This year, physical distancing, hand washing and facial masks became the new normal in our communities as the coronavirus challenged us all to stand together, even while apart.
This Annual Report reflects the many ways our Board of Directors, the organization’s leaders, its residents and employees all stand together in creating a culture that is rich in faith and serving one another. This was exemplified in the past year as our nation, and Covenant Living, faced the coronavirus pandemic. No one could have anticipated the impact of this virus and what it would mean for our communities, operationally and financially.

Yet, through it all, we’ve seen the entire Covenant Living family rise to the occasion time and again to ensure the safety of our residents and employees while maintaining a solid fiscal stance. Since the early days of the pandemic, there are countless stories of individuals who have used their talents and sacrificed their time and energy to serve our residents. While this has happened at the Central Office and community leadership level, perhaps a special recognition goes to those front-line healthcare employees, our heroes, for serving our residents in skilled nursing, assisted living and memory care in such challenging times.

There is much to be proud of as we look at this past year and into the future of this organization. Our response to uncertainty comes from having a solid foundation rooted in faith and love for one another. We’ve learned that standing together brings our community connections to the forefront of what Covenant Living is all about.

Matthew Manlove, Board Chair

Introduction
THERE IS NO DOUBT the majority of 2020 was like no other in the history of Covenant Living or in our lives as leaders, employees and residents. Not only did COVID-19 change the focus of the work for this year, it changed how we do our work and resident lifestyles. It stretched and challenged every leader in the organization to lead differently through this relentless crisis sustained over the entire period and continues into 2021. It required a new level of courage from our employees, who served residents through new practices and behind masks, face shields and personal protective equipment. This year challenged the most important value of living in a Covenant Living community, the value of connection. The connection of community achieved through relationships. In a year where residents spent the majority of their lives living in various stages of isolation from each other and their families, it required an extra dose of patience, compliance and learning how to use Zoom!

From the very beginning, protecting our residents and providing for our people provided the framework for every decision. Investment in our employees was critical to acknowledge their courage and commitment and support them with additional paid time off when quarantine was required. In return, the employees and leaders throughout our Covenant Living communities exhibited their creativity, compassion and love in full force to residents and each other through every step.

Terri Cunliffe, President

Standing Together
As I reflect on the year, I see God’s hand of preparation and protection on Covenant Living. While his hand of protection did not keep COVID from impacting our residents, staff or leaders, I see how decisions made over the past three years prepared the organization to withstand the operational and financial disruption of COVID-19.

Through an enterprise technology solution, Covenant Living deployed online programming seven days per week for residential residents through their televisions within just a matter of a few weeks following the onset of COVID. The in-house video production, communications and public relations teams provided multiple vehicles for weekly COVID video updates in addition to nearly 300 daily and weekly letters sent to residents and their families. Workday, our human capital management software, provided a platform for both video and written employee communication. This experience leads us to envision improved communication opportunities for residents and employees.

Today, as the COVID-19 vaccine is deployed throughout Covenant Living, there is a pin-point of light at the end of the tunnel. It’s the promise that new life will emerge and a revived sense of community will be ignited to allow the residents, staff and leaders to Live with Promise in a new and better way!

Standing Together
As news of the coronavirus began to unfold, we were acutely aware that the playbook for such a time had yet to be written. While our organization has always had plans in place for crisis and disaster management, this pandemic exceeded what anyone could have predicted. From the onset, however, we knew that our residents were among the most vulnerable.

In early March, we created a COVID-19 task force at the Central Office and encouraged our communities to follow suit. The goal was to protect the health and safety of our residents and employees, by doing everything possible to mitigate the spread of the virus in our communities, while navigating policies and guidelines from federal, state and local health authorities.

To meet this challenge, we reinvented many of the practices supporting day-to-day resident life, from pausing organized activities and implementing a no-visitor policy, to reimagining dining services and revamping cleaning protocols. Business activities were also impacted as shelter-in-place orders and stringent travel restrictions forced new systems for remote oversight and expanded use of technology and video conferencing. Even our board transitioned to virtual meetings—a first in this organization’s history.

Faced with many uncertainties, communication was more important than ever before. Leveraging the skills of our communications team, we produced weekly video updates and hundreds of letters, providing up-to-date information to our residents and employees. This approach allowed us to stay connected and informed, even as the situation evolved.

Standing Together in Facing a Pandemic

Covenant Living Communities and Services
Standing Together in Facing a Pandemic

The collective experience of leadership and staff across the country was instrumental in procuring personal protective equipment and cleaning supplies from vendors across the globe, developing a system for door-to-door meal deliveries, creating virtual programming to keep residents engaged, coordinating grocery and pharmacy trips and helping residents stay connected to family.

