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May 12, 2017

This Continuing Disclosure Quarterly Report is being provided by Front Porch Communities and Services (formerly, The Internext Group) (“Front Porch”) in connection with the following bond issues (the “Bonds”) (Note: par amounts listed below are original principal amounts):

- \$209,500,000 Certificates of Participation Evidencing Proportionate Interest of the Holders Thereof In Installment Payments to be Paid by California Statewide Communities Development Authority from Payments Received From the Internext Group, 1999
- \$4,430,000 California Health Facilities Financing Authority Insured Health Facility Revenue Bonds (Sunny View Lutheran Home), 1997 Series A
- \$5,685,000 California Health Facilities Financing Authority Insured Health Facility Revenue Bonds (Sunny View Lutheran Home), 1999 Series A
- \$73,000,000 California Statewide Communities Development Authority Revenue Bonds (Front Porch Communities and Services Project), Series 2007A

Continuing Disclosure Quarterly Report

Front Porch’s Continuing Disclosure Quarterly Report (the “Quarterly Report”) is attached hereto and contains the consolidated unaudited financial statements of Front Porch and affiliates for the fiscal quarter and year-to-date period ended March 31, 2017 and 2016. The Quarterly Report also contains the unaudited financial statements for the Obligated Group for the fiscal quarter and year-to-date period ended March 31, 2017 and 2016.

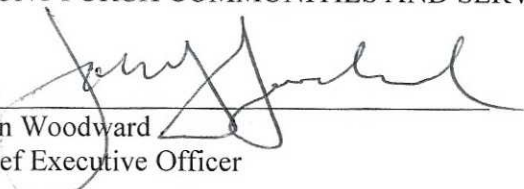
This Quarterly Report is provided solely pursuant to the continuing disclosure certificates relating to the above-referenced Bonds. The filing of this Quarterly Report does not constitute or imply any representation (i) that all of the information provided is material to investors, (ii) regarding any other financial, operating or other information about Front Porch or the Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the fiscal year to which this Quarterly Report relates (other than as contained in this Quarterly Report), or any other date specified with respect to any of the information contained in this Quarterly Report, or that no other information exists, which may have a bearing on the security for the Bonds, or an investor’s decision to buy, sell, or hold the Bonds.

The information contained in this Quarterly Report has been obtained from sources which are believed to be reliable. No statement in this Quarterly Report should be construed as a prediction or representation about future financial performance of Front Porch.

FRONT PORCH COMMUNITIES AND SERVICES

By:

John Woodward
Chief Executive Officer

A handwritten signature in black ink, appearing to read "John Woodward", is written over a horizontal line. The signature is stylized and cursive.



front porch

Financial Results

Quarter & Year-to-Date period ended March 31, 2017

(Unaudited)



Front Porch & Affiliates Consolidated Financial Results

Quarter & Year-to-Date period ended March 31, 2017

(Unaudited)

Front Porch & Affiliates
Consolidated Statements of Operations
(Unaudited)
(\$'s in 000's)

Current Quarter			Year to Date			
Actual	Prior Yr	Var		Actual	Prior Yr	Var
Occupancy ⁽¹⁾						
95.8%	96.4%	-0.6%	Residential living ⁽²⁾	96.0%	96.1%	-0.1%
97.6%	99.2%	-1.6%	Summer House ⁽³⁾	96.8%	97.2%	-0.3%
87.9%	84.9%	3.0%	Care center	85.5%	87.1%	-1.6%
Unrestricted Revenues, Gains and Other Support						
\$ 46,291	\$ 44,938	\$ 1,353	Resident and net patient service revenue	\$ 184,368	\$ 180,862	\$ 3,506
15	569	(554)	Provision for uncollectible accounts	(555)	(1,676)	1,121
46,306	45,507	799	Resident and net patient service revenue less provision for uncollectible accounts	183,813	179,186	4,627
3,117	2,281	836	Amortization of entrance fees	10,103	10,884	(781)
247	153	94	Other	684	490	194
355	343	12	Net assets released from restriction used for operations	842	820	22
50,025	48,284	1,741	Total unrestricted revenues, gains and other support	195,442	191,380	4,062
Expenses						
12,436	11,756	(680)	Medical services	47,611	46,808	(803)
4,914	4,587	(327)	Communities operating costs	19,143	19,099	(44)
7,451	7,113	(338)	Dietary services	29,486	28,590	(896)
4,064	3,973	(91)	Residential services	15,920	15,518	(402)
9,798	11,454	1,656	Administrative services	42,518	41,617	(901)
6,354	6,093	(261)	Depreciation	24,641	24,553	(88)
340	343	3	Amortization of deferred costs	1,363	1,374	11
2,469	2,314	(155)	Interest expense and other financing costs	9,785	9,422	(363)
159	560	401	Other	2,087	2,199	112
47,985	48,193	208	Total operating expenses	192,554	189,180	(3,374)
2,040	91	1,949	Operating income before other operating charges	2,888	2,200	688
-	(205)	205	Asset impairment	(356)	(652)	296
(2)	-	(2)	Release of Board designated funds	(2)	(55)	53
2,038	(114)	2,152	Operating income ⁽⁴⁾	2,530	1,493	1,037
Other Income (Expense)						
13,106	4,727	8,379	Investment return ⁽⁵⁾	20,546	(7,578)	28,124
13,106	4,727	8,379	Total other income (expense)	20,546	(7,578)	28,124
15,144	4,613	10,531	Excess (deficiency) of Revenues over Expenses	23,076	(6,085)	29,161
83	31	52	Net assets released from restriction for purchases of property and equipment	244	171	73
\$ 15,227	\$ 4,644	\$ 10,583	Increase (decrease) in Unrestricted Net Assets	\$ 23,320	\$ (5,914)	\$ 29,234

(1) Methodology of calculating occupancy percentages has been changed to reflect average revenue-producing units rather than unit status as of the last day of the reporting period.

