



Embracing Community

2022 Annual Report



THIS YEAR was a time of renewal at Covenant Living—including the return of the Inspiration Awards—as residents, employees and leaders embraced community, working together to refresh campuses, re-invent routines and re-invest in relationships post-pandemic.









Matthew Manlove, Board Chair

Introduction



THE ANNUAL REPORT is an opportunity for the Covenant Living family to reflect on all that's been accomplished in the past year through the collaboration of individuals while staying true to our mission of serving and the commitment to care for one another.

Last February I met with residents and team members at our newest community in Keene, New Hampshire. I shared with them the Covenant Living tag line, "Live with Promise." That is our commitment to residents, not only there, but across the country. Our Board of Directors works closely with the leadership team at Covenant Living to fulfill our promise to ensure stability and fiscal responsibility and to provide all our residents and team members with a better way of life.

There is excitement as the organization intentionally grows to serve more older adults. And it is exciting when we see team members grow in their careers at Covenant Living and find their passion for service.

We are blessed with individuals who continue to persevere despite ongoing economic challenges, labor shortages and lingering impacts from the Coronavirus. As board members, we too see these challenges in our personal and professional lives. By embracing the Covenant Living community, we are able to overcome these challenges and forge ahead. As we look ahead, we will stay the course, continue to embrace community and fulfill Covenant Living's mission for the last 137 years – to love and serve God and one another as taught by Jesus Christ.



Terri Cunliffe, President and Chief Executive Officer

The Year in Review



THE PAST YEAR continued to test Covenant Living's agility as we experienced ongoing COVID and post-COVID impacts. I am grateful and

proud of the organization's accomplishments this year despite the workforce challenges and inflation impacts to operations and our financials. I am confident in our strategy focused on optimization and the resident and employee experience.

I am delighted with the positive impact growth through new communities has had to our overall culture and practices. Each new community brings new ideas and approaches to the employee and resident experience that benefit all communities.

I am inspired by our extraordinary employees around the country who continue to go over and above to serve residents to the best of their ability every single day.

Our mission statement grounds Covenant Living to its purpose and intention to love and serve others as taught by Jesus Christ. Our common purpose to create joy and peace of mind for residents, employees and their families by creating a better way of life defines why we do what we do. Our strategic aspiration and plan define our priorities and where we are headed. You will see evidence of each of these throughout this report.

Despite the challenges of 2022 and the headwinds we will continue to face in 2023, Covenant Living remains



a financially sound organization, led by leaders who are passionate about the people they work alongside and serve, and governed by a talented Board of Directors who provide oversight, direction and support through independent and diverse perspectives. The work of the board of directors requires significant time and energy. I appreciate their commitment to Covenant Living Communities and Services and their many contributions throughout the year.

By embracing community at Covenant Living, we are stronger and better together!





Embracing Community

COVENANT LIVING continues to meet the challenges of today's ever-changing post-pandemic conditions. Through it all, a key focus has been to utilize the strength of community to meet those challenges head on. Community is much more than a place—it's about the people, in our case, the residents, employees and family members that share a common bond and relationship. We embrace this community through caring, service and finding commonalities that bring us together as part of the Covenant Living family.

With a solid financial foundation and strategic planning, the organization has focused on embracing community and working together to find new and innovative ways to tackle workforce shortages, manage inflation,

maintain occupancy, bolster the resident and employee experiences, and welcome new communities into the Covenant Living family.

Our successes rest on our faith, focus on the present and on maintaining a roadmap for the future—most of all embracing the community of individuals with our common purpose of creating joy and peace of mind for residents, employees, and their families by creating a better way of life.



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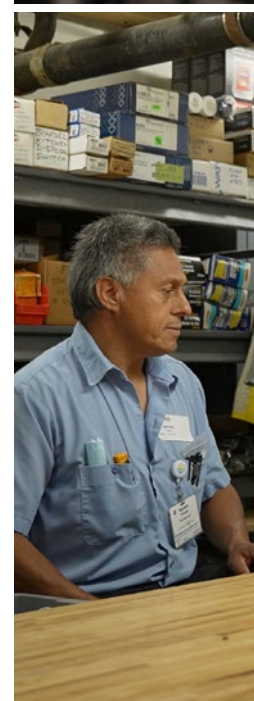
Residents & Employees

OVER THE PAST YEAR, Covenant Living has focused on tactics to tackle the workforce challenge head on. Our team of human resources professionals is consistently developing and executing strategies, to not only retain existing employees, but also improve on ways to recruit new talent at our communities across the country. In the last fiscal year, our human resources department held four National Hire Days in which hiring fairs were held at all Covenant Living communities on the same day. Team members held interviews seeking to fill positions within healthcare, dining, maintenance and more, oftentimes hiring individuals on the spot.