The impact of the pandemic continues to challenge our organization, but we have emerged a closer community of residents and employees—standing together, even stronger in friendship and in faith.

Covenant Living Communities and Services

THERE IS no question the coronavirus pandemic has made an impact on the lives of residents at Covenant Living communities across the country. My home is located at Covenant Living of Northbrook in Northbrook, Illinois. From my perspective and from conversations with others who live here, the entire team of employees have shown nothing but care and compassion. They have dedicated themselves to keeping our community comfortable and safe.

From sheltering-in-place when the pandemic first began to now, the overarching goal has been to maintain services and amenities as best as could be accomplished, given the circumstances. Dining service, with either take-out or home delivery, has been exceptional. Food service employees have gone above and beyond to remain cheerful and helpful with all requests. And as in-person activities became limited or halted completely, the Life Enrichment team provided an assortment of programming on the in-house television channels—including live fitness classes.

We all appreciate the employee passion and commitment to residents, at all levels of living. It comes while many have concerns about their own safety and that of their families. It comes from their hearts. I believe this demonstrates what makes up the soul of our Covenant communities—our people, residents and employees—and for this we will be forever grateful.

Bob Martin, Resident Board Member

Forever Grateful
OUR LEADERSHIP TEAM was quick to recognize the potential financial ramifications of the pandemic, and as we witnessed the economic strain to markets and communities, protecting the organization, its residents and employees became our top priority.

Our financial team acted quickly, re-casting the budget to account for unplanned expenses and potential revenue losses, so there wouldn’t be a negative impact to residents, employees or the organization.

For those front-line, hourly employees caring for residents with COVID-19, a bonus was initiated for six pay periods. In addition, if an employee tested positive for the virus, a special Paid Time Off (PTO) benefit was made available, so that no one was forced to deplete their accrued PTO or go without pay while quarantined.

Our investment in employees continued with two conferences focused on leadership development. In late February, prior to the pandemic, we hosted Summit 2020 in St. Charles, Illinois. More than 300 employees met for three days of educational workshops, networking with peers and worship, including a celebration of Inspiration Award winners from communities across the country. In late October, mid-level managers met for our first-ever virtual conference, Base Camp 2020. The use of technology allowed us to bring together these employees for sessions of leadership training and virtual networking with their colleagues across the country.
THE FIRST SEEDS of benevolent care were planted by our founders with a single purpose: to care for people. Over 100 years later, Covenant Living continues to provide a future filled with friendship, purpose, and security.

Our commitment to “live with promise” also means that no resident has to leave our community because their financial situation changes despite being good stewards of their finances. The Benevolent Care Fund provides support for residents in need.

Despite the pandemic and the cancellation of traditional fundraising galas, the residents and friends of Covenant Living were steadfast in their commitment to helping others. The philanthropy teams across the country planned and carried out themed virtual galas, complete with entertainment and special meals delivered to participants by dining services.

This year turned out to be a banner one for the organization in Benevolent Care fund raising with more than $950,000 raised. Many of our communities hitting record donations. Covenant Living is blessed to have its residents, employees and business partners all standing together to make a difference in the lives others.
Standing Together in Planning the Future

THIS YEAR, Covenant Living continued master planning for the future through growth. Our long history of prudent financial practices contributes to the overall financial stability and operations of our organization, and in September 2020, Fitch Ratings reaffirmed our A-minus rating with a stable outlook.

This strong rating allowed for Covenant Living to take advantage of historically low interest rates in the revenue bond market to refinance existing debt and secure new funds to continue investment in our existing communities. The revenue bonds will be utilized to fund various renovation projects around the organization and a telehealth initiative.

Construction on the Covenant Living of Cromwell expansion project is nearing completion and its first residents are slated to move in late January of 2021. Marketing and sales efforts are in full force for the addition of residential apartments at Covenant Living at Mount Miguel.

At Covenant Living of Florida, improvements to the dining room and bistro are in planning stages, and construction is beginning for new assisted living apartments at Covenant Living at Windsor Park. Across the country skilled nursing rooms are being upgraded and refurbished with new furnishings.
Left: Expansion at Covenant Living at Windsor Park will provide new Assisted Living apartments and physical therapy area.

Right: Expansion at Covenant Living at Mount Miguel will create 30 new Residential Living apartments and underground parking.
EVERY YEAR, Covenant Living undergoes an independent audit which provides our Board of Directors, and all key stakeholders, an overview of the organization’s financial position. The financial information compiled here is based upon the audited financials for fiscal year ending September 30, 2020.

In September 2020, Fitch Ratings reaffirmed our A-minus, stable outlook rating. This rating is based upon strong occupancy and operating performance, strong cash reserves, overall size with geographic diversity and 134-year history.