(2) Residential living's occupancy excludes Wesley Palms due to its renovation.

(3) Summer House is the Front Porch brand name for memory care.

(4) The majority of the operating income decline vs prior year is due to the Wesley Palms renovation, with the remainder due to declining performance of the Care Centers. On average, Wesley Palms had 6 fewer available units in Q4 Fiscal 2017 compared to Q4 Fiscal 2016.

(5) See detail of investment return on page 5.

Front Porch & Affiliates
Consolidated Statements of Financial Position

(Unaudited)

(\$ in 000's)

	3/31/2017	3/31/2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 16,318	\$ 19,906
Short-term investments	11,330	6,680
Assets limited as to use - required for current liabilities	12,619	11,564
Patient accounts receivable, net of allowance	9,867	13,023
Prepaid expenses and other	2,474	2,463
Total current assets	52,608	53,636
Investments		
Assets limited as to use, net of current portion	15,923	16,325
Long-term investments	272,720	238,598
Derivative instruments	5,130	8,331
Total investments	293,773	263,254
Property and Equipment, Net	324,740	303,342
Other Assets		
Interest in net assets of Pacific Homes Foundation	10,214	10,475
Receivables from supporting organizations	11,075	10,617
Other receivables	1,822	1,813
Deferred costs, net of accumulated amortization	7,685	9,047
Other Assets	623	414
Total other assets	31,419	32,366
Total Assets	\$ 702,540	\$ 652,598
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	6,111	5,887
Accounts payable	8,235	9,002
Accrued payroll and related expenses	13,212	13,413
Accrued interest	3,602	3,526
Other accrued expenses	11,912	10,677
Total current liabilities	43,072	42,505
Asset retirement obligations	2,211	2,188
Accrued workers' compensation	9,450	9,763
Other accrued liabilities	17,630	14,833
Deferred interest - forward sale agreements	1,232	1,036
Refundable entrance fees	71,503	66,830
Deferred revenue from entrance fees	36,142	36,462
Long-term debt	292,682	273,995
Total Liabilities	473,922	447,612
Net Assets		
Unrestricted	207,745	184,425
Temporarily restricted	14,448	14,239
Permanently restricted	6,425	6,322
Total Net Assets	228,618	204,986
Total Liabilities and Net Assets	\$ 702,540	\$ 652,598

Front Porch & Affiliates
Consolidated Statements of Changes in Net Assets
(Unaudited)
(\$ in 000's)

Current Quarter			Year to Date			
Actual	Prior Yr	Var		Actual	Prior Yr	Var
Unrestricted Net Assets						
\$ 15,144	\$ 4,613	\$ 10,531	Excess (deficiency) of revenues over expenses	\$ 23,076	\$ (6,085)	\$ 29,161
83	31	52	Net assets released from restriction used for purchase of property and equipment	244	171	73
<u>15,227</u>	<u>4,644</u>	<u>10,583</u>	Increase (decrease) in unrestricted net assets	<u>23,320</u>	<u>(5,914)</u>	<u>29,234</u>
Temporarily Restricted Net Assets						
348	39	309	Contributions received and investment income	1,295	120	1,175
-	(558)	558	Change in interest in net assets of Pacific Homes Foundation	-	(558)	558
(355)	(343)	(12)	Net assets released from restriction for operations	(842)	(820)	(22)
(83)	(31)	(52)	Net assets released from restriction used for purchase of property & equipment	(244)	(171)	(73)
<u>(90)</u>	<u>(893)</u>	<u>803</u>	Increase (decrease) in temporarily restricted net assets	<u>209</u>	<u>(1,429)</u>	<u>1,638</u>
Permanently Restricted Net Assets						
2	103	(101)	Contributions received	103	103	-
-	(220)	220	Change in value of trust	-	(220)	220
<u>2</u>	<u>(117)</u>	<u>119</u>	Increase (decrease) in permanently restricted net assets	<u>103</u>	<u>(117)</u>	<u>220</u>
<u>15,139</u>	<u>3,634</u>	<u>11,505</u>	Change in Net Assets	<u>23,632</u>	<u>(7,460)</u>	<u>31,092</u>
<u>213,479</u>	<u>201,352</u>	<u>12,127</u>	Net Assets, Beginning of Year, as Previously Reported	<u>204,986</u>	<u>212,446</u>	<u>(7,460)</u>
<u>\$ 228,618</u>	<u>\$ 204,986</u>	<u>\$ 23,632</u>	Net Assets at End of Period	<u>\$ 228,618</u>	<u>\$ 204,986</u>	<u>\$ 23,632</u>

Front Porch & Affiliates
Consolidated Statements of Cash Flows

(Unaudited)

(\$ in 000's)

