



# Better Together



2021 Annual Report

**THIS YEAR,**  
gathering spaces in every community were made ready to receive residents, families and visitors as physical distancing and facial masks slowly gave way to activities, meals and renewed hope.









Matthew Manlove, Board Chair

## Introduction



**THE ANNUAL REPORT** provides a unique opportunity to reflect on how far Covenant Living has come since the onset of the COVID-19 pandemic. The board of directors recognizes the talented and compassionate team members throughout the organization who always rise to the occasion, demonstrating how to live and work with promise. Our commitment to the health and safety of our residents and employees has only grown stronger over the past year.

It is especially gratifying to see how we have come together to maintain day-to-day operations while forging ahead with strategic growth. Our mission and vision have never wavered as we seek new ways to provide a better way of life for the residents and employees at

our communities, while also diligently preparing for the future.

As we look ahead, it is important to appreciate the past decisions that prepared the organization to navigate these turbulent circumstances. Today Covenant Living boasts a solid financial foundation and a strong reputation in the senior living industry. This is not by accident, but the result of prudent decision making on the part of past and present leaders who placed our residents and employees at the center of our mission and of all we do.

We are indeed better together—in faith, in community, and in being part of an organization that puts people first in everything we do.

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Terri Cunliffe, President

## Better Together



**“GOOD, BETTER, BEST**—never rest until your good is better and your better best.” This saying, attributed to Saint Jerome, was often quoted by Covenant Living’s first president, Paul V. Peterson. It emphasizes the importance of grit, of striving for excellence and refusing to settle for adequate. I have found these words to be more applicable in this turbulent time than ever.

This past year was a tough one, but it certainly had its good moments and bright spots. We owe a huge debt of gratitude to our residents and employees whose commitment to each other persevered through the darkest of days. The hope for a better tomorrow started with vaccine clinics around the country. Residents and

employees anxiously anticipated the vaccine—eager to resume some normalcy. Despite the ever-present weariness, our perseverance as an organization and our commitment to residents and employees was the best I have ever witnessed. There wasn’t a challenge that we couldn’t overcome. Our good became better, and our better became best when we pulled together.

In addition to the operational wisdom, we benefited by the strategic positioning already set in motion by our Board. The strength of our strategic plan—growth, improving the employee and resident experience and optimizing the business—was even more evident this past year. Our reputation and financial position allowed us the opportunity to acquire two additional











communities, expanding the Covenant Living mission to serve more seniors. Social distancing and masks certainly tested the resident experience, but the return to more familiar programs and schedules were appreciated as we resumed in person dining, activities and celebrations. We strove to provide a better employee experience in a tightened labor market through expanded digital recruitment strategies and employee incentives.

As we look forward to 2022, I am confident that together there is not a challenge that Covenant Living can not conquer together. We are not unscathed, but we are undeterred in our commitment to provide joy and peace of mind to our residents, employees and their families by creating a better way of life. Together we hold each other up, better to face a new tomorrow. Better together.



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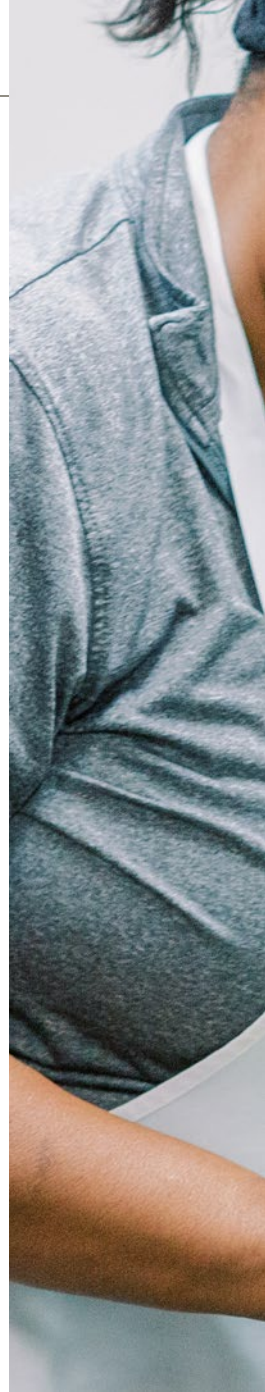
# Together in Perseverance

**AS WE EMERGE** from the challenges and impact of the pandemic, we learned that as an organization we are better together in relationships, collaborations, operations, service, etc. We continue to move forward in our strategies of growth, solidifying community by rising above challenges with an optimistic feeling that our leadership, along with residents and employees, are better together in creating an organization where we all live and work with promise.