Additionally, an organization-wide employee engagement survey was conducted to better hear the

voice of our employees. Covenant Living achieved a 71 percent employee participation rate, and many communities exceeded the 75 percent target. Across the entire organization, the employee engagement survey identified we have strengths in many different areas including engagement, our manager relationships and providing resources and support to employees. That survey also showed areas of opportunity to improve on our communication across the organization and increase our focus on growth and development.

Residents also participated in sharing their voice during quarterly Resident Forums that were conducted. They had the opportunity to submit questions to leadership on a variety of topics. Responses provided them with





answers on how the organization is handling their inquiries and updates on areas ranging from dining, community growth, fees, plans for the future, etc.

The resident and employee experiences remained a key focus and continues to be moving forward. By embracing the community of both residents and employees, we know it helps to drive positive change and prompts action based on the feedback at both the community and organizational levels.





Embracing Community

Renewal & Growth

COVENANT LIVING officially welcomed residents and employees at Covenant Living of Keene in Keene, New Hampshire to the Covenant Living family in February of 2022. The acquisition of the community was finalized, and a dedication ceremony was held to celebrate the occasion. Residents and employees, along with local Keene elected representatives and Covenant Living leadership were on hand to embrace our growing family in the New England region.

Covenant Living of Keene (pictured left) is the 19th senior living community for the organization, and it offers the full continuum of care including 141 independent living units, 43 assisted living units, 18 assisted memory care units and 20 nursing care suites.

The celebration of growth continued at Covenant Living at Windsor Park in Carol Stream, Illinois as construction of the new assisted living building was completed (pictured on page 15). A ribbon cutting and dedication ceremony was attended by residents, employees, and local elected officials to mark the addition of 36 new assisted living residences and new rehabilitation areas for physical and occupational therapy. The new building better serves the healthcare and rehab needs of residents at Covenant Living at Windsor Park and now offers care and service to more people in the greater community who need short term care.

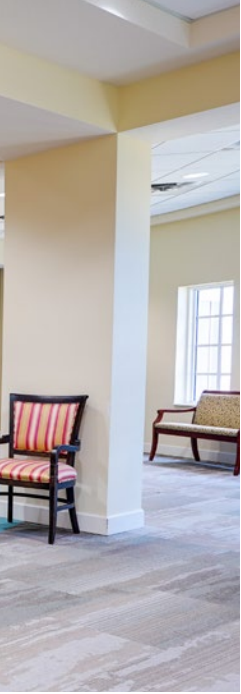
There were many other capital improvement projects throughout the organization completed ranging from



updated exteriors and interior hallways at Covenant Living of Florida (pictured top right), the completion of the Common Grounds Bistro and beginnings of a dining room renovation at Covenant Living of the Great Lakes (pictured bottom right). Construction continued on phase two of the redevelopment at Covenant Living of Cromwell with the Commons building finishing out a resident store, library, theater and meeting spaces.

Plans for a redevelopment at Covenant Living of Northbrook continued for the expansion of new carriage homes that will bring 36 new state-of-the-art apartment homes to the community. While pre-sales are underway, updates have started in the Town Center including an expanded dining room and gathering spaces.





Planning for additional capital improvements and redevelopments continued for other Covenant Living communities. This strategic planning is focused on staying relevant in the market, supporting residents through expanded programs and career development for current and new employees.







Embracing Community

Philanthropy

IN THE MANY ways our residents, employees, community and business partners support philanthropy, a spirit of bold generosity is evident throughout Covenant Living. Part of our culture of giving comes in the form of annual campaigns at each of our senior living communities across the country. These campaigns raise funds for benevolent care – a secure, but discreet, lifeline that supports our neighbors experiencing a financial crisis. Philanthropy directors also spend time educating prospective donors about legacy giving opportunities and other emerging funding needs.

Benevolent care supports the financial well-being and dignity of residents in our communities. During the 2022 fiscal year, the office of philanthropy raised over

\$7,651,000, which included \$5,622,000 in annual and estate gifts for benevolent care and \$2,029,000 in support designated for other areas. This outpouring of support has a direct impact on the lives of residents and their families.