	<u>12 Months Ending</u> <u>3/31/2017</u>	<u>12 Months Ending</u> <u>3/31/2016</u>
Operating Activities		
Cash received from contract residents	\$ 46,171	\$ 44,079
Proceeds from entrance fees received *	25,489	21,555
Cash received from and on behalf of noncontract residents	135,044	132,987
Reimbursement for services to nonresidents	3,748	2,453
Other receipts from operations	684	489
Unrestricted investment income received	7,334	6,388
Proceeds from forward sale	(437)	-
Processing fees	60	198
Cash paid to suppliers, employees, and others	(154,799)	(153,996)
Cash paid for interest on long-term debt, net of amounts capitalized	(9,667)	(9,329)
	<u>53,627</u>	<u>44,824</u>
Net cash provided by operating activities		
Investing Activities		
Capital expenditures	(49,367)	(33,866)
Proceeds from sale of trading investments	127,052	99,719
Purchase of trading investments	(147,113)	(125,513)
Purchase of assets limited as to use	(2,837)	(4,507)
Proceeds from sale of assets limited as to use	2,184	4,796
Repayment from (advances to) Brookmore Apartment Corporation	(209)	600
	<u>(70,290)</u>	<u>(58,771)</u>
Net cash used in investing activities		
Financing Activities		
Refunds of entrance fees	(6,112)	(7,644)
Principal payments of long-term debt	(5,887)	(5,687)
Proceeds from 2015 financing, net of issuance cost	24,830	16,868
Proceeds from restricted contributions	244	171
	<u>13,075</u>	<u>3,708</u>
Net cash provided by (used in) financing activities		
Net Increase (Decrease) in Cash and Cash Equivalents	(3,588)	(10,239)
Cash and Cash Equivalents, Beginning of Period	19,906	30,145
Cash and Cash Equivalents, End of Period	\$ 16,318	\$ 19,906
Supplemental Cash Flows Information		
Property and equipment purchases included in accounts payable	3,750	6,744
Entrance fees included in accounts receivable	1,353	3,299

* Breakout of initial and ongoing entrance fees is as noted below:

	<u>YTD</u> <u>FY17</u>	<u>Total</u> <u>FY16</u>
Initial entrance fees	-	1,230
Ongoing entrance fees	25,489	20,325
Total entrance fees received	<u>25,489</u>	<u>21,555</u>

Front Porch & Affiliates
Consolidated Investment Income

(Unaudited)
(\$'s in 000's)

Current Quarter				Year to Date		
Actual	Prior Yr	Var		Actual	Prior Yr	Var
1,572	1,478	94	Interest and dividend income	6,897	6,388	509
110	110	-	Amortization of deferred interest income	437	437	-
1,379	(2,425)	3,804	Net realized gains (losses) on sales of securities	9,593	2,233	7,360
11,041	5,520	5,521	Net unrealized gains (losses) on investments valued at fair value	9,543	(15,343)	24,886
(567)	440	(1,007)	Net unrealized gains (losses) on derivative financial instruments	(4,260)	242	(4,502)
(429)	(396)	(33)	Investment fees	(1,664)	(1,535)	(129)
<u>13,106</u>	<u>4,727</u>	<u>8,379</u>	Investment Return	<u>20,546</u>	<u>(7,578)</u>	<u>28,124</u>

Front Porch & Affiliates
Consolidated Sources of Revenue for Care Centers

(Unaudited)

(\$ in 000's)

Current Quarter				Year to Date		
Actual	Prior Yr	Var		Actual	Prior Yr	Var
\$ 3,020	\$ 2,954	\$ 66	Operating Revenues: ⁽¹⁾	\$ 11,120	\$ 10,397	\$ 723
4,561	3,818	743	Medicare	16,586	15,987	599
863	810	53	Medi-Cal	3,296	2,174	1,122
<u>2,654</u>	<u>3,462</u>	<u>(808)</u>	Managed Care	<u>12,123</u>	<u>13,012</u>	<u>(889)</u>
<u>\$ 11,098</u>	<u>\$ 11,044</u>	<u>\$ 54</u>	Private Pay	<u>\$ 43,125</u>	<u>\$ 41,570</u>	<u>\$ 1,555</u>
			Total Operating Revenues ⁽¹⁾			
			Percent of Revenues:			
27.2%	26.7%	0.5%	Medicare	25.8%	25.0%	0.8%
41.1%	34.6%	6.5%	Medi-Cal	38.5%	38.5%	0.0%
7.8%	7.3%	0.5%	Managed Care	7.6%	5.2%	2.4%
<u>23.9%</u>	<u>31.4%</u>	<u>-7.5%</u>	Private Pay	<u>28.1%</u>	<u>31.3%</u>	<u>-3.2%</u>
<u>100.0%</u>	<u>100.0%</u>	<u>0.0%</u>		<u>100.0%</u>	<u>100.0%</u>	<u>0.0%</u>

(1) Total operating revenues are net of contractual discounts and allowances excluding ancillary income.

Note: Effective with the Q4 FY16 disclosure, bad debt expense has been attributed to specific payer classes; previously, it was deducted from private pay revenues. The prior years' payer mix has been recalculated based on the current methodology.

