

Sustained commitment in challenging times

Responsive
action.
Resilient
focus.

Although our FY2020 financials were challenging, we maintained our A- rating from Fitch as a result of our sophisticated and centralized management structure, revenue diversity, anticipated strong operations, solid independent living occupancy, and low long-term liability.



THE GREATEST MEASURE of an organization is its ability to thrive during challenging times. As I look at how our team took action early on during the COVID-19 pandemic and adapted throughout the year to keep residents, staff, and communities safe, I am honored by the commitment, creativity, and resilience of the Covia family.

COVID-19 had a significant impact on the end of our fiscal year. Closing our books on March 31st, a low day during a period of considerable downturns in the market, resulted in sizable unrealized losses on our investment portfolio. Since that time, markets have rebounded, but for FY2020, the numbers look challenging. While these market fluctuations were temporary, our team has taken steps to manage costs organization-wide on an ongoing basis.

But cost-management is of secondary importance compared to the safety of our residents and employees. Our efforts to protect our communities began well before the start of the pandemic, as our community Infection Preventionists constantly update plans to respond to disease. In February, before any cases of COVID-19 appeared at our communities, Covia established a COVID-19 Task Force, drawing from leadership in all areas to support our communities. So far, we have been fortunate with few cases, but we continue to remain on alert.

Our communities cannot care for our residents if we do not also care about our employees. We have invested money received through the CARES Act to purchase sufficient personal protective equipment (PPE) for team members in our communities. We also created an Employee Essentials Program that extended financial support for front line employees for unusual expenses during the crisis, offered three floating holidays, and provided a gift card for entertainment subscription services.

In March, in accordance with county orders, we closed the Support Services office in Walnut Creek and our team has made the transition to working from home, completing all that was required of them and more. We do not anticipate returning to our headquarters before calendar year 2021.

Our long-standing commitment to programs that relieve social isolation have proved vital in supporting people during these challenging times. Our Community Services programs like Well Connected and Social Call have seen significant growth as they provide connections for participants and volunteers alike. Likewise, our Home Match programs have expanded significantly and are helping address housing affordability issues for both seniors and others in our cities.

We continue to consider the trends that affect our residents' needs while reducing costs. As hospitals increasingly discharge people directly to home, we have reduced the number of skilled nursing beds in our system. We have developed appropriate and creative ways to fulfill the continuum and meet resident needs while reducing risk to the system.

At the time of our last annual report, we were in the midst of closing our Los Gatos Meadows community. I am proud to say that we were able to transfer all of the residents to their new homes smoothly, including many to other Covia communities. We also have filed our application for redevelopment with the Town of Los Gatos, demonstrating our commitment to that municipality and the older people in that area. We continue to do master planning at all of our communities to ensure we provide the support, services, and spaces that will help our residents thrive.

As we look to the future, there are signs of good things ahead. We recently announced our intention to affiliate with Front Porch, which was the culmination of conversations starting at the end of 2019. With these two strong non-profit organizations coming together, we are bolstering our shared commitment to the non-profit service model, expanding our geographic reach, and reaffirming our mutual investments in affordable housing and innovative approaches. Together, we will be able to do more.

As a team, we recognize that recovery from this pandemic will take time. We continue to adjust to the new realities and find opportunities to help people live well and age well, anywhere they call home. Our ability to keep this bold idea front and center throughout these times is a credit to our team, our residents, and all of our stakeholders. Whatever the coming months bring, we will keep it as our inspiration, and we look forward to making the most of the year ahead.

A handwritten signature in black ink, appearing to read "Kevin J. Gerber". The signature is fluid and cursive, with a large initial "K" and "G".

Kevin Gerber
President and Chief Executive Officer

Heroes work here.

Our employees are hardworking, compassionate, and committed to the well-being of the people we serve, so when COVID-19 hit earlier this year, it came as no surprise that our incredible force of essential workers would rise to meet the challenge.

