On June 1, the boards of directors for Covia and Front Porch voted to begin the process of affiliating. We hope this document will provide answers to many of the questions you may have about this planned affiliation.

We regularly will update these Frequently Asked Questions in response to questions and concerns we receive. If you have other questions, please send them to info@covia.org and we will do our best to answer.

Q1: What is Front Porch?
A1: Front Porch is a non-profit organization based in Glendale, CA, that serves individuals and families through senior living, active adult, and affordable housing communities as well as related management and development services. Founded in 1999 through the merger of four organizations, Front Porch embraces a leading-edge approach to enhance well-being with innovative communities and programs that meet the changing needs of people throughout their lives. Front Porch serves more than 5,200 residents and has 2,200 employees. More information about Front Porch is available at www.frontporch.net.

Q2: What is Covia?
A2: Founded in 1965, Covia is a non-profit organization based in Walnut Creek, CA, that supports the lives of seniors through its life plan communities, affordable communities, and community services programs. Covia’s mission is to promote and cultivate healthy communities for positive aging through an innovative continuum that actively supports the whole person. Covia serves 2,100 residents and numerous participants in its community services programs and has 1,000 employees. More information about Covia is available at www.covia.org.

Affiliation Benefits

Q3: Why are Covia and Front Porch affiliating?
A3: Covia and Front Porch’s shared foundational values and strong businesses support an affiliation that will expand these compatible missions and enhance how we meet the needs of people throughout their lives. Our separate geographic footprints and service offerings mesh well and we will benefit from increased capital resources for current and future opportunities.
Q4: What will be the result of the affiliation?
A4: The new affiliation will create one of the nation’s top non-profit organizations, operating 54 communities and providing senior living, affordable housing, and community services for more than 10,000 people.

Q5: What is the difference between an affiliation and a merger?
A5: Affiliations and mergers can take many different forms. In our affiliation, Front Porch and Covia will create a single management team and a single governing body for the new organization, drawing leaders from both organizations. Initially, we plan to keep the assets separate with individual financial statements. We plan to combine or “merge” the assets into a single entity when economically advantageous.

Q6: Has the global coronavirus pandemic influenced the affiliation decision and timing?
A6: No, Front Porch and Covia began discussions before the COVID-19 outbreak as each focused on the long-term benefits of a combined organization.

Q7: What is the current financial position of both organizations?
A7: This affiliation brings together two financially strong organizations. The rating organization Fitch has given Front Porch an A rating with a stable outlook and Covia an A minus rating with a stable outlook. The two organizations have strong balance sheets with Front Porch having about $315 million in cash and investments and Covia about $148 million in cash and investments. The combined cash and investments are categorized as a strong high profile for a Fitch-rated organization.

Q8: What is the geographic footprint of the combined organization?
A8: Covia’s Northern California communities together with Front Porch’s Southern California communities would give the combined organization a much larger geographic footprint throughout California, stretching from Santa Rosa to San Diego. In addition, Front Porch has three communities outside of California (one each in Florida, Louisiana, and Arizona).

Q9: What strengths and opportunities do the two organizations bring to each other?
A9: Our separate geographic footprints and service offerings mesh well and we will benefit from increased capital resources for current and future opportunities. Front Porch and Covia are similar in many ways in how they work with residents. One distinction between the two organizations that will enhance each as we affiliate is Covia’s strong Community Services programs and Front Porch’s Centers for Excellence. The Centers for Excellence are strengths that support Front Porch’s entire organization, including the communities. They include areas such as innovation, ethics, and leadership training.
Q10: What will be the benefits for residents?
A10: The proposed affiliation creates an opportunity to better meet the evolving expectations of our current and future residents. The combined organization will ensure long-term stability, achieve economic benefits, manage costs, and scale resources across 54 communities.

Q11: What will be the benefits for employees?
A11: Working with a larger diverse organization, employees will have increased opportunities for mobility with potential for advancement and access to training. This enhances our ability to attract, recognize, and retain the best talent.

Affiliation process

Q12: How are Covia and Front Porch coming together?
A12: Covia CEO and President Kevin Gerber and Front Porch CEO John Woodward will remain in their positions during the transition. Following receipt of regulatory approval and the satisfaction of other customary closing conditions, Front Porch will become the sole corporate member of Covia Group, Covia Communities and Covia Affordable Communities. Covia and Front Porch will select directors to be appointed to the respective entities' boards, with nine members selected by Front Porch; and six members selected by Covia. The boards agreed to retain the Front Porch name initially and appoint John Woodward as CEO of the combined entity. Kevin Gerber will leave upon the closing of the affiliation.