Front Porch & Affiliates
Consolidated Available Units/Beds and Occupancy by Line of Service ⁽¹⁾

Current Quarter						Year to Date						
Residential Living		Summer House		Care Center			Residential Living		Summer House		Care Center	
Avail		Avail		Avail			Avail		Avail		Avail	
Units	%	Units	%	Beds	%		Units	%	Units	%	Beds	%
159	98.1%	N/A	N/A	33	94.8%	Carlsbad By The Sea	159	98.0%	N/A	N/A	33	91.8%
189	97.1%	N/A	N/A	N/A	N/A	Casa de Manana	189	97.8%	N/A	N/A	N/A	N/A
92	99.7%	N/A	N/A	N/A	N/A	Cecil Pines	92	99.6%	N/A	N/A	N/A	N/A
208	92.9%	10	97.0%	59	81.4%	Claremont	209	91.7%	10	99.0%	59	81.9%
180	93.9%	N/A	N/A	N/A	N/A	England Oaks	181	95.2%	N/A	N/A	N/A	N/A
285	91.0%	N/A	N/A	172	92.8%	Fredericka	288	91.6%	N/A	N/A	172	92.0%
217	99.1%	N/A	N/A	51	84.9%	Kingsley	217	99.1%	N/A	N/A	51	79.0%
94	97.6%	23	97.0%	48	94.4%	Sunny View	95	98.4%	23	97.8%	48	91.3%
192	99.1%	18	98.4%	54	68.0%	Villa Gardens	192	98.9%	19	96.3%	54	65.7%
169	95.3%	10	100.0%	29	70.0%	Vista del Monte	169	95.7%	10	95.0%	29	75.2%
156	95.3%	14	100.0%	94	96.1%	Walnut Village	156	95.7%	14	93.6%	94	88.6%
See footnote ⁽¹⁾		22	95.5%	N/A	N/A	Wesley Palms	See footnote ⁽¹⁾		22	97.7%	N/A	N/A
1,940	95.8%	97	97.6%	540	87.9%	Average ⁽²⁾	1,945	96.0%	98	96.8%	540	85.5%
1,943	96.4%	92	99.2%	540	84.9%	Average - Prior Year to Date ⁽²⁾	1,960	96.1%	81	97.2%	540	87.1%
293	51.5%	N/A	N/A	N/A	N/A	Wesley Palms ⁽³⁾	293	53.3%	N/A	N/A	N/A	N/A
197	76.5%	N/A	N/A	N/A	N/A	Wesley Palms ⁽⁴⁾	189	82.7%	N/A	N/A	N/A	N/A

(1) Methodology of calculating occupancy percentages has been changed to reflect average revenue-producing units rather than unit status as of the last day of the reporting period.

(2) The average occupancy percentages exclude Wesley Palms due to its renovation. Averages for prior year have been recalculated to include Wesley Palms Summer House, as it has not been impacted by the renovation.

(3) Residential living occupancy is based on 293 unit capacity.

(4) Residential living occupancy is based on reduced capacity.



Front Porch Communities & Services Obligated Group Financial Results

Quarter & Year-to-Date period ended March 31, 2017

(Unaudited)

Front Porch Communities & Services Obligated Group
Statements of Operations
(Unaudited)
(\$'s in 000's)

Current Quarter			Year to Date			
Actual	Prior Yr	Var		Actual	Prior Yr	Var
Occupancy ⁽¹⁾						
96.8%	96.6%	0.1%	Residential living ⁽²⁾	97.2%	97.6%	-0.4%
97.7%	99.1%	-1.4%	Summer House ⁽³⁾	96.5%	96.9%	-0.4%
86.8%	82.2%	4.6%	Care center	83.2%	83.3%	0.0%
Unrestricted Revenues, Gains and Other Support						
\$ 26,218	\$ 25,712	\$ 506	Resident and net patient service revenue	\$ 104,407	\$ 104,253	\$ 154
(58)	179	(237)	Provision for uncollectible accounts	(503)	(454)	(49)
26,160	25,891	269	Resident and net patient service revenue less provision for uncollectible accounts	103,904	103,799	105
3,115	2,278	837	Amortization of entrance fees	10,095	10,875	(780)
1,404	1,284	120	Other	5,262	4,829	433
342	329	13	Net assets released from restriction used for operations	806	779	27
31,021	29,782	1,239	Total unrestricted revenues, gains and other support	120,067	120,282	(215)
Expenses						
7,278	6,709	(569)	Medical services	27,583	26,751	(832)
2,851	2,724	(127)	Communities operating costs	11,329	11,326	(3)
4,334	4,115	(219)	Dietary services	17,151	16,616	(535)
2,531	2,339	(192)	Residential services	9,618	9,225	(393)
8,558	10,170	1,612	Administrative services	33,230	32,502	(728)
4,104	3,925	(179)	Depreciation	15,897	15,819	(78)
286	288	2	Amortization of deferred costs	1,147	1,153	6
1,376	1,181	(195)	Interest expense and other financing costs	5,363	4,823	(540)
159	377	218	Other	1,676	1,571	(105)
31,477	31,828	351	Total operating expenses	122,994	119,786	(3,208)
(456)	(2,046)	1,590	Operating income before other operating charges	(2,927)	496	(3,423)
Other Operating Charges						
-	(205)	205	Asset impairment	(356)	(652)	296
(2)	-	(2)	Release of Board designated funds	(2)	(55)	53
(458)	(2,251)	1,793	Operating income ⁽⁴⁾	(3,285)	(211)	(3,074)
Other Income (Expense)						
13,103	4,724	8,379	Investment return ⁽⁵⁾	20,535	(7,588)	28,123
13,103	4,724	8,379	Total other income (expense)	20,535	(7,588)	28,123
12,645	2,473	10,172	Excess (deficiency) of Revenues over Expenses	17,250	(7,799)	25,049
90	(222)	312	Contributions frm/to Affiliates	6,613	(222)	6,835
15	16	(1)	Net assets released from restriction for purchases of property and equipment	41	144	(103)
\$ 12,750	\$ 2,267	\$ 10,483	Increase (decrease) in Unrestricted Net Assets	\$ 23,904	\$ (7,877)	\$ 31,781

(1) Methodology of calculating occupancy percentages has been changed to reflect average revenue-producing units rather than unit status as of the last day of the reporting period.