The Covenant Living Board of Directors established its inaugural Philanthropy Committee, increasing the organization's impact. The committee members will help generate interest and enthusiasm among their circles of influence to support board-approved philanthropy initiatives.

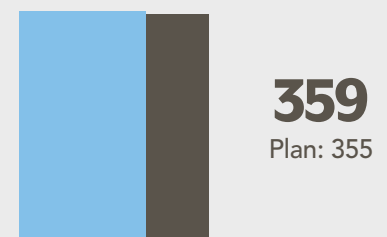


Financials

THE ANNUAL independent audit of Covenant Living financials provides our Board of Directors and key stakeholders a snapshot of Covenant Living's financial position. Covenant Living maintains an "A- rating with stable outlook" standing with Fitch Ratings. This rating is based upon strong occupancy and operating performance, strong cash reserves, overall size with geographic diversity. Our fiscal year was October 1, 2021 through September 30, 2022.

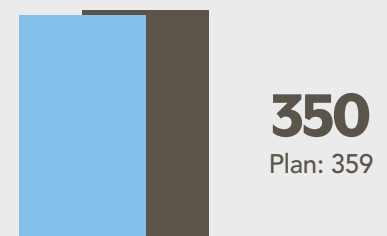
Move-Ins

FY22 ■ Budget ■ Actual



Move-Outs

FY22 ■ Budget ■ Actual



Residential Living

AS OF SEPT 30, 2022

91.00 %

AS OF SEPT 30, 2021

90.00 %

Assisted Living

AS OF SEPT 30, 2022

79.00 %

AS OF SEPT 30, 2021

83.00%

Occupancy

End of year, not 12-month average

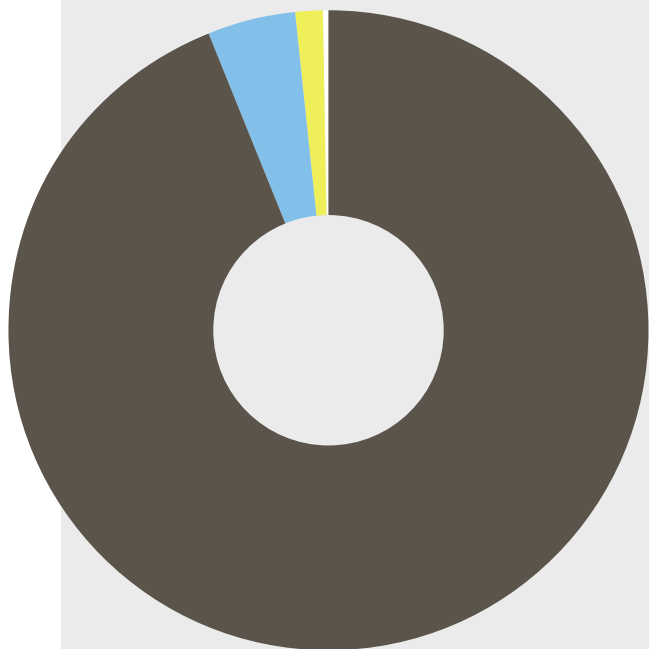
Skilled Nursing

AS OF SEPT 30, 2022

84.00 %

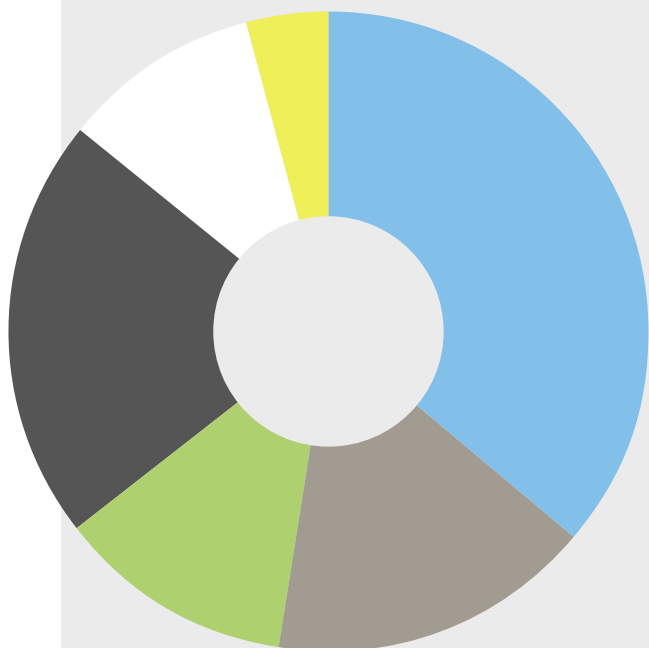
AS OF SEPT 30, 2021

76.00 %



Total Revenues

- Continuing Care Retirement Communities, 93.8%
- CovenantCare at Home, 4.6%
- Senior Living Rental Communities, 1.3%
- Other, 0.2%