Q13: When will the close of affiliation take place?
A13: The affiliation will close once the organizations receive approvals from a variety of regulators, including the California State Attorney General and the California Department of Social Services. Although we cannot say with certainty when the affiliation will be completed, our expectation is that the affiliation will close in early 2021.

Q14: Where will the combined organization’s headquarters be located?
A14: Once the affiliation is approved, Front Porch will retain its headquarters in Glendale, CA, and Covia’s Support Services office in Walnut Creek, CA, will transition into a regional office.

Q15: What will be the name of the new organization?
A15: The Boards decided that the new organization initially will carry the Front Porch name.

Q16: Who will lead the new organization?
A16: Covia CEO and President Kevin Gerber and Front Porch CEO John Woodward will remain in their positions during the transition. The boards agreed to appoint John Woodward as CEO of the combined entity. Kevin Gerber will leave upon the closing of the affiliation, expected in early 2021.
Q17: How will the systems for Front Porch and Covia be integrated?
A17: A process is underway to assess the current and future systems needs of the combined organization. We will explore all of the possibilities for our services and systems and endeavor to provide solutions that works best for our residents and employees.

Effects of the affiliation

Q18: Will this new organization with a combined 54 communities and 10,000 people become large and impersonal?
A18: No. Our people and relationships remain our top priority as well as maintaining the unique cultures at each of our communities. The overall number of communities includes Life Plan Communities, Multi-Level Retirement Communities, Active Adult Communities and Affordable Housing Communities. Although there will be a larger number of communities, it is still a very manageable number given the management structure of each. Every community will retain its own culture and connection with the organization as a whole. Many of the 10,000 people Covia and Front Porch serve reside in their own homes and participate in Covia’s Community Services programs such as Well Connected, Social Call, Home Match, and Market Day. Well Connected alone serves more than 2,400 people in 48 states.

Q19: We’re concerned that our community will lose its culture and that we will get lost in the shuffle. Will that happen?
A19: The culture of each community is unique and comes primarily from the residents and team members. That will not change. The success of each organization is based on the strong relationships and engagement among residents and employees within each community. Moreover, one of the greatest pleasures for Covia and Front Porch’s leadership teams is getting to know the residents of each community. In a video about the affiliation, Front Porch CEO John Woodward said, “I found the best education for me has been listening to residents and employees who really have the best insights in how our organizations need to change.” You can see the full video at https://youtu.be/XyKyNE29ggg.

Q20: Why is Covia’s CEO Kevin Gerber leaving once the affiliation is complete?
A20: As part of responsible management, Kevin Gerber has been working with the board on a succession plan. Kevin will be Covia’s President and CEO throughout the affiliation approval process to ensure Covia remains a strong company, that we retain high resident satisfaction along with the trust of employees. Front Porch’s CEO John Woodward will be the CEO of the new, integrated organization. This is part of Covia’s succession plan led by Kevin Gerber. The new organization’s leadership team will come from Front Porch and Covia.
Q21: Who will be on the management team of the new organization?
A21: The management team will include leaders from both Covia and Front Porch. We’ll be determining roles and those who have them during the months to come.

Q22: Will executives make money on buyouts?
A22: There are no buyouts. We are two non-profit organizations that protect and invest in our communities.

Q23: Will employee benefits change?
A23: We do not yet know how employee benefits will change. In the integration process for the affiliation, we will review the benefits package offered by both organizations and come up with a package that will support all employees. Prior to the affiliation process, Front Porch and Covia will go through their annual benefits negotiations as part of the budget process. Both organizations deeply value the work of our employees. Throughout this process, we will work together to provide affordable health care options and other benefits for our employees.

Q24: Will resident contracts be changing?
A24: No. Whether you signed a contract with Covia (or Episcopal Senior Communities, or the Episcopal Homes Foundation) or Front Porch (or Pacific Homes, California Lutheran Homes, Sunny View or Foundation to Assist California Teachers), that contract remains intact. The contracts will not change without your permission.

Q25: Will there be changes to budgets for each community?
A25: For this fiscal year (ending March 31, 2021), there will be no change to the budgets for each community. Depending on the timing of the affiliation, we are planning the budget processes now for our communities to plan the coming fiscal year.