(2) Residential living's occupancy excludes Wesley Palms due to its renovation.

(3) Summer House is the Front Porch brand name for memory care.

(4) The majority of the operating income decline vs prior year is due to the Wesley Palms renovation, with the remainder due to declining performance of the Care Centers. On average, Wesley Palms had 6 fewer available units in Q4 Fiscal 2017 compared to Q4 Fiscal 2016.

(5) See detail of investment return on page 5.

Front Porch Communities & Services Obligated Group
Statements of Financial Position

(Unaudited)
(\$ in 000's)

		3/31/2017		3/31/2016
Assets				
	Current Assets			
	Cash and cash equivalents	\$ 11,837	\$	13,549
	Short-term investments	11,330		6,680
	Assets limited as to use - required for current liabilities	10,616		9,441
	Patient accounts receivable, net of allowance	6,609		7,423
	Prepaid expenses and other	1,925		1,936
	Intercompany receivables	304		738
	Total current assets	42,621		39,767
	Investments			
	Assets limited as to use, net of current portion	12,027		12,432
	Long-term investments	272,720		238,598
	Derivative instruments	5,130		8,331
	Total investments	289,877		259,361
	Property and Equipment, Net	255,082		233,001
	Other Assets			
	Interest in net assets of Pacific Homes Foundation	10,214		10,475
	Receivables from supporting organizations	11,075		10,617
	Other receivables	1,822		1,813
	Deferred costs, net of accumulated amortization	4,609		5,756
	Other Assets	209		-
	Total other assets	27,929		28,661
Total Assets		\$ 615,509	\$	560,790
	Liabilities and Net Assets			
	Current Liabilities			
	Current maturities of long-term debt	3,040		2,920
	Accounts payable	6,368		6,824
	Accrued payroll and related expenses	9,161		9,418
	Accrued interest	3,304		3,220
	Other accrued expenses	10,959		9,682
	Total current liabilities	32,832		32,064
	Asset retirement obligations	235		228
	Accrued workers' compensation	6,173		5,496
	Other accrued liabilities	14,365		11,630
	Deferred interest - forward sale agreements	1,232		1,036
	Refundable entrance fees	71,503		66,830
	Deferred revenue from entrance fees	35,524		35,836
	Long-term debt	183,817		162,059
Total Liabilities		345,681		315,179
	Net Assets			
	Unrestricted	248,955		225,050
	Temporarily restricted	14,448		14,239
	Permanently restricted	6,425		6,322
Total Net Assets		269,828		245,611
Total Liabilities and Net Assets		\$ 615,509	\$	560,790

Front Porch Communities & Services Obligated Group
Statements of Changes in Net Assets
(Unaudited)
(\$ in 000's)

Current Quarter				Year to Date		
Actual	Prior Yr	Var		Actual	Prior Yr	Var
Unrestricted Net Assets						
\$ 12,645	\$ 2,473	\$ 10,172	Excess (deficiency) of revenues over expenses	\$ 17,250	\$ (7,799)	\$ 25,049
90	(222)	312	Contributions frm/to Affiliates	6,613	(222)	6,835
15	16	(1)	Net assets released from restriction used for purchase of property and equipment	41	144	(103)
<u>12,750</u>	<u>2,267</u>	<u>10,483</u>	Increase (decrease) in unrestricted net assets	<u>23,904</u>	<u>(7,877)</u>	<u>31,781</u>
Temporarily Restricted Net Assets						
276	20	256	Contributions received and investment income	1,057	52	1,005
-	(558)	558	Change in interest in net assets of Pacific Homes Foundation	-	(558)	558
(342)	(329)	(13)	Net assets released from restriction for operations	(806)	(779)	(27)
(15)	(16)	1	Net assets released from restriction used for purchase of property & equipment	(41)	(144)	103
<u>(81)</u>	<u>(883)</u>	<u>802</u>	Increase (decrease) in temporarily restricted net assets	<u>210</u>	<u>(1,429)</u>	<u>1,639</u>
Permanently Restricted Net Assets						
2	103	(101)	Contributions received	103	103	-
-	(220)	220	Change in value of trust	-	(220)	220
<u>2</u>	<u>(117)</u>	<u>119</u>	Increase (decrease) in permanently restricted net assets	<u>103</u>	<u>(117)</u>	<u>220</u>
<u>12,671</u>	<u>1,267</u>	<u>11,404</u>	Change in Net Assets	<u>24,217</u>	<u>(9,423)</u>	<u>33,640</u>
<u>257,157</u>	<u>244,344</u>	<u>12,813</u>	Net Assets, Beginning of Year, as Previously Reported	<u>245,611</u>	<u>255,034</u>	<u>(9,423)</u>
<u>\$ 269,828</u>	<u>\$ 245,611</u>	<u>\$ 24,217</u>	Net Assets at End of Period	<u>\$ 269,828</u>	<u>\$ 245,611</u>	<u>\$ 24,217</u>

Front Porch Communities & Services Obligated Group
Statements of Cash Flows

(Unaudited)

(\$ in 000's)