Covia honors essential workers

COVIA GROUP AND CONTROLLED AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2020 (IN THOUSANDS)

ASSETS	Covia Communities	Covia Group	Consolidated Covia Affordable Communities	Eliminations	Consolidated Covia Group and controlled affiliates
CURRENT ASSETS					
Cash and marketable securities	\$ 132,277	\$ 13,506	\$ 17,278	\$ —	\$ 163,061
Assets held by bond indenture trustee for current debt service	5,716	—	—	—	5,716
Accounts receivable	6,631	312	682	(215)	7,246
Prepaid expenses, deposits and other assets	3,085	344	648	—	4,077
Total current assets	147,710	14,161	18,608	(215)	180,100
ASSETS WHOSE USE IS LIMITED					
Assets held by bond indenture trustee	14,270	—	—	—	14,270
Less portion available to satisfy current debt service	(5,716)	—	—	—	(5,716)
Noncurrent portion	8,554	—	—	—	8,554
Funded reserves for replacement and insurance	—	—	10,724	—	10,724
Investments held in trust	5,828	—	523	—	6,350
Restricted investments	3,607	—	4,256	—	7,863
Total assets whose trust is limited	17,989	—	15,503	—	33,491
Long-term pledges receivable, net of current portion	1,495	—	—	(745)	750
Right of use asset, net	5,516	—	2,153	(2,153)	5,516
Property and equipment, net	295,145	—	59,533	—	354,678
Deferred charges and other assets	12,409	451	3,206	(482)	15,584
Total assets	\$ 480,263	\$ 14,612	\$ 99,003	\$ (3,595)	\$ 590,119
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accrued payroll	\$ 9,765	\$ 317	\$ 2,572	\$ (199)	\$ 12,292
Current portion of long-term debt	3,078	—	359	—	3,437
Other liabilities	6,944	8	156	(114)	6,995
Total current liabilities	19,788	325	3,087	(313)	22,723
Long-term debt	151,250	—	48,462	—	199,712
Repayable entrance fees	2,362	—	—	—	2,362
Refundable entrance fees	72,078	—	—	—	72,078
Deferred revenue from entrance fees	169,055	—	—	—	169,055
Long-term lease liability	5,543	—	—	—	5,543
Other liabilities	29,091	—	5,757	(2,831)	32,017
Total liabilities	449,168	325	57,305	(3,144)	503,491
NET ASSETS					
Without donor restriction	22,250	14,286	41,558	(451)	77,643
With donor restriction	8,846	—	139	—	8,985
Total net assets	31,095	14,286	41,698	(451)	86,629
Total liabilities and net assets	\$ 480,263	\$ 14,612	\$ 99,003	\$ (3,595)	\$ 590,119

The decline in financial markets led to significant unrealized losses to the investment portfolio at year end. As of June, the market had rebounded, with investments showing net gains to \$146 million.

**Fitch affirmed
Covia Communities
A- rating.**

All 13 audits for the Covia system received “unmodified” opinions, which is the highest level of assurance that the financial statements are presented fairly and in accordance with generally accepted accounting principles (GAAP).

Year over year revenues and expenses were down due to the closure of Los Gatos Meadows.

The presentation of financial statements is impacted this year by the adoption of four new accounting pronouncement changes during FY2020 in compliance with GAAP.

For a more in-depth review of the audits go to covia.org/financials.

COVIA GROUP AND CONTROLLED AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES CHANGES NET ASSETS,
YEAR ENDED MARCH 31, 2020 (IN THOUSANDS)

