million, which compares to $114.2 million on a reported basis in the first quarter of 2019. $4.6 million of that difference was related to dispositions and conversions of assets since the first quarter of 2019, with the rest due to lower occupancy levels, partially offset by a 1.6% increase in rate. Financial occupancy for all communities was 80.0% in the first quarter, which was a decline of 310 basis points from the first quarter of 2019. Our operating expenses in the first quarter of 2020 were $75.4 million, which is the same as they were in the first quarter of 2019. The first quarter of 2019, just like the revenues, included operating expenses related to the 4 communities that we've disposed of since that time and the 6 formerly leased communities that were converted to management agreements on March 1 of this year, and that totaled $2.6 million. We also had $1.2 million in business interruption credits, though, in the first quarter of 2019 related to the communities that we had that were impacted by Hurricane Harvey. And we did not have any business interruption credits in the first quarter of 2020. Our general and administrative expenses for the first quarter of 2020 were $6.7 million, which compares to $7.6 million in the first quarter of 2019. Excluding transaction costs from both years, our G&A expense decreased $600,000 in the first quarter of 2020 as compared to the first quarter of 2019 due to lower health care claims expense. G&A expense as a percentage of revenues was 4.9% in the first quarter of 2020, which is slightly lower than the 5.1% of revenues in the first quarter of 2019. Our adjusted EBITDAR was $26.3 million in the first quarter of 2020 and was $26.6 million excluding COVID-19 expenses. Adjusted CFFO was $0.2 million in the first quarter of 2020 and was $0.5 million excluding COVID-19 expenses. As I noted earlier, both adjusted EBITDAR and adjusted CFFO improved in the first quarter of 2020 as compared to the fourth quarter of 2019. Looking at our same-community results. Same-community revenues decreased 2.6% as compared to the first quarter of 2019. Same-community occupancy was 79.9% in the first quarter of 2020, and our average monthly rent increased 0.9% to $3,772 in the first quarter of 2020 as compared to the first quarter of 2019. This is the first year-over-year increase that we've shown in same-community average rent since the second quarter of 2019. So we were happy to see that. Same-community expenses in the first quarter of 2020 increased only 2.4% as compared to the first quarter of 2019. Our employee labor cost increased 5.9%, mostly due to unusually low labor costs in the first quarter of last year. And including contract labor, our total labor cost increased 5% as compared to the first quarter of 2019. Our food cost decreased 1% and our utilities decreased 5.5%. As I noted earlier and as Kim also mentioned, our same-community net operating income increased $2.7 million in the first quarter of 2020 on a sequential basis from the fourth quarter of 2019 due to excellent cost management by our operations team. On a sequential basis, our same-community expenses decreased $3.3 million or 4.5% in the first quarter of 2020 as compared to the first quarter of -- fourth quarter, excuse me, of 2019, with decreases in most categories including labor, food, advertisement and promotion, repairs and maintenance, service contracts and bad debt expense. Looking at the balance sheet. We ended the quarter with $17.7 million of available cash. Including restricted cash, our cash balance was $27.9 million at March 31, 2020. And we spent $5.4 million on capital expenditures in the first quarter. Our mortgage debt balance at March 31, 2020, was $923 million at a weighted average interest rate of 4.7%. The majority of our debt is at fixed interest rates, except for the 3 bridge loans that totaled to approximately $82.9 million at March 31 and then $50 million of long-term variable rate debt under our master credit facility with Fannie Mae. Our financial performance in the first quarter of 2020 was in line with or slightly better than our expectations, and we made continued progress on our transformation. Of course, the onset of COVID-19 has changed our perspective for the short-term, our new resident leads, visits and move-in activity declined significantly in April compared to typical levels, as Brandon noted. Our consolidated occupancy, excluding the noncore community that we sold in the first quarter, decreased from 79.8% for the month of March to 78.7% for the month of April, so a 110 basis point decrease. Revenue on the same basis decreased approximately $500,000 from March to April. While it's still early, Brandon noted that May move-in and move-outs are both trending better than April, but still we expect further deterioration of our occupancy and revenue resulting from fewer move-ins due to the impacts of COVID-19. On the expense side, as Brandon noted, we've also had increases in supplies cost, primarily related to personal protection equipment and paper goods required for en route dining as well as increases for labor in certain communities, specialized cleaning and disinfecting costs and testing of residents and employees. To mitigate the impact of the COVID-19-related expenditures, we've reduced spending on nonessential supplies, travel cost and certain other discretionary items, and we've suspended all noncritical capital expenditure projects. In April, we were able to offset most of the COVID-19 expense, but that may be difficult to sustain. The only governmental program available to us in the payroll tax deferral program under the CARES Act which we are utilizing is the payroll deferral program. This will allow us to defer the employer portion payroll taxes from April through December of 2020, which we estimate will accumulate to approximately $7 million. One half of the deferred payroll taxes will be due by December 2021, with the other half due by December 2022. We've also entered into short-term debt forbearance agreements with certain of our lenders effective April 1, 2020, some of which will require repayment of forbearance over a 12-month period following the end of the forbearance period. Lastly, in our earnings release, we stated that conditions created by the COVID-19 impact on our 2020 revenues and operating expenses as well as the unknown duration of the pandemic required us to recognize a going concern issue. We've already taken actions to improve our liquidity position and address uncertainty about our ability to continue to going concern, and we're evaluating additional actions. We will continue to execute on our 3-year operational turnaround plan that we initiated in the first quarter of 2019, which, as we've discussed today, resulted in improved operating results in the first quarter of 2020. And we expect our turnaround plan to continue to produce incremental profitability improvements. We've implemented additional proactive spending reductions, including reduced discretionary spending and lower capital spending. As we've described, we took measures in the first quarter of 2020 to exit underperforming leases, which will benefit our operating results with reduced rent payments through December 2020 and will eliminate all rent payments begin January 2021. We're evaluating the opportunity to sell certain communities that could provide net cash proceeds. As I mentioned, we've entered into short-term debt forbearance agreements with certain of our lenders, and we are utilizing the CARES Act payroll tax deferral program to delay payment of the employer portion of payroll taxes from April through December. And we're evaluating other possible debt and capital options. As a result of the actions we've already taken, we expect to generate positive cash flow in the second quarter. While the current environment is challenging, we remain confident that the steps we've taken over the past 15 months, and specifically in the first quarter of this year, will improve our financial position and provide a path to growth and long-term value creation. We're working diligently to build a company that will have a consistent, high-quality product across its portfolio, and we know the hard work that we've done and are continuing to do will serve us well through the current challenge and as we emerge from the COVID-19 crisis. Now I'll turn it back over to Kim.