	<u>12 Months Ending</u> <u>3/31/2017</u>	<u>12 Months Ending</u> <u>3/31/2016</u>
Operating Activities		
Cash received from contract residents	\$ 45,961	\$ 43,977
Proceeds from entrance fees received *	25,489	21,555
Cash received from and on behalf of noncontract residents	55,748	59,254
Reimbursement for services to nonresidents	1,003	1,274
Other receipts from operations	5,262	4,829
Unrestricted investment income received	7,323	6,378
Proceeds from forward sale	(437)	-
Processing fees	60	198
Cash paid to suppliers, employees, and others	(99,605)	(98,530)
Cash paid for interest on long-term debt, net of amounts capitalized	(5,303)	(4,791)
	<u>35,501</u>	<u>34,144</u>
Investing Activities		
Capital expenditures	(38,902)	(27,283)
Proceeds from sale of trading investments	127,052	99,719
Purchase of trading investments	(147,113)	(125,513)
Purchase of assets limited as to use	(1,511)	(3,276)
Proceeds from sale of assets limited as to use	741	2,810
Repayment from (advances to) Brookmore Apartment Corporation	(209)	600
	<u>(59,942)</u>	<u>(52,943)</u>
Financing Activities		
Refunds of entrance fees	(6,112)	(7,643)
Principal payments of long-term debt	(2,920)	(2,820)
Proceeds from 2015 financing, net of issuance cost	24,830	16,868
Proceeds from restricted contributions	41	144
Contributions from Affiliates	6,890	-
	<u>22,729</u>	<u>6,549</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,712)	(12,250)
Cash and Cash Equivalents, Beginning of Period	<u>13,549</u>	<u>25,799</u>
Cash and Cash Equivalents, End of Period	<u>\$ 11,837</u>	<u>\$ 13,549</u>
Supplemental Cash Flows Information		
Property and equipment purchases included in accounts payable	3,725	4,296
Entrance fees included in accounts receivable	1,353	3,299

* Breakout of initial and ongoing entrance fees is as noted below:

	<u>YTD</u> <u>FY17</u>	<u>Total</u> <u>FY16</u>
Initial entrance fees	-	1,230
Ongoing entrance fees	25,489	20,325
Total entrance fees received	<u>25,489</u>	<u>21,555</u>

Front Porch Communities & Services Obligated Group

Investment Income

(Unaudited)

(\$'s in 000's)

Current Quarter				Year to Date		
Actual	Prior Yr	Var		Actual	Prior Yr	Var
1,569	1,475	94	Interest and dividend income	6,886	6,378	508
110	110	-	Amortization of deferred interest income	437	437	-
1,379	(2,425)	3,804	Net realized gains (losses) on sales of securities	9,593	2,233	7,360
11,041	5,520	5,521	Net unrealized gains (losses) on investments valued at fair value	9,543	(15,343)	24,886
(567)	440	(1,007)	Net unrealized gains (losses) on derivative financial instruments	(4,260)	242	(4,502)
(429)	(396)	(33)	Investment fees	(1,664)	(1,535)	(129)
<u>13,103</u>	<u>4,724</u>	<u>8,379</u>	Investment Return	<u>20,535</u>	<u>(7,588)</u>	<u>28,123</u>

**Front Porch Communities & Services Obligated Group
Sources of Revenue for Care Centers**

(Unaudited)

(\$ in 000's)

Current Quarter				Year to Date		
Actual	Prior Yr	Var	Operating Revenues: ⁽¹⁾	Actual	Prior Yr	Var
\$ 1,750	\$ 1,926	\$ (176)	Medicare	\$ 6,970	\$ 6,915	\$ 55
1,653	1,243	410	Medi-Cal	5,864	5,306	558
376	280	96	Managed Care	1,084	598	486
<u>1,789</u>	<u>2,172</u>	<u>(383)</u>	Private Pay	<u>8,239</u>	<u>8,866</u>	<u>(627)</u>
<u>\$ 5,568</u>	<u>\$ 5,621</u>	<u>\$ (53)</u>	Total Operating Revenues ⁽¹⁾	<u>\$ 22,157</u>	<u>\$ 21,685</u>	<u>\$ 472</u>
Percent of Revenues:						
31.4%	34.3%	-2.9%	Medicare	31.5%	31.9%	-0.4%
29.7%	22.1%	7.6%	Medi-Cal	26.5%	24.5%	2.0%
6.8%	5.0%	1.8%	Managed Care	4.9%	2.8%	2.1%
<u>32.1%</u>	<u>38.6%</u>	<u>-6.5%</u>	Private Pay	<u>37.1%</u>	<u>40.8%</u>	<u>-3.7%</u>
<u>100.0%</u>	<u>100.0%</u>	<u>0.0%</u>		<u>100.0%</u>	<u>100.0%</u>	<u>0.0%</u>

(1) Total operating revenues are net of contractual discounts and allowances excluding ancillary income.

Note: Effective with the Q4 FY16 disclosure, bad debt expense has been attributed to specific payer classes; previously, it was deducted from private pay revenues. The prior years' payer mix has been recalculated based on the current methodology.

