IN THIS ANNUAL REPORT, you will see that Covenant Retirement Communities has adopted a new name and logo. But why, after all these years of service, would Covenant Retirement Communities seem to be heading in a completely new direction? In short, we aren’t.

In the early days of the Church, followers of Jesus were known for incredible hospitality to widows, orphans, the sick, the disabled, the destitute, the unwanted. The persistent efforts of these early Christians produced what would become hospitals, orphanages, and places of refuge for travelers at risk. They would often communicate their identity by drawing a fish—the ichthys—in the sand. Fast forward many centuries and we find a group of immigrants carrying on this tradition of ministry in the United States, once again starting hospitals, orphanages, homes for seniors, and other places of hospitality. Covenant Retirement Communities is the result of the seeds planted by these early pioneers in ministry.

By embracing the ichthys symbol in our logo, Covenant Retirement Communities—now Covenant Living Communities and Services—is reaffirming one of the most ancient traditions of the Global Church, and the heritage...
of the Evangelical Covenant Church as well: of passionate hospitality motivated by a desire to follow Jesus.

Our new name, Covenant Living, conveys our desire to nurture abundant life in our residents and the employees who serve them. We strive to help all those who join our communities or are touched by our services do more than simply retire. We take great joy in seeing those in our communities and their families thrive.

We treasure our life together as a community. And we hope you will consider joining us.
LIVE WITH PROMISE is at the very core of our ministry at Covenant Living Communities and Services. This promise offers peace of mind, a promise of safe space, new life and community. The hope for tomorrow is underwritten by our long and deep legacy and imbedded in our continued commitment to residents and staff.

Throughout 2018 I had the opportunity to engage with employees, leaders, residents and healthcare families during a nation-wide campus tour. It was both an uplifting and challenging experience. While I was grateful for the opportunity to deepen relationships, I was also confronted by issues that may negatively impact our employees’ experience at work. As a result, the Covenant Living board of directors and leadership partnered to make a deeper investment in our valued team members. Investments included a cost of living increase for all employees and new targeted leadership training for departmental and mid-level campus leaders. I am personally excited about this focus on our employees. I believe, when leadership focuses on our employees and their experience at work, we allow the employees to more deeply focus on the resident experience.

In October 2018 we hosted Summit 2018, a gathering of 300 senior leaders from our communities and central office for three days of professional, personal and spiritual development and renewal. When leaders from around the country gather, they realize they are part of something much bigger than just the community in which they serve.
Worship and devotionals, keynote speakers, plus fellowship with other leaders contributed to a high quality, life changing experience.

A highlight of Summit is the Inspiration Awards ceremony. A total of 19 employees from the Central Office and our communities were recognized at the second sesquicennial “black tie” event held at Summit 2018. Award recipients, nominated by their peers, receive a special name badge that identifies them as an award recipient. There are a total of 28 Inspiration Awardees who represent all levels of staff and departments throughout Covenant Living.

As we look forward, we have several exciting initiatives underway throughout 2019. Our new name and logo was rolled out in June 2019, a Town Center with new residential apartments is currently under construction at Covenant Living of Cromwell (pictured at left) and a healthcare repositioning plan is underway that will provide significant investment into our skilled nursing and assisted living services. God continues to bless Covenant Living and I am excited to see how His plans continue to unfold in the years to come.
IT IS AN EXCITING TIME as we see the strategic plans of years past begin to take root and shape our future.

In September 2018 our Board of Directors approved a rebranding initiative, replacing the name “Covenant Retirement Communities” with “Covenant Living Communities and Services,” along with the new tag line, “Live with Promise.” This significant transition has been in the works for months and will include new signage, new employee uniforms, completely updated collateral, marketing materials and websites—all branded with the new name and logo. Each of our 16 campuses across the country will also have new names to align them with the new corporate brand and identity. The community names incorporate Covenant Living along with their distinctive location identifier, connecting them to the larger organization.

Covenant Living is currently repositioning our fiscal year to an October start. The current transitional fiscal year began on February 1 and will run until the end of September 2019. Starting this Fall, the new fiscal year calendar will run from October 1 through September 30. This change aligns Covenant Living with the Medicare calendar, and better positions us from the business and sales perspective.

Covenant Living Board of Directors and leadership is committed to improving the employee experience. A two-
year wage infusion plan is being implemented which includes cost of living increases, in addition to annual performance based merit increases. Additionally, Covenant Living continues to better invest and equip employees through increased leadership and supervisor training opportunities.

Plans for reinvestment in our existing communities remain on course bringing new life to several existing campuses. Construction is underway at Covenant Living of Cromwell following a February 2019 groundbreaking ceremony. This addition includes 54 new residential living apartment homes and a beautiful new Town Center. Planning continues for new residential units at Covenant Living at Mount Miguel, and a
healthcare expansion for Covenant Living at Windsor Park is also underway.

In February 2018, Open Strategy Group (OSG) was formed to deploy the same digital services to other senior living organizations that it is currently providing to Covenant Living communities. Through a membership model, OSG is carefully growing its membership to assure high quality, high touch services to their clients. Year end financial results exceeded budgeted projections.