Certainly the impact of the Coronavirus isn't over yet, but over the course of the past year, our communities have methodically returned to some sense of normalcy. We've seen a return of group activities—from fitness classes and educational lectures to movie nights

and worship services. The ability to gather in larger groups once again is bringing visible life back to our communities. Another sign of turning the corner is the reopening of dining services and the ability to socialize over a meal together and eliminating the need for delivery-only service.

Hope for the return to normalcy started by hosting vaccination clinics at our communities throughout the country. As the vaccine was rolled out, our residents and employees in both healthcare and residential living were among the first population of individuals in the nation to be offered protection from the Coronavirus. A large percentage of residents and employees recognize that the vaccine was the first step in helping to mitigate the





spread of the virus and took advantage of receiving their first doses.

Residents and employees have been resilient—side-by-side—in charting the course of returning to a lifestyle with connections, fellowship and a positive outlook on the future. As an organization, we’ve learned the importance of doing what it takes to keep everyone safe. No one person or group did this alone. Our leadership, employees and residents are emerging from the pandemic knowing that working through this together is better.





# Together in Giving

**AS AN ORGANIZATION**, and through the generosity of others, Covenant Living is able to provide assistance to help residents who, through no fault of their own, find themselves in a situation where they have outlived their resources. The Benevolent Care Fund represents our commitment to those residents that they may continue to live in our communities and enjoy all of the services and amenities available to them.

In 2021, Covenant Living raised more than \$5 million in support of the Benevolent Care Fund. Of that amount \$1.275 million was raised through in-person galas and campaigns as a sense of normalcy returned to our communities. Celebrations included week-long campaigns, formal dinners and outdoor festivals.

Another \$1 million was donated in monetary gifts and \$2.6 million in estate distributions.

As our campuses continue to re-open to visitors, residents and employees look forward to once again giving back to their communities, from hosting after-school tutoring programs to sewing stuffed animals for the children's ward at a local hospital.

Covenant Living is blessed to have our residents, employees and business partners working together to make an impactful difference in the lives of others—truly an indication that we are better together.

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# Together in Growth

**COVENANT LIVING** has a great history of growth as an organization allowing it to provide housing, healthcare and senior services to older adults across the country. The pillar of strategic growth is one that helps in solidifying a strong organization and positions Covenant Living for the future. Through redevelopment, capital improvements, acquisitions and affiliations, Covenant Living is able to build upon its financial strength, support its residents through programs and services and maintain its attractiveness to potential new employees. It's exciting to see history in the making as the strategic growth unfolds.

In the spring of 2021, Covenant Living of Cromwell in Cromwell, Connecticut, celebrated the opening of its

beautiful new Town Center. A ribbon cutting ceremony officially kicked off this new beginning with residents, employees and local community leaders. This expansion project consists of 54 new apartment homes, new dining venues, a state-of-the-art fitness center, a creative arts room, common areas, and an outdoor courtyard.

Construction, which started in November of 2020, is nearing completion in Carol Stream, Illinois at the community of Covenant Living at Windsor Park. The project will add 36 new assisted living residences and a new rehabilitation area for physical and occupational therapy. The addition of more assisted living apartments, skilled nursing and memory care therapy rooms, along with a modern rehabilitation space will allow Covenant



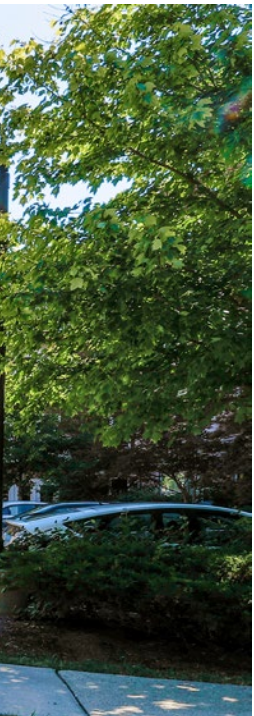


Living to better serve the healthcare and rehab needs of its residents and serve more people in the area.