Front Porch Communities & Services Obligated Group
Available Units/Beds and Occupancy by Line of Service ⁽¹⁾

Current Quarter							Year to Date					
Residential		Summer House		Care Center			Residential		Summer House		Care Center	
Avail		Avail		Avail			Avail		Avail		Avail	
Units	%	Units	%	Beds	%		Units	%	Units	%	Beds	%
159	98.1%	N/A	N/A	33	94.8%	Carlsbad By The Sea	159	98.0%	N/A	N/A	33	91.8%
92	99.7%	N/A	N/A	N/A	N/A	Cecil Pines	92	99.6%	N/A	N/A	N/A	N/A
180	93.9%	N/A	N/A	N/A	N/A	England Oaks	181	95.2%	N/A	N/A	N/A	N/A
94	97.6%	23	97.0%	48	94.4%	Sunny View	95	98.4%	23	97.8%	48	91.3%
192	99.1%	18	98.4%	54	68.0%	Villa Gardens	192	98.9%	19	96.3%	54	65.7%
169	95.3%	10	100.0%	29	70.0%	Vista del Monte	169	95.7%	10	95.0%	29	75.2%
156	95.3%	14	100.0%	94	96.1%	Walnut Village	156	95.7%	14	93.6%	94	88.6%
See footnote (1)		22	95.5%	N/A	N/A	Wesley Palms	See footnote (1)		22	97.7%	N/A	N/A
1,042	96.8%	87	97.7%	258	86.8%	Average ⁽²⁾	1,043	97.2%	88	96.5%	258	83.2%
1,050	96.6%	82	99.1%	258	82.2%	Average - Prior Year to Date ⁽²⁾	1,062	97.6%	71	96.9%	258	83.3%
293	51.5%	N/A	N/A	N/A	N/A	Wesley Palms ⁽³⁾	293	53.3%	N/A	N/A	N/A	N/A
197	76.5%	N/A	N/A	N/A	N/A	Wesley Palms ⁽⁴⁾	189	82.7%	N/A	N/A	N/A	N/A

(1) Methodology of calculating occupancy percentages has been changed to reflect average revenue-producing units rather than unit status as of the last day of the reporting period.

(2) The average occupancy percentages exclude Wesley Palms due to its renovation. Averages for prior year have been recalculated to include Wesley Palms Summer House, as it has not been impacted by the renovation.

(3) Residential living occupancy is based on 293 unit capacity.

(4) Residential living occupancy is based on reduced capacity.



May 12, 2017

UNAUDITED DRAFT NUMBERS

Management's Discussion – Quarter and Year ended 3/31/17 **(Fiscal Year runs April 1st through March 31st)**

Results of Operations - Consolidated

Residential living occupancy declined slightly from 96.4% for Q4 FY16 to 95.8% for Q4 FY17 excluding the Wesley Palms campus which is undergoing a major renovation. Wesley Palms had 96 fewer residential living units available as compared to the capacity prior to the renovation. Eight of Front Porch's twelve communities averaged 95% or higher occupancy for Q4 FY17. Residential living average available units for Q4 FY17 declined by 3 units to 1,940 compared to Q4 FY16 primarily due to the conversion of residential living units to memory care (Summer House) at Villa Gardens.

Residential living occupancy declined slightly from 96.1% for FY 16 to 96.0% for FY 17, excluding the Wesley Palms campus which is undergoing a major renovation. Wesley Palms had 104 fewer residential living units available for FY 17 as compared to the capacity prior to the renovation. Nine of Front Porch's twelve communities averaged 95% or higher occupancy for FY17. Residential living average available units for FY17 declined by 15 units to 1,945 compared to FY16 primarily due to the conversion of residential living units to memory care (Summer House) at Villa Gardens.

Summer House occupancy declined from 99.2% for Q4 FY16 to 97.6% for Q4 FY17. Average available units increased from 92 for Q4 FY16 to 97 for Q4 FY17 reflecting the conversion of residential living units to memory care (Summer House) at Villa Gardens.

Summer House occupancy declined slightly from 97.2% for FY 16 to 96.8% for FY 17. Average available units increased from 81 for FY 16 to 98 for FY 17 reflecting the conversion of residential living units to memory care (Summer House) at Villa Gardens.

Care Center occupancy improved from 84.9% for Q4 FY16 to 87.9% for Q4 FY17. Care Center average available beds of 540 for Q4 FY17 remained flat compared to Q4 FY16. Six out of the eight care centers experienced increases in census for Q4 FY17 compared to Q4 FY16 led by Walnut Village and Carlsbad By The Sea. The occupancy information for the prior year's quarter is not shown in this disclosure but is viewable on EMMA (www.emma.msrb.org). Comparing Q4 FY16 to Q4 FY17, Medicare as a portion of operating revenues increased from 26.7% to 27.2%.

Medi-Cal and managed care combined increased from 41.9% to 48.9% while Private pay decreased from 31.4% to 23.9%.

Care Center occupancy declined from 87.1% for FY 16 to 85.5% for FY 17. Care Center average available beds of 540 for FY 17 remained flat compared to FY 16. Six out of the eight care centers experienced declines in census for FY17 compared to FY16 with Kingsley Manor, Villa Gardens and Vista del Monte suffering the largest declines. The occupancy information for the prior year is not shown in this disclosure but is viewable on EMMA (www.emma.msrb.org). Comparing FY16 to FY17, Medicare as a portion of operating revenue increased from 25.0% to 25.8%. Medi-Cal and managed care combined increased from 43.7% to 46.1% while Private pay decreased from 31.3% to 28.1%.

