

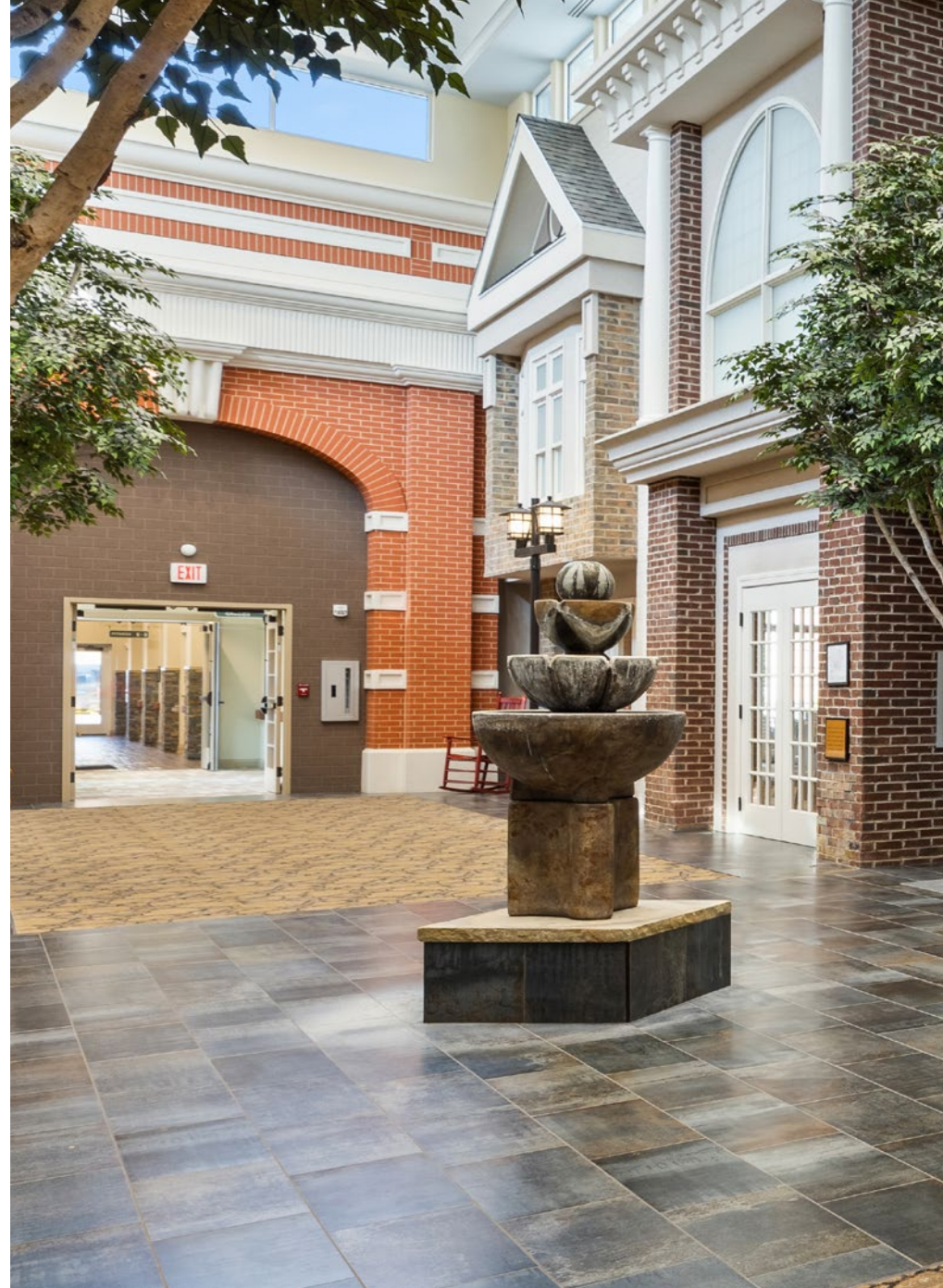


# Growing through Transition

2024 Annual Report



**THE PAST YEAR** at Covenant Living was defined by community growth, new development, transitions in leadership and investment in the overall experience for both residents and employees. The organization added two new communities through an affiliation, solidified financial stability within two of the more recent acquisitions, successfully transitioned to a new president and CEO and experienced record growth in both residential living and healthcare move-ins. Following a reaffirmed strategic plan, the organization maintains sound fiscal practices and continues to focus on its most valuable assets—those who live and work in the communities across the country.