Covenant Living welcomed new residents and employees into its family in July 2021 through an affiliation with Three Crowns Park, a senior living community located in Evanston, Illinois. This continuing care retirement community sits on seven acres in a beautiful residential neighborhood, and offers 91 independent living apartments, 23 assisted living apartments, 17 assisted living memory care suites and 49 licensed nursing rooms. The affiliation with Three Crowns Park provides a unique opportunity to expand Covenant Living's presence in the North Shore Chicago market.







Growth continued as the opportunity to purchase a senior living community in Keene, New Hampshire, emerged in early 2021. Hillside Village of Keene, a single-site continuing care retirement community will join the Covenant Living family in early 2022. This acquisition expands our footprint in the New England market and provides a great complement to Covenant Living of Cromwell in Connecticut. Hillside Village opened in 2019 with 141 independent living units, 43 assisted living units, 18 assisted memory care units and 20 nursing care suites. The community will officially change its name to Covenant Living of Keene after closing. With the addition of Hillside Village and Three Crowns Park, Covenant Living now serves more than 6,000 residents in 19 communities across 10 states.

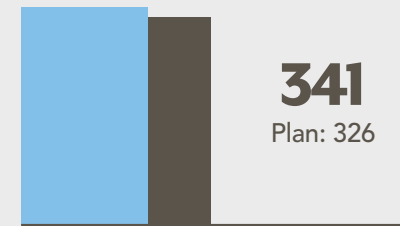


# Financials

**EACH YEAR**, an independent audit of Covenant Living’s financials provides our Board of Directors and key stakeholders a snapshot of our organization’s financial position. Covenant Living received an A-minus rating with a stable outlook from Fitch Ratings based on strong occupancy and operating performance, cash reserves, and overall size with geographic diversity. The 2021 fiscal year was October 1, 2020 through September 30, 2021.