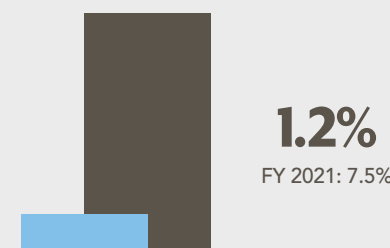


Cost of Resident Care

- Nursing Services, 36%
- Dining Services, 16%
- Maintenance and Utilities, 12%
- Administrative and General, 21%
- Resident Benefits and Services, 10%
- Other, 4%

Operating Margin

■ FY 2021 ■ FY 2022

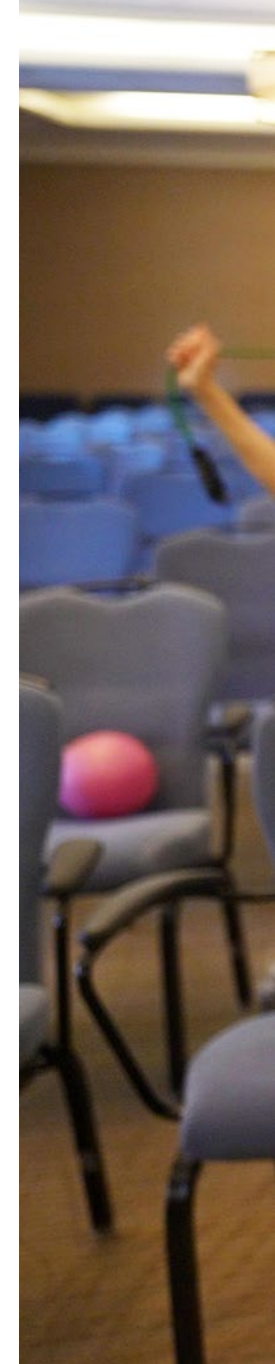


Consolidated Balance Sheet (in thousands)

As of September 30,	2022	2021
ASSETS		
Cash and cash equivalents	\$ 62,419	\$ 53,940
Notes and accounts receivable, net	22,089	22,018
Board designated investments:		
Benevolent care	80,400	89,287
Capital reserve	38,608	65,281
Other	219,413	232,248
Total board designated investments	338,421	386,816
Investments restricted under debt agreements	118,126	141,865
Property and equipment, net	772,056	679,390
Other assets	130,838	154,922
TOTAL ASSETS	\$ 1,443,949	\$ 1,438,951
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 44,534	\$ 41,313
Long-term debt	581,144	556,358
Other liabilities	267,298	258,776
Refundable contract liabilities	185,698	153,737
Deferred revenue from entrance fees	272,029	252,783
TOTAL LIABILITIES	1,350,703	1,262,967
Net assets:		
Without donor restrictions	73,727	156,320
With donor restrictions	19,519	19,664
Total net assets	93,246	175,984
TOTAL LIABILITIES AND NET ASSETS	\$ 1,443,949	\$ 1,438,951

Consolidated Statement of Operations (in thousands)

As of September 30,	2022	2021
OPERATING REVENUES		
Operating revenues	\$ 331,956	\$ 318,784
Amortization of deferred entrance fees	53,491	50,482
Total operating revenues	385,447	369,266
OPERATING EXPENSES		
Cost of resident care	309,143	278,823
Interest expense	17,439	13,038
Sales and marketing	16,453	14,078
Depreciation and amortization	61,173	55,518
Total operating expenses	404,208	361,457
INCOME (LOSS) FROM OPERATIONS	(18,761)	7,809
NONOPERATING REVENUE (EXPENSE), NET		
Investment income (loss)	(54,325)	52,317
Unrealized loss on derivative instrument	3,820	1,538
Contributions, net	(1,123)	515
Other nonoperating expense	(11,868)	(18,731)
Derivative instruments interest expense	(693)	(894)
INCOME (LOSS)	(82,950)	42,554
OTHER CHANGES IN UNRESTRICTED NET ASSETS		
Net assets released from restriction for capital purposes	-	54
Net asset transfer to related organization	357	(642)
Total other changes in unrestricted net assets	357	(588)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$ (82,593)	\$ 41,966







Learn more at **CovLiving.org**



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