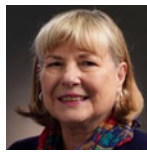






Janet Sullivan Creaney, Board Chair

## Introduction



**IT IS TRULY AMAZING** to be a part of all that has transpired at Covenant Living this past year. Certainly, it was one of transition as we bid farewell to Terri Cunliffe retiring from her role as president and CEO. As the search for a new leader concluded, David Erickson emerged as the organization's new president and CEO, bringing years of in-house experience and institutional knowledge with him. While change is never easy, the board of directors is pleased with this seamless and smooth transition of leadership.

The organization has experienced transition in terms of growth. The groundbreaking at Covenant Living of Northbrook kicked off the community redevelopment project, bringing new carriage homes and a reimagined Town Center. Covenant Living of the Great Lakes broke

ground for a new neighborhood of cottage homes. Both are examples of developing existing space to meet the needs of today's older adults. Our growth continued with the affiliation of two communities in Tennessee—Shannondale of Knoxville and Shannondale of Maryville. These two beautiful new community additions to the Covenant Living family allow us to continue our mission of serving more older adults in the Southeast region of the country.

These transitions meet our strategic pillar of intentional growth and our board of directors, along with the Covenant Living leadership team, rest easy knowing that residents and employees continue to live and work in environments of service to others. As we look back, we are confident the transitions and growth in the past year helped set the stage for a prosperous future.



David Erickson, President and Chief Executive Officer

## Growing through Transition



**BEING A PART** of Covenant Living for so many years is a privilege and an honor, and now in my new role I am reminded as to why it is easy to feel so blessed.

It is about the people—the residents and employees, along with our dedicated board of directors, who are all so committed to helping make this organization a continued success for so long.

I am eternally grateful for my predecessors, most recently Terri Cunliffe, who upon her retirement, left Covenant Living with a solid foundation and poised for the future. The leadership transition has been very smooth, and we are forging ahead.

As I reflect on this past year and seeing our growth, it is exciting to know that our commitment to serving older

adults is progressing. In addition to record move-ins in both residential living and healthcare, we kicked off two major campus redevelopments and through an affiliation, added two senior living communities in Tennessee. We now have 20 communities in 11 states with nearly 6,000 residents and 3,900 employees.

As I continue in my first year as president and CEO, I will continue to build upon the groundwork that has been laid, especially when it comes to the resident and employee experience. I am looking forward to getting out to the communities and building relationships with the leadership teams and employees across the country. Relationships build trust and collaboration, and together we all can work toward positioning Covenant Living as the best place to live and work.











## Growing through Transition

# At Our Communities

**COVENANT LIVING** has experienced significant growth over the past five years. Since 2019, we acquired five continuing care retirement communities in four different states (Illinois, New Hampshire, Oklahoma, and Tennessee). This represents a 30% growth in the number of communities, residents, and employees we serve. We added 825 residential living apartment homes and 366 healthcare beds to the Covenant Living family for a total of 1,376 new units added. This growth lists Covenant Living as the seventh largest not for profit owner/operator of senior living communities according to the Leading Age/Ziegler LZ200 rankings published in fall 2024. We are excited to experience this growth and to have the opportunity to now serve about 6,000 residents and 3,900 employees in 11 states.

### Growing through Expansions

This past year represented some major progress for the redevelopment project at Covenant Living of Northbrook as construction got underway on 36 new carriage home residences (pictured on following page, center bottom) and a major renovation and dining expansion of the Town Center. Construction is moving along on schedule, and we anticipate the completion of the Town Center and dining renovations in the summer of 2025. Covenant Living of Northbrook will welcome the new residents of the carriage homes later in the fall of 2025. This is a reimagining of the community and we are excited to see it become a reality in the year ahead.



Covenant Living of the Great Lakes (pictured center top) celebrated the groundbreaking of 36 duplex cottage homes in the fall of 2024 with residents and depositors. The interest in this new development has been very strong, and we are excited to have started the site clearing and preparation before the worst of the winter weather. The upcoming year will bring visual changes to the site as the structures for these new homes start to take shape. This new cottage home neighborhood will be a perfect complement to a community that is a beautiful place to call home. It is anticipated that move-ins will start taking place in early 2026.