Financials

Q26: What will be the fiscal year for the combined organization?
A26: Both Front Porch and Covia operate on an April 1-March 31 fiscal year. That will continue in the new organization.

Q27: What is the operating margin of both organizations?
A27: As a reminder, the net operating margin is the difference between our expenses and our revenues. Successful organizations don’t rely on other funds to cover operations. Front Porch’s net operating margin is between 7.9 percent and 10 percent. Covia’s net operating margin is between 3 and 5 percent. Combined, it will be a very strong ratio.

Q28: What are the annual monthly fee increases for each organization?
A28: Front Porch and Covia have had similar rate increases over the past five years, ranging from 3.25% to 4.5%.
Q29: What financial benefit is there in this affiliation?
A29: As a larger organization, we hope to gain additional purchasing power and recognize cost savings as we build economies of scale and identify efficiencies. However, it may be several years before we see savings realized as we work through the integration of the two organizations. We would also benefit with stronger investment and borrowing capabilities.

Q30: What impact is the COVID-19 outbreak having on occupancy?
A30: Both Covia and Front Porch maintain high occupancy rates. Although sales and marketing during the pandemic is difficult, both organizations are adapting to the current situation and continue to have new residents and prospective residents.

Residents and Communities

Q31: How will residents be heard at a community level?
A31: Residents will continue to be involved at the community level through open dialogue with the Executive Director and leadership team of that community. Covia and Front Porch both provide resident satisfaction surveys and have semi-annual meetings with each community. The leadership of both organizations are committed to having a presence in our communities to ensure we know residents and their evolving needs as best as we can.

Q32: How will residents be heard on an organizational level?
A32: Each organization has benefited immensely from resident feedback and participation and we are committed to ensuring that involvement. There will continue to be a resident director with full voting rights on the combined board. Currently, each community has a non-voting representative who attends and has voice at the Covia Communities board. Front Porch has a similar practice. Resident representation will be part of our discussions during the affiliation process. Residents will also receive satisfaction surveys on a regular basis, which will provide important insights to the organization on what’s working and what is not.

Q33: Will the quality and variety of food change?
A33: The only change we would make to the high quality and diversity of the food in our communities would be to improve it where we can.

Q34: Will our community staffing change?
A34: We expect that changes to staffing at the community level will be in response to changing needs and resources – as has always been the case. Covia and Front Porch deeply value the employees at all of our communities. We anticipate increased opportunities for employee mobility with potential for advancement and access to training to enhance our ability to attract, recognize and retain the best talent. We hope you will be part of it.
Q35: Are we going to continue to acknowledge our historical affiliations with the Episcopal and the Lutheran church?
A35: Yes, there is a strong commitment on the part of Front Porch to support our collective Episcopal, Lutheran and Methodist spiritual heritages. Our foundations continue to raise funds to support their designated purposes. In addition, both organizations have chaplaincy and spiritual care programs in our communities that will continue throughout the affiliation.

Q36: How do affordable communities fit into the affiliation and what are the financial implications?
A36: Front Porch’s CARING Housing Ministries are comparable to Covia Affordable Communities, with some differences. The main difference is that CARING Housing Ministries supports 24 affordable communities, but Front Porch only owns one of them. The other 23 are long term management contracts. Of these 24 communities, 11 are designated for low-income seniors, while the rest serve families or those with mental health issues. Both CARING Housing Ministries and Covia Affordable Communities offer a positive financial contribution to their respective organizations.

More information

Q37: Can people gain access to government filings?
A37: As required by the Attorney General’s provision 11 CCR § 999.5 (c) Notice and Availability of Information, Covia is providing all residents with the information that on June 10, 2020, Covia submitted a notice and request for consent to the California Attorney General in connection with the affiliation with Front Porch. Links to the document are provided on Covia’s website at www.covia.org/affiliation. A bound copy of the submission has been placed in each community. Upon written request, the Attorney General shall make available without cost the notice and any additional information provided to the Attorney General to members of the public. Covia shall post any changes or additions to the original submission on the website and shall provide notice to in writing on the bulletin boards that changes or additions have been submitted.

Q38: How will people be informed about the affiliation as details become available?
A38: We will communicate frequently and openly to ensure residents and employees have the information about what this affiliation means to every individual as soon as we have updates. We will provide regular updates on the webpage www.covia.org/affiliation.