**Financials**

Every year, Covenant Living undergoes an independent audit which provides our Board of Directors, and all key stakeholders, an overview of the organization’s financial position. The financial information compiled here is based upon the audited financials for fiscal year ending September 30, 2020.

In September 2020, Fitch Ratings reaffirmed our A-minus, stable outlook rating. This rating is based upon strong occupancy and operating performance, strong cash reserves, overall size with geographic diversity and 134-year history.

### Move-Ins

<table>
<thead>
<tr>
<th>FY20</th>
<th>Budget</th>
<th>Actual</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>306</td>
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### Attrition

<table>
<thead>
<tr>
<th>FY20</th>
<th>Budget</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>348</td>
</tr>
</tbody>
</table>

### Residential Living

| AS OF SEPT 30, 2020 | 91.00 %
<table>
<thead>
<tr>
<th></th>
<th></th>
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<tbody>
<tr>
<td>AS OF SEPT 30, 2019</td>
<td>92.00 %</td>
</tr>
</tbody>
</table>

### Assisted Living

| AS OF SEPT 30, 2020 | 84.00 %
<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>AS OF SEPT 30, 2019</td>
<td>91.00 %</td>
</tr>
</tbody>
</table>

### Skilled Nursing

| AS OF SEPT 30, 2020 | 77.00 %
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>AS OF SEPT 30, 2019</td>
<td>88.00 %</td>
</tr>
</tbody>
</table>

End of year, not 12-month average
Total Revenues
- Continuing Care Retirement Communities, 93%
- CovenantCare at Home, 5%
- Senior Living Rental Communities, 1.5%
- Other, 0.5%

Operating Margin
- FY 2019: 6.45%
- FY 2020: 7.10%

Cost of Resident Care
- Nursing Services, 36%
- Dining Services, 16%
- Maintenance and Utilities, 12%
- Administrative and General, 21%
- Resident Benefits and Services, 11%
- Other, 4%

Consolidated Balance Sheet
Fiscal Year Ended September 30, 2020

ASSETS
- Cash and cash equivalents $56,719
- Notes and accounts receivable, net 17,949
- Board designated investments:
  - Benevolent care 75,909
  - Capital reserve 38,142
  - Other 22,412
- Total board designated investments 322,463
- Investments restricted under debt agreements 126,056
- Property and equipment, net 607,968
- Other assets 106,315
- TOTAL ASSETS $1,240,370

LIABILITIES AND NET ASSETS
- Accounts payable and accrued expenses $37,304
- Long-term debt 481,582
- Other liabilities 149,965
- Refundable contract liabilities 114,275
- Deferred revenue from entrance fees 324,886
- TOTAL LIABILITIES 1,108,512
- Net assets:
  - Without donor restrictions 114,354
  - With donor restrictions 27,926
- Total net assets 142,280
- TOTAL LIABILITIES AND NET ASSETS $1,240,370

Covenant Living Communities and Services
Consolidated Statement of Operations
Fiscal Year Ended September 30, 2020

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUES</strong></td>
<td></td>
</tr>
<tr>
<td>Operating revenues</td>
<td>$305,972</td>
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<tr>
<td>Amortization of deferred entrance fees</td>
<td>50,153</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>356,125</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
</tr>
<tr>
<td>Cost of resident care</td>
<td>270,557</td>
</tr>
<tr>
<td>Interest expense</td>
<td>15,568</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>13,059</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>53,182</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>352,366</td>
</tr>
<tr>
<td><strong>INCOME FROM OPERATIONS</strong></td>
<td>3,759</td>
</tr>
<tr>
<td><strong>NONOPERATING REVENUE (EXPENSE), NET</strong></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>21,119</td>
</tr>
<tr>
<td>Unrealized loss on derivative instrument</td>
<td>(1,488)</td>
</tr>
<tr>
<td>Contributions, net</td>
<td>(1,223)</td>
</tr>
<tr>
<td>Other nonoperating expense</td>
<td>(3,544)</td>
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<tr>
<td>Derivative instruments interest expense</td>
<td>(715)</td>
</tr>
<tr>
<td><strong>INCOME</strong></td>
<td>17,908</td>
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<tr>
<td><strong>OTHER CHANGES IN UNRESTRICTED NET ASSETS</strong></td>
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<tr>
<td>Net assets released from restriction for capital purposes</td>
<td>49</td>
</tr>
<tr>
<td>Net asset transfer to related organization</td>
<td>336</td>
</tr>
<tr>
<td>Total other changes in unrestricted net assets</td>
<td>405</td>
</tr>
<tr>
<td><strong>INCREASE IN UNRESTRICTED NET ASSETS</strong></td>
<td>$18,313</td>
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</tbody>
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