### **Growing our Occupancy**

Fiscal year 2024 has been another record setting one for Covenant Living. Within residential living, the





organization experienced the fourth highest number of move ins for the obligated group of communities in our history. When you add in the communities outside of the obligated group (Three Crowns Park, Covenant Living at Inverness and Covenant Living of Keene), it was the largest number of residential living move ins in the 139-year history of Covenant Living.

Setting records for the year carried through within our healthcare settings as well. Covenant Living achieved more admissions than in any other year in our history. With an industry struggling to achieve pre-pandemic occupancy levels, Covenant Living's intentional focus on healthcare occupancy is making a difference and trending significantly higher than industry averages for skilled nursing care at about 9% above industry averages. In fiscal year 2024, our skilled nursing care





centers had more than 4,500 admissions and over 517 move-ins into assisted living. This equates to more than 5,000 admissions into our various levels of healthcare for the year. This is truly an amazing number of individuals our healthcare teams had the privilege of serving and a testament to the great care and commitment residents in healthcare experience each and every day.

### **Growing Financial Strength**

As the organization added new communities to the Covenant Living family over the past five years, initially these communities are kept outside of the obligated group of communities until they are stabilized, integrated into Covenant Living, and are financially accretive to the organization. Once a community achieves these milestones, they are added to the





obligated group and contributing to the overall financial strength and stability of Covenant Living. As the 2024 fiscal year ended and the new fiscal year kicked off, we added Covenant Living at Inverness (pictured center top) and Covenant Living of Keene (pictured center bottom) into the obligated group. These are the first two of the recent acquisitions to be added to the group and demonstrates the value of the organization’s growth strategy which began in earnest in 2019.

This strategic growth creates a stronger organization allowing a continuation of enhancing the lives of our residents and employees through people, programs, and ongoing capital investments.



## Growing through Transition

# Among Our Residents & Employees

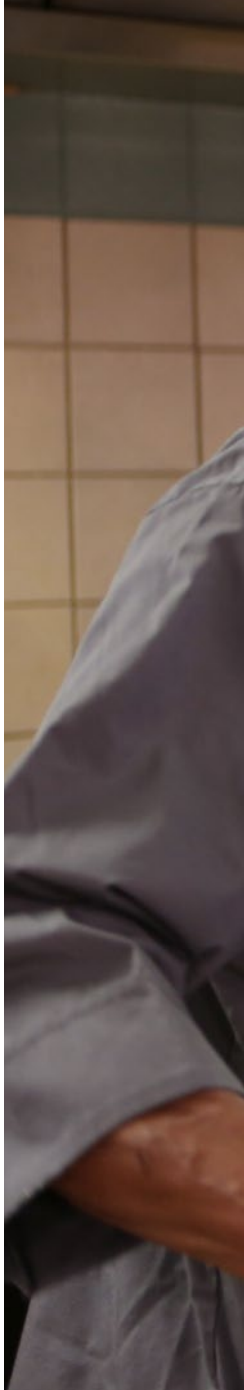
### **Growing the Employee Experience**

Covenant Living knows our team members across the country are among our most valuable resources. Leadership is committed to developing new strategies to retain and grow existing employees. In February of 2024, 300 leaders from our communities gathered for Summit 2024. The three-day conference provided opportunities for attendees to network with their peers, hear from top-level keynote speakers and attend workshops on improving their part in helping with both the resident and employee experience. Additionally, Covenant Living creates a regular program just for employees called Covenant Connections. Within the program employees learn about additional details on benefits, results from

listening surveys and enjoy a bit of fun. Our human resources department also does its part to help reward employees for their commitment to the organization. Each quarter team members are given “Peace of Mind Perks” or a gift card to say thank you for all their hard work and dedication.

### **Growing the Resident Experience**

In April of 2024, 87% of our residents responded in our annual resident survey. This was a 10% increase from the previous year. Covenant Living believes that listening to our residents through this survey and getting their input is key to continuously improving upon the resident experience. Information from the surveys is used to make





adjustments in operations, programming, and the overall living experience.

In all, the organization averaged over an 86% favorability rating with the highest scoring factors including responsiveness of leadership, feeling valued, and value for dining services. Nearly 90% of the respondents said they would choose Covenant Living again if given the opportunity. Also of note, more than 89% of respondents stated favorably that they would recommend their community to a friend or relative. Another resident survey is scheduled for spring of 2025.