Changes in unrestricted net assets	Covia Communities	Covia Group	Consolidated Covia Affordable Communities	Eliminations	Consolidated Covia Group and controlled affiliates
REVENUES AND GAINS					
Resident fees	\$ 69,171	\$ —	\$ —	\$ —	\$ 69,171
Amortization of deferred revenue from entrance fees	23,007	—	—	—	23,007
Nursing center	37,771	—	—	—	37,771
Outside and other medical fees	546	—	—	—	546
Affordable housing fees and rents	—	—	21,316	—	21,316
Other	2,406	400	2	(1,020)	1,787
Contributions	88	—	76	—	164
Net assets released from restriction for assistance and operations	2,333	—	—	—	2,333
Total revenue and gains	135,322	400	21,393	(1,020)	156,095
EXPENSES					
Nursing expenses	29,648	—	—	—	29,648
Outside and other medical expenses	4,983	—	—	—	4,983
Dining service	21,286	—	1,575	—	22,861
Housekeeping and maintenance	15,958	—	3,767	—	19,725
Utilities	5,734	—	1,332	—	7,065
Selling, general and administrative	23,834	933	7,441	(900)	31,308
Depreciation and amortization	23,383	—	3,367	—	26,751
Loss on disposal of assets	360	—	—	—	360
Interest	8,112	—	1,357	—	9,469
Other	9,340	—	793	(120)	10,012
Total expenses	142,637	933	19,631	(1,020)	162,181
(Loss) gain before investment income and unrealized gains (losses)	(7,315)	(533)	1,762	—	(6,086)
INVESTMENT INCOME					
Other components of net periodic benefit costs	817	—	—	—	817
Investment income	10,459	337	154	—	6,109
Net unrealized gains (losses) on investments	(17,313)	100	—	—	27
Inherent contribution	—	—	6,420	—	6,420
Change in pension benefit obligation	(13,523)	—	—	—	(596)
Increase (decrease) in unrestricted net assets	(26,876)	(156)	7,799	—	(12,518)
CHANGES IN RESTRICTED NET ASSETS					
Contributions	2,898	—	—	—	2,898
Investment income and realized gains on investments	101	—	—	—	101
Net unrealized gains (losses) on investments	(137)	—	—	—	(137)
Changes in split interest gift agreements	(625)	—	—	—	(625)
Net assets released from restrictions for assistance and operations	(2,333)	—	—	—	(2,333)
(Decrease) increase in restricted net assets	(95)	—	—	—	(95)
Increase (decrease) in net assets	(26,971)	(1,000)	1,748	—	(26,223)
Net assets, beginning of year	58,066	15,287	39,950	(451)	112,852
Net assets, end of year	\$ 31,095	\$ 14,286	\$ 41,698	\$ (451)	\$ 86,629

Foundation revenue was robust, totaling over \$4.1 million coming from contributions, grants, and special events.

Covia Communities granted \$2.1M to Community Services programs, representing 2% of the prior year's budgeted revenue.

Key financial indicators for Covia Communities remain strong with Days Cash on Hand at 394 and Debt Service Coverage Ratio at 3.07.

Occupancy in independent living at the end of the fiscal year was strong at 95.9%.

Covia is committed to investing in our communities with capital improvements of \$15.4M.

Market impacts to the defined benefit retirement plan affected the minimum pension liability, further reducing net assets at year end.

BOARDS OF DIRECTORS AND MANAGEMENT TEAM

COVIA COMMUNITIES BOARD

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Peter Dunckel
Nancy Duranteau
Christine Gandel
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COVIA MANAGEMENT

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President and Chief Executive Officer
Ronald Schaefer
Chief Operating Officer
Diana Jamison
Chief Financial Officer
Mary McMullin
Chief Strategy and Advancement Officer

Covia's mission

Covia promotes and cultivates healthy communities for positive aging through an innovative continuum that actively supports the whole person.

Guiding principles

HONOR OUR HERITAGE

Our mission and principles to serve seniors as a nonprofit provider of services and housing have been shaped by the values of welcome, inclusion, social justice, and grace that come from our Episcopal heritage.

EMBRACE INDIVIDUALITY

We reflect, celebrate, and foster the diversity of those who live and work within the Covia family and society as a whole.

GROW WISELY

We are committed to expanding our mission by bringing our innovative and collaborative programs and housing options to a larger community of seniors with a wide spectrum of financial means.

RESPECT ONE ANOTHER

We believe in working together, civility in our differences, and treating one another with dignity at all times.

SERVE WITH INTEGRITY

Strong ethics are at the heart of who we are and how we operate the organization today and tomorrow.

BUILD STRENGTH

To ensure we can continue to fulfill our mission, we are careful stewards, balancing today's needs and resources with tomorrow's needs and opportunities.

Live well
and age well—
anywhere
you call home.

Covia is a nonprofit organization that helps people live well and age well, anywhere they call home. We promote well-being by building strong and engaging communities, connecting people with the services they need to thrive, and providing compassionate, personalized support. We've been working with California seniors for over 50 years and we're here to help people live the way they want to — today and tomorrow.

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