Frequently Asked Questions by Residents on Financial Issues

Compiled by the Goodwin House Bailey's Crossroads Resident Finance Committee
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Is Goodwin House doing well financially?

The financial strength of Goodwin Living (technically Goodwin House Inc.) is measured by net assets (total assets minus total liabilities). In numbers most relevant to residents, net assets have increased from $98.6 million in FY22 to $111.9 million in FY23. GL also has a very strong cash position to meet its current and future obligations to residents and creditors. Accordingly, GHI has a strong credit rating of BBB+ and exceeds most median benchmark standards for similarly rated organizations.

Recently, profitability declined due to a variety of factors, including wage increases, administrative cost increases and higher than expected required maintenance. In FY 2023, there was an operating loss of $6.7 million but the deficit was more than offset by gains on the investment portfolio. Such gains are not a long-term solution, and operating margins (revenue minus expense) are showing improvement this fiscal year.

Will Goodwin Living be able to continue to meet its lifecare commitments to residents?

Entry fees are intended to assure that GL remains fully able to meet its obligations to residents—both in terms of guaranteed future health care and contractual rebates when residency ends. To this end, there is an annual actuarial analysis to aid in determining GL's readiness to meet these obligations. For GHBC, reserves are 114% of what is required. For GHA, it's 107%.

Will Goodwin Living be able to keep annual fee increases low?

Fee increases are driven by the impact of inflation and general market conditions on GL's operating costs. GL management has tried to keep annual fee increases as low as possible while continuing to provide a high level of resident service. GL's increase of 3.95% this year is a full percentage point below the industry average.

What is the financial impact of Goodwin Living's acquisition of The View Alexandria?

The Hermitage was in poor financial condition when GL acquired it and converted it to TVA. However, the acquisition presented a number of long-term strategic benefits. A key benefit was to offer, for the first time, a rental alternative that could attract an expanded demographic of prospective residents. Another key benefit was the amount of undeveloped land acquired that is now available to support potential expansion.

As with any such acquisition, improvement takes time and management is doing an effective job of turning TVA around. Occupancy has risen from 65% when purchased to 90% and TVA is performing at better than break even.

Can Goodwin Living afford further expansion? Is it in the residents' interests?

The increasing elderly population is creating a more competitive environment for retirement communities. There is a prevailing sense that expansion, consolidation and economies of scale will be critical to future success. Studies show that larger, multi-site, retirement communities do better in the long term compared to single site and smaller communities.

Beyond the acquisition of TVA, Goodwin Living's expansion plans have included the recent acquisition of undeveloped property in Loudon County. However, there are presently no plans for developing the property. The TVA acquisition was financed largely by a bank loan, not from GL reserves.

Is GL using entrance fees to finance its expansion plans?

Entrance fees when paid are kept in a separate account. A certain amount is transferred every year into income. This amount is fixed and based on the resident's life expectancy (e.g. if your life expectancy when you enter is ten years, one-tenth of your entrance fee is transferred every year for ten years). It is not a function of any plans by GL to spend the money in other areas.

Will Goodwin Living be able to remain attractive to prospective residents as the market for senior living expands and becomes more competitive?

Like all comparable communities, GL must meet its obligation to current residents to maintain existing facilities as they depreciate over time while also upgrading facilities and amenities to meet consumer demand in the competitive senior living marketplace. Capital spending (investment in plant and equipment) must keep pace with depreciation and meet both objectives. As things tightened during the pandemic, capital spending was curtailed and currently lags behind depreciation. This is acceptable in the short term but is not sustainable over time. Management is now increasing capital spending to eliminate the gap and meet both its current and future obligations.

Note: For further information on these issues, see "A Financial Primer" on the GHBC resident webpage "Life at GHBC" under Council and Committees/ Finance Committee.

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