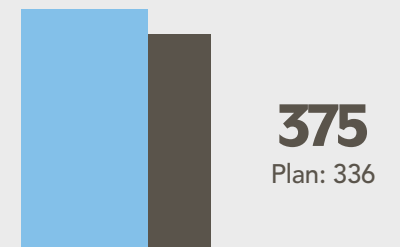
## Move-Ins

FY21 ■ Budget ■ Actual



## Attrition

FY21 ■ Budget ■ Actual



**Residential Living**

AS OF SEPT 30, 2020

**91.00 %**

AS OF SEPT 30, 2021

**90.00 %**

**Assisted Living**

AS OF SEPT 30, 2020

**84.00 %**

AS OF SEPT 30, 2021

**83.00 %**

**Skilled Nursing**

AS OF SEPT 30, 2020

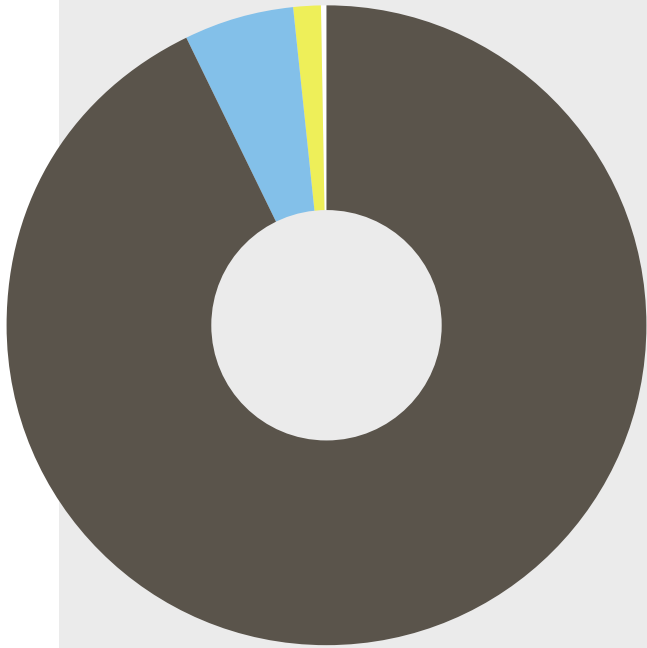
**77.00 %**

AS OF SEPT 30, 2021

**76.00 %**

**Occupancy**

End of year, not 12-month average

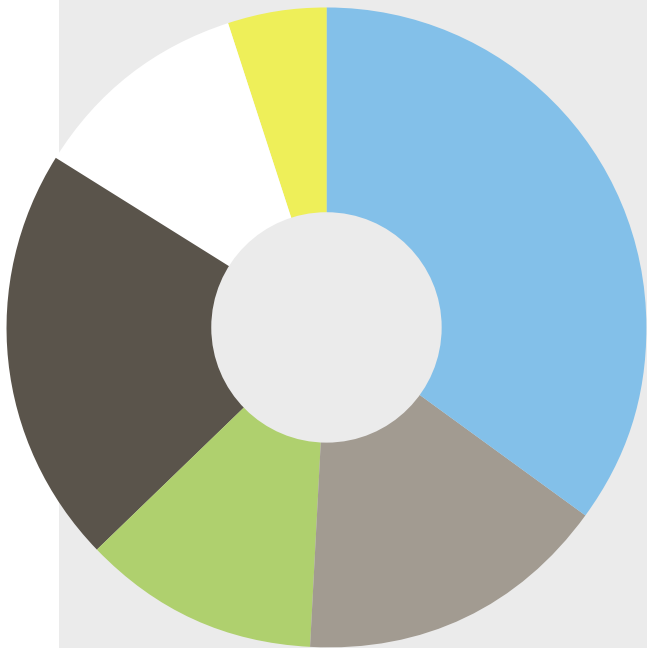
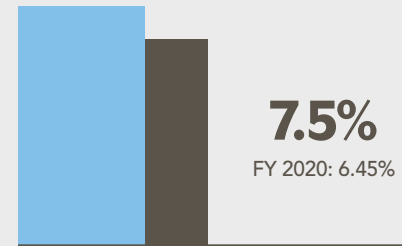


### Total Revenues

- Continuing Care Retirement Communities, 92.9%
- CovenantCare at Home, 5.5%
- Senior Living Rental Communities, 1.4%
- Other, 0.2%

### Operating Margin

- FY 2020
- FY 2021



### Cost of Resident Care

- Nursing Services, 35%
- Dining Services, 16%
- Maintenance and Utilities, 12%
- Administrative and General, 21%
- Resident Benefits and Services, 11%
- Other, 5%

## Consolidated Balance Sheet (in thousands)

Fiscal Year Ended September 30,	2020	2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 56,719	\$ 53,940
Notes and accounts receivable, net	17,949	22,018
Board designated investments:		
Benevolent care	75,909	89,287
Capital reserve	38,142	65,281
Other	208,412	232,248
Total board designated investments	322,463	386,816
Investments restricted under debt agreements	126,956	141,865
Property and equipment, net	607,968	679,390
Other assets	108,315	154,922
<b>TOTAL ASSETS</b>	<b>\$ 1,240,370</b>	<b>\$ 1,438,951</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 37,304	\$ 41,313
Long-term debt	481,582	520,591
Other liabilities	149,965	294,543
Refundable contract liabilities	114,775	153,737
Deferred revenue from entrance fees	324,886	252,783
<b>TOTAL LIABILITIES</b>	<b>1,108,512</b>	<b>1,262,967</b>
Net assets:		
Without donor restrictions	114,354	156,320
With donor restrictions	17,504	19,664
Total net assets	131,858	175,984
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,240,370</b>	<b>\$ 1,438,951</b>

## Consolidated Statement of Operations (in thousands)

Fiscal Year Ended September 30,	2020	2021
<b>OPERATING REVENUES</b>		
Operating revenues	\$ 305,972	\$ 318,784
Amortization of deferred entrance fees	50,153	50,482
Total operating revenues	356,125	369,266
<b>OPERATING EXPENSES</b>		
Cost of resident care	270,557	278,823
Interest expense	15,568	13,038
Sales and marketing	13,059	14,078
Depreciation and amortization	53,182	55,518
Total operating expenses	352,366	361,457
<b>INCOME FROM OPERATIONS</b>	<b>3,759</b>	<b>7,809</b>
<b>NONOPERATING REVENUE (EXPENSE), NET</b>		
Investment income	21,119	52,317
Unrealized loss on derivative instrument	(1,488)	1,538
Contributions, net	(1,223)	515
Other nonoperating expense	(3,544)	(18,731)
Derivative instruments interest expense	(715)	(894)
<b>INCOME</b>	<b>17,908</b>	<b>42,554</b>
<b>OTHER CHANGES IN UNRESTRICTED NET ASSETS</b>		
Net assets released from restriction for capital purposes	69	54
Net asset transfer to related organization	336	(642)
Total other changes in unrestricted net assets	405	(588)
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<b>\$ 18,313</b>	<b>\$ 41,966</b>







Learn more at **CovLiving.org**



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