In November 2018, Covenant Living secured the licensee agreement with Kumon Learning Therapies to deploy SAIDO Learning to senior living organizations throughout the United States. SAIDO Learning is a memory support program developed by the Kumon Institute of Education in Japan. SAIDO is deployed through 1:1 or 1:2 interactions between a staff member or volunteer and residents. The interaction involves engaging in a series of precise, yet simple arithmetic, writing and reading exercises specific to their individual level of ability, performed in 30-minute sessions three to five times per week. There are currently 24 communities served around the country, including all Covenant Living communities.
04.
Promise of Safe Space

WE ARE COMMITTED to providing a safe space for both residents and employees to live and work. At Covenant Living, we are humbled to hold these trusting relationships and are committed to creating and enforcing safe spaces. One area of trust is prudent and sound fiscal responsibility. In October of 2018, Covenant Living received an upgrade from Fitch Ratings to an A- rating with a stable outlook. Key rating drivers include strong occupancies and operating performance, strong cash reserves and overall size with geographic diversity. Our sound business practices and continued focus on optimization have helped to strengthen these bonds of trust, ensuring safe space is maintained and laying the groundwork for a successful future.

Security of electronic and personal information is top of mind for Covenant Living management. Mandatory cybersecurity training and ongoing phishing tests for employees, coupled with educational opportunities for residents, are key to assure the personal data of residents and employees remain secure.

Covenant Living residents know that if their health changes our communities offer a range of healthcare options—from Assisted Living and Catered Living to Skilled Nursing and Memory Care. The commitment to safe space comes in knowing quality healthcare is available when needed.

CovenantCare at Home provides home care, home health and hospice services in St. Charles, Illinois and Turlock, California. As a result of a grant, CovenantCare at Home Turlock established a Transitional Care Program to identify and assist Medicare eligible seniors who meet specific criteria and are at risk for prehospitalization. This program provides up to 10 hours of private duty care and assures a connection to a primary care provider. As of January 2019, the program has served more than 3,000 clients.
05.
Promise of Community

RESIDENTS throughout Covenant Living give back in a variety of ways demonstrating a commitment to others. As good neighbors the generosity comes in the form of monetary donations to local charities, helping the homeless, supporting first responders and much more. These are just a few of the examples showing a commitment to community, beyond the campus walls.

Members of the Current Events Group at Covenant Living of Cromwell donated “Welcome Kits” to The First Church of Christ outreach ministries in Hartford, Connecticut. Often families and individuals transitioning into newly found apartments are without household and personal items. The kits consisted of everyday essentials such as paper towels, toilet paper, plastic cups, plates and utensils, sponges, microfiber cloths, dish soap, bath soap, tooth brushes and tooth paste. This helps to make homeless individuals finding permanent housing feel welcome in their new homes.

A group of residents at Covenant Living at Windsor Park have extended their warm hearts and giving nature with students who are learning English as a second language. The students are more than five thousand miles away in Sao Paulo, Brazil and attend the CNA Language Speaking School. The residents meet with the students in one-on-one Skype sessions weekly to help build conversational English skills. The exchange program has been ongoing for four years. In addition to helping with language skills, residents and the students enjoy the intergenerational aspects of the program and learning about different cultures.

Each year members of the Golden Valley, Minnesota police and fire departments are invited to Covenant Living of Golden Valley to enjoy breakfast and socialize.
with residents. This event is more than just pancakes. The residents use it as an opportunity to raise funds for the first responders, helping to purchase any needed equipment. Residents enjoy this annual event as an opportunity to express their appreciation for all that the first responders do at Covenant Living and the greater community.

Residents annually host a group of high school students participating in the AIM (Achieve in Medicine) High program at Nova Southeastern University. These students are exploring careers in various health professions and the visit to Covenant Living of Florida offers an opportunity to spend time with residents while gaining perspective on life as an older adult. While at the community, residents interact with the students working on creative arts, listening to a resident band, hearing veterans tell their stories, visiting the care centers and participating in a group fitness class.
Covenant Living undergoes an annual independent audit which provides our Board of Directors and all key stakeholders an overview of how the organization is financially positioned. The financial information compiled here is based upon the most recent audit.

Of special note, Fitch Ratings upgraded Covenant Living’s rating to an A- with a stable outlook in October 2018. That rating is based upon strong occupancy and operating performance, strong cash reserves, overall size with geographic diversity and 133-year history.