## Growing through Transition

# Giving Back

**COVENANT LIVING** continues to grow its culture of philanthropy through the generosity of its stakeholders. The organization is blessed by the charitable hearts of its residents, family, friends, employees, grant making organizations, vendors and business partners—all who see the value and importance of benevolent care.

Throughout fiscal year 2024, giving came from a variety of sources; annual campaigns, cash contributions, individual retirement accounts (IRAs), stock and estate gift distributions, and legacy pledges to support the mission of Covenant Living.

We are able to continue providing benevolent care to those residents who, through no fault of their own, have

depleted their resources. Our culture of giving is proof of the donor commitment to our mission, now and well into the future.

### Overview of Giving to Benevolent Care

- Contributions into Investment Fund, \$3,786,000
- Other Benevolent Care Contributions, \$1,982,000
- Total Benevolent Care Contributions, \$5,768,000
- Total Benevolence Given to Residents, \$5,476,000
- Obligated Group Benevolent Care Reserve Fund (as of 9/30/24), \$110,742,000
- Number of Residents Served, 148

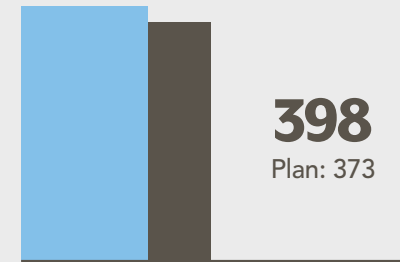


# Financials

**AN ANNUAL INDEPENDENT AUDIT** of Covenant Living’s financials provides our board of directors and key stakeholders with a snapshot of Covenant Living’s financial position. Covenant Living maintains an “A-minus with a stable outlook” rating from Fitch Ratings. This rating is based upon occupancy and operating performance, strong cash reserves and overall size with geographic diversity. Our fiscal year was October 1, 2023 through September 30, 2024.