Kimberly Lody

Thank you, Carey. As states reopen, we too will welcome families, friends and visitors back to our communities as soon as we are confident that it is safe and responsible to do so. In the meantime, we remain steadfastly committed to providing high-quality care and services to our beloved seniors. And we know that our services are needed now more than ever as many senior citizens have had to face the pandemic alone from their homes. The foundation we put in place during 2019 has served us well during these difficult times. And we continue to believe our strategy of stabilize, invest, nurture and grow will drive long-term value for all of our stakeholders. I'll now open the lines for questions. Operator, if you would please open the line?

Questions and Answers

We will now take our first question from Steven Valiquette from Barclays.

Steven Valiquette

Just want to unpack a little bit some of the operating expense trends. You mentioned that the same-store expenses increased 2.4% year-over-year, but that there were some material improvements sequentially versus the fourth quarter. And I guess, I'm curious to hear more about the operating expense growth trends for the rest of 2020. I guess, excluding COVID-19 expenses and just in light of that exclusion of $0.3 million of expenses in 1Q '20, is there any range you're able to provide for the full year on the amount of COVID-19 expenses that you may potentially exclude in relation to the adjusted EBITDAR?

Carey Hendrickson

Kim, I'll start with this and then if you and Brandon want to add something, you can. Steve, as you know, we did not provide guidance. So, I can't really speak about what we think our full year expenses are going to look like from an operating perspective. I will say that we do expect to continue to have very solid cost management through the rest of the year. COVID-19, it's really -- in talking about how much that will be that we would adjust out of EBITDAR, it's so difficult to predict that because we just don't know the extent or duration of COVID-19, how long it's going to last and where it's going to be. And so, it's really -- I'm really unable to project at this point. And then as part of that uncertainty is part of what feeds into our projection for the rest of the year overall. Brandon, Kim, anything you'd add?

Kimberly Lody

Yes, I'll add. The operations team has done a fantastic job of really controlling and maintaining the operating costs during this period. And that's why we were able to really offset most of the incremental COVID-19 expenses incurred during the first quarter by some of the actions that the operations team made in becoming more efficient in the communities. As we look forward, like Carey said, the duration and the severity of the pandemic certainly creates uncertainty about what we may need to do on the cost side of things. I think the things that are in our favor are, we are very solid in our supplies on PPE and all of the other sterilization and gloves and so on -- masks and gowns, et cetera. We are solidly stocked there. So, we don't expect to have tremendous incremental expense on those items. And one of the headwinds of the overall industry coming into the pandemic was the labor market. It's very difficult to find people to work in senior living because they had so many other options out there. And we've seen a tremendous change in that as well. We have many more people available to us. And we have, I think, done a great job in the operations area of making sure people know about the opportunities to work with us and to do that at a reasonable rate. We have implemented some hero pay type programs across the portfolio, where we've needed to do that to address some unique staffing challenges. But overall, we feel good about our ability to maintain reasonable labor costs as well as the overall supply cost. Brandon, anything you would add to that?

Brandon Ribar

Just a couple things that I would add quickly would be the continued sequential decrease in the use of -- in the cost of contract labor. In the portfolio, we did see contract go down again in Q1 versus Q4. So, we're managing that very closely. And then I would just say is that related to the additional purchases and supply requirement in preparation for COVID, we were able with very good partners to purchase those at a consistent level price-wise as we had previously. So, we did not experience having to overpay for any additional supplies that we were purchasing. And we did have in place good par and stock levels in our communities to start with. So, I think those both contributed as well.