Covenant Living is also in the midst of a fiscal year repositioning. The current transitional fiscal year began February 1, 2019 and will end September 30, 2019. Starting in late 2019, the new fiscal year will run October 1 through September 30. This change aligns Covenant Living with the Federal government fiscal year and Medicare as a payor and better positions us from a business and sales perspective.
Residential Living

AS OF JAN 31 2019: 93.00%
AS OF JAN 31 2018: 92.70%

Assisted Living

AS OF JAN 31 2019: 88.00%
AS OF JAN 31 2018: 86.00%

Skilled Nursing

AS OF JAN 31 2019: 85.00%
AS OF JAN 31 2018: 87.00%
Total Revenues

- Covenant Living, 93%
- CovenantCare at Home, 5%
- Senior Living Rental Communities, 1.5%
- Other, 0.5%

Operating Margin

- FY 2018: 5.89%
- FY 2019: 7.10%

Cost of Resident Care

- Nursing Services, 35%
- Dining Services, 16%
- Maintenance and Utilities, 12%
- Administrative and General, 23%
- Resident Benefits and Services, 10%
- Other, 4%
## Consolidated Balance Sheets

**Fiscal Year Ended January 31,**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$18,182</td>
<td>$27,644</td>
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<tr>
<td>Notes and accounts receivable, net</td>
<td>24,127</td>
<td>20,005</td>
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<td>Board designated investments:</td>
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<tr>
<td>Benevolent care</td>
<td>68,356</td>
<td>67,610</td>
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<tr>
<td>Capital reserve</td>
<td>90,183</td>
<td>95,428</td>
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<td>Other</td>
<td>99,622</td>
<td>108,022</td>
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<td>Total board designated investments</td>
<td>258,161</td>
<td>271,060</td>
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<tr>
<td>Investments restricted under debt agreements</td>
<td>42,818</td>
<td>152,802</td>
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<tr>
<td>Property and equipment, net</td>
<td>552,226</td>
<td>542,268</td>
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<td>Other assets</td>
<td>50,205</td>
<td>45,881</td>
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<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$945,719</td>
<td>$1,059,660</td>
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<tr>
<td><strong>LIABILITIES AND NET ASSETS</strong></td>
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<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$25,029</td>
<td>$24,548</td>
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<tr>
<td>Long-term debt</td>
<td>359,626</td>
<td>451,474</td>
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<tr>
<td>Other liabilities</td>
<td>66,915</td>
<td>65,431</td>
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<tr>
<td>Refundable contract liabilities</td>
<td>92,457</td>
<td>107,262</td>
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<tr>
<td>Deferred revenue from entrance fees</td>
<td>302,169</td>
<td>318,090</td>
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<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>846,196</td>
<td>966,805</td>
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<td>Net assets:</td>
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<tr>
<td>Unrestricted</td>
<td>83,391</td>
<td>76,370</td>
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<td>Restricted</td>
<td>16,132</td>
<td>16,485</td>
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<td>Total net assets</td>
<td>99,523</td>
<td>92,855</td>
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<tr>
<td><strong>TOTAL LIABILITIES AND NET ASSETS</strong></td>
<td>$945,719</td>
<td>$1,059,660</td>
</tr>
</tbody>
</table>
Consolidated Statements of Operations

Fiscal Year Ended January 31,

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating revenues</td>
<td>$271,615</td>
<td>$272,030</td>
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<tr>
<td>Amortization of deferred entrance fees</td>
<td>42,047</td>
<td>46,083</td>
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<td>Total operating revenues</td>
<td>313,662</td>
<td>318,113</td>
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<tr>
<td><strong>OPERATING EXPENSES</strong></td>
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<tr>
<td>Cost of resident care</td>
<td>242,447</td>
<td>239,977</td>
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<tr>
<td>Interest expense</td>
<td>16,815</td>
<td>16,607</td>
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<td>Sales and marketing</td>
<td>11,606</td>
<td>11,120</td>
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<tr>
<td>Depreciation and amortization</td>
<td>47,306</td>
<td>49,173</td>
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<tr>
<td>Total operating expenses</td>
<td>318,174</td>
<td>316,877</td>
</tr>
<tr>
<td><strong>INCOME (LOSS) FROM OPERATIONS</strong></td>
<td>(4,512)</td>
<td>1,236</td>
</tr>
<tr>
<td><strong>NONOPERATING REVENUE (EXPENSE), NET</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>32,413</td>
<td>(6,470)</td>
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<tr>
<td>Unrealized gains on derivative instrument</td>
<td>3,706</td>
<td>1,652</td>
</tr>
<tr>
<td>Contributions, net</td>
<td>1,450</td>
<td>444</td>
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<tr>
<td>Other nonoperating (expense) income</td>
<td>71</td>
<td>(532)</td>
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<tr>
<td>Derivative instruments termination loss and interest expense</td>
<td>(3,291)</td>
<td>(2,441)</td>
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<tr>
<td>Loss on extinguishment of debt</td>
<td>(471)</td>
<td>—</td>
</tr>
<tr>
<td><strong>INCOME (LOSS)</strong></td>
<td>29,366</td>
<td>(6,111)</td>
</tr>
<tr>
<td><strong>OTHER CHANGES IN UNRESTRICTED NET ASSETS</strong></td>
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</tr>
<tr>
<td>Net assets released from restriction for capital purposes</td>
<td>588</td>
<td>24</td>
</tr>
<tr>
<td>Net asset transfer to related organization</td>
<td>—</td>
<td>(238)</td>
</tr>
<tr>
<td>Total other changes in unrestricted net assets</td>
<td>588</td>
<td>(214)</td>
</tr>
<tr>
<td><strong>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</strong></td>
<td>$29,954</td>
<td>$(6,325)</td>
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</tbody>
</table>

Financials