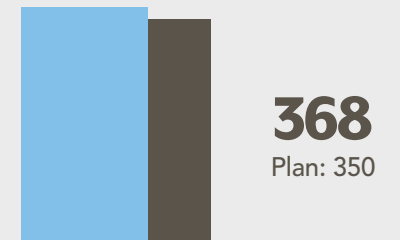
## Move-Ins

FY24 ■ Plan ■ Actual



## Move-Outs

FY24 ■ Plan ■ Actual



**Residential Living**

AS OF SEPT 30, 2024

**94.00 %**

AS OF SEPT 30, 2023

**92.00 %**

**Assisted Living**

AS OF SEPT 30, 2024

**89.00 %**

AS OF SEPT 30, 2023

**86.00 %**

**Skilled Nursing**

AS OF SEPT 30, 2024

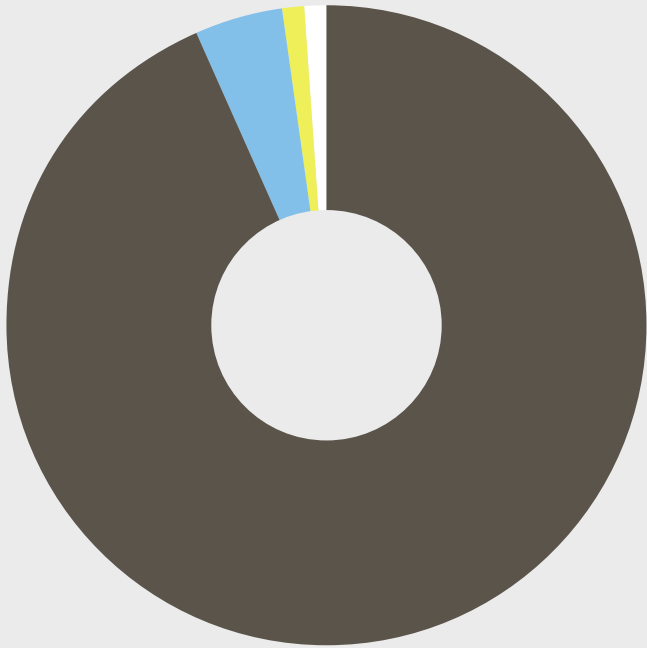
**88.00 %**

AS OF SEPT 30, 2023

**86.00 %**

**Occupancy**

End of year, not 12-month average

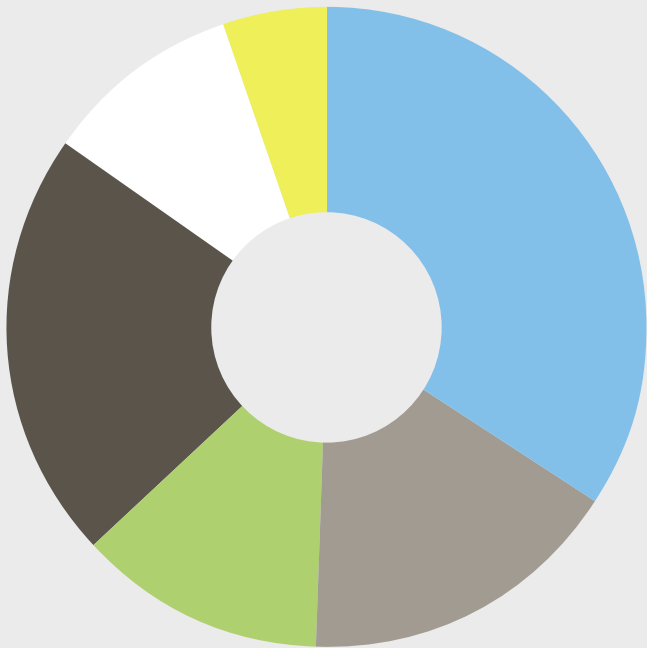


### Total Revenues

- Continuing Care Retirement Communities, 93.6%
- CovenantCare Home Health and Hospice 4.3%
- Senior Living Rental Communities, 1.2%
- Other, 0.9%

### Operating Margin

■ FY 2024 ■ FY 2023



### Cost of Resident Care

- Nursing Services, 34%
- Dining Services, 16%
- Maintenance and Utilities, 13%
- Administrative and General, 22%
- Resident Benefits and Services, 10%
- Other, 5%

## Consolidated Balance Sheet (in thousands)

As of September 30,	2024	2023
<b>ASSETS</b>		
Cash and cash equivalents	\$ 54,848	\$ 74,092
Notes and accounts receivable, net	28,850	23,471
Board designated investments:		
Benevolent care	110,742	90,964
Capital reserve	42,277	18,950
Other	258,712	239,567
Total board designated investments	411,731	349,481
Investments restricted under debt agreements	99,715	116,387
Property and equipment, net	885,581	777,593
Other assets	151,142	124,983
<b>TOTAL ASSETS</b>	<b>\$ 1,631,867</b>	<b>\$ 1,466,007</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 47,172	\$ 43,490
Long-term debt	585,102	556,271
Other liabilities	316,473	265,220
Refundable contract liabilities	196,511	188,042
Deferred revenue from entrance fees	310,808	280,620
<b>TOTAL LIABILITIES</b>	<b>1,456,066</b>	<b>1,333,643</b>
Net assets:		
Without donor restrictions	151,587	111,317
With donor restrictions	24,214	21,047
Total net assets	175,801	132,364
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,631,867</b>	<b>\$ 1,466,007</b>

## Consolidated Statement of Operations (in thousands)

As of September 30,	2024	2023
<b>OPERATING REVENUES</b>		
Operating revenues	\$ 390,350	\$ 369,941
Amortization of deferred entrance fees	58,770	58,797
Total operating revenues	449,120	428,738
<b>OPERATING EXPENSES</b>		
Cost of resident care	354,512	327,391
Interest expense	23,245	19,842
Sales and marketing	19,858	17,435
Depreciation and amortization	70,593	65,088
Total operating expenses	468,208	429,756
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>(19,088)</b>	<b>(1,018)</b>
<b>NONOPERATING REVENUE (EXPENSE), NET</b>		
Investment income (loss)	70,538	40,834
Unrealized gain (loss) on derivative instrument	(1,078)	125
Contributions, net	1,281	(840)
Other nonoperating expense	(12,758)	(2,277)
Derivative instruments interest expense	787	517
<b>INCOME (LOSS)</b>	<b>39,682</b>	<b>37,341</b>
<b>OTHER CHANGES IN UNRESTRICTED NET ASSETS</b>		
Net assets released from restriction for capital purposes	588	249
Net asset transfer to related organization	-	-
Total other changes in unrestricted net assets	357	249
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	<b>\$ 40,270</b>	<b>\$ 37,590</b>







Learn more at **CovLiving.org**