Steven Valiquette

Okay. Great. One other quick one just on the short-term debt forbearance agreements that you entered into. I'm not sure if you gave the total dollar amount of payment that will be impacted by the agreements that you entered into, if you have that number. And also, do you think what you've entered into will be sufficient that there won't be any additional agreements? Or is there still opportunity or optionality for additional agreements going forward?

Carey Hendrickson

Steve, this is Carey. I'll start and Kim I'll let you add in, if you'd like to. But it's difficult to really say exactly how much the debt forbearance is going to be. There are some of them -- some of the debt forbearance agreements have cash remittance provisions in them that are related to -- if a community produces cash after -- since they didn't make the debt payment, then some of that cash is remitted back to the lender. So it's difficult to predict because it's going to depend on, again, how -- what the extent and duration is of COVID-19 on the particular communities on which we're receiving debt forbearance. But that said, it's significant and it's sufficient enough from that and the other actions we've taken that we are able to produce positive cash flow in the second quarter. As far as additional agreements, we are -- we do expect to continue to have conversations with our lenders about additional relief as needed. Kim, anything you would add to that?

Kimberly Lody

No, I think you covered it all, Carey. Thanks.

Operator

We will now take our next question from Jack Bronchick from Cove Street Capital.

Jeffrey Bronchick

And I would just like to say which I've never said on a call. I'd like to thank you guys, the management team for your service because what a freaking mess. And this makes a hard job even harder. So that said, a quick question, Carey. So is the COVID adjustment for the press release or is that actually the norm for what's being incorporated into the new lending agreements in forbearance?

Carey Hendrickson

I'm not sure I understand the distinction there.

Jeffrey Bronchick

In other words, we have COVID expenses and you put it in the press release and adjust numbers, but are the banks -- is that part of a bank agreement that they too are amending any sort of covenants or things they have for that expense?

Carey Hendrickson

No, no, it's not related to that. That's just, we wanted to break it out so that investors could see how much those COVID expenses are. And so, we'll do that going forward through this pandemic

Jeffrey Bronchick

So, the -- hold it. The bank won't accept it, but you're putting it in the press release so that everyone else accepts it? Exactly. I don't think you should do that. I'm just saying. And my next question really would be -- and this is for Kimberly. And again, pardon my first statement. I didn't see anything in the press release or anything about the Board of Directors waiving their cash fees. And I'd like to understand why not given that this Board -- and I'm sorry you were part of this, but this Board has mangled every strategic opportunity over years that enabled us to be in a lousy position for lousy things like this. And I don't -- I'd like you to comment, as a member of the Board of -- why they don't have any -- or there's no sense that they should too should be waiving their cash fees in -- at a crucial time for the company.

Kimberly Lody

Yes. Great question, Jeff. Thank you for that. And the Board is waiving their fees. Our Board has actually been deferring their compensation since late last year. I believe that began in November. And they continue that. They are taking no cash compensation nor were there any stock award grants this year to the Board.

Jeffrey Bronchick

I missed that. My apologies.

Operator

We will now take our next question from Ben Mackovak from Cavalier Capital.

Ben Mackovak

I can only imagine how stressful the last few months have been. So I do appreciate all that you've been through. Can you just remind us on the debt maturities that are coming up? It was a little unclear from the press release. And then my second question is, was there anything unique about the Merrillville community? I guess the sale price was lower than I thought it would have been

Carey Hendrickson

Sure. This is Carey. From a debt maturity standpoint, the first debt that we have coming due is in the fourth quarter of 2021. That's some of the bridge loans that we have that are smaller in amounts. And then we have -- the first fixed rate debt we have coming is in 2022. So, it's a little ways out. We have time for the recovery to -- U.S. economy to recover and for our operations to recover from there. And remind me the second question, I'm sorry.

Ben Mackovak

The Merrillville community, was there anything unique to it?

Carey Hendrickson

Merrillville, Indiana?

Ben Mackovak

Yes, in Indiana, yes. Was there anything unique to it that resulted in that purchase price?

Carey Hendrickson

Yes. Well, that's a community in Merrillville, Indiana that has been struggling for some time -- just the market itself. The overall economy there is not good. It's -- and so it's a market that has -- it's not -- it's one that we looked at and thought, we don't want to be in that market long term, that the growth prospects are not good, the demographics are not what we are looking for. And so, we look to exit that community. And the price is really indicative of kind of what others also perceive the market to be and the cash flow that, that particular community has been able to generate over the past year or so.

Operator

It appears there are no further questions at this time, Ms. Lody. I would like to turn the conference back to you for any additional or closing remarks.

Kimberly Lody

Great. Thank you, Sandra. Thank you to our shareholders, vendors, residents and employees for your trust in Capital Senior Living. This concludes today's conference. Thank you, everyone. Stay safe, and have a great day.