Resident and patient service revenues, net of the provision for uncollectible accounts, increased from \$45.5 million for Q4 FY16 to \$46.3 million for Q4 FY17, an increase of 1.8%. Amortization of entrance fees increased from \$2.3 million for Q4 FY16 to \$3.1 million for Q4 FY17. Total unrestricted revenues, gains and other support improved from \$48.3 million for Q4 FY16 to \$50.0 million for Q4 FY17, an increase of 3.6%

Resident and net patient service revenues, net of the provisions for uncollectible accounts, increased from \$179.2 million for FY 16 to \$183.8 million for FY 17, an increase of 2.6%. Amortization of entrance fees declined from \$10.9 million for FY 16 to \$10.1 million for FY 17. Total unrestricted revenues, gains, and other support improved from \$191.4 million for FY 16 to \$195.4 million for FY17, an increase of 2.1%.

Total operating expenses decreased 0.4% from \$48.2 million for Q4 FY16 to \$48.0 million for Q4 FY17.

Total operating expenses increased 1.8% from \$189.2 million for FY 16 to \$192.6 million for FY 17, primarily driven by higher labor costs. The increased California minimum wage and competition for talent is driving higher salaries, wages and benefits as well as nursing registry costs.

Operating income increased from a loss of \$0.1 million for Q4 FY16 to \$2.0 million for Q4 FY17 primarily due to higher unrestricted revenues and amortization of entrance fees.

Operating income increased from \$1.5 million for FY16 to \$2.5 million for FY17 primarily due to higher unrestricted revenues.

Results of Operations - Obligated Group

Residential living occupancy improved from 96.6% for Q4 FY16 to 96.8 for Q4 FY17 excluding the Wesley Palms campus which is undergoing a major renovation. Wesley Palms had 96 fewer residential living units available as compared to the capacity prior to the renovation. Six of Front Porch's eight Obligated Group communities averaged 95% or higher occupancy for Q4 FY17. Residential living average available units declined by 8 units from 1,050 for Q4 FY16 to 1,042 for Q4 FY17 primarily due to the conversion of residential living units to memory care (Summer House) at Villa Gardens.

Residential living occupancy declined from 97.6% for FY 16 to 97.2% for FY 17 excluding the Wesley Palms campus which is undergoing a major renovation. Wesley Palms had 104 fewer residential living units available as compared to the capacity prior to the renovation. Except for Wesley Palms, all of Front Porch's communities in the Obligated Group averaged 95% or higher occupancy during FY17. Residential living average available units declined by 19 units from 1,062 for FY16 to 1,043 for FY17 primarily due to the conversion of residential living units to memory care (Summer House) at Villa Gardens.

Summer House occupancy declined from 99.1% for Q4 FY16 to 97.7% for Q4 FY17. Summer House average available units increased by 5 units from 82 for Q4 FY16 to 87 for Q4 FY17 primarily reflecting the conversion of residential living units to memory care (Summer House) at Villa Gardens.

Summer House occupancy declined from 96.9% for FY16 to 96.5% for FY17. Summer House average available units increased by 17 units from 71 for FY 16 to 88 for FY 17 reflecting the conversion of residential living units to memory care (Summer House) at Villa Gardens.

Care Center occupancy increased from 82.2% for Q4 FY16 to 86.8% for Q4 FY17. Three out of the five Obligated Group care centers experienced increases in census for Q4 FY17 compared to Q4 FY16 with Walnut Village experiencing the largest increase. The occupancy information for the prior year's quarter is not shown in this disclosure but is viewable on EMMA (www.emma.msrb.org). Comparing Q4 FY16 to Q4 FY17, Medicare as a portion of operating revenues decreased from 34.3% to 31.4%. Medi-Cal and managed care combined increased from 27.1% to 36.5% while Private pay decreased from 38.6% to 32.1%. Overall capacity of 258 beds for Q4 FY17 remained flat compared to Q4 FY16.

Care Center occupancy declined slightly from 83.3% for FY 16 to 83.2% for FY 17. Care Center average available beds of 258 for FY17 remained flat compared to FY 16. Three out of the five Obligated Group care centers experienced decreases in census for FY 17 compared to FY16 with Villa Gardens and Vista del Monte experiencing the largest declines. The occupancy information for the prior year is not shown in this disclosure but is viewable on EMMA (www.emma.msrb.org). Comparing FY16 to FY 17, Medicare as a portion of operating revenue decreased from 31.9% to 31.5%. Medi-Cal and managed care combined increased from 27.3% to 31.4% while Private pay decreased from 40.8% to 37.1%.

Resident and net patient service revenues, net of the provision for uncollectible accounts, increased from \$25.9 million for Q4 FY16 to \$26.2 million for Q4 FY17, a 1.0% increase. Amortization of entrance fees increased from \$2.3 million for Q4 FY16 to \$3.1 million for Q4 FY17. Total unrestricted revenues, gains and other support increased from \$29.8 million for Q4 FY16 to \$31.0 million for Q4 FY17, a 4.2% increase.

Resident and patient service revenues, net of the provision for uncollectible accounts, increased from \$103.8 million for FY 16 to \$103.9 million for FY 17, an increase of 0.1%. Amortization of entrance fees declined from \$10.9 million for FY 16 to \$10.1 million for FY 17. Total unrestricted revenues, gains and other support declined from \$120.3 million for FY 16 to \$120.1 for FY 17, a 0.2% decline.

Total operating expenses decreased 1.1%, from \$31.8 million for Q4 FY16 compared to \$31.5 million for Q4 FY17.

Total operating expenses increased 2.7%, from \$119.8 million for FY 16 to \$123.0 million for FY 17, primarily driven by increased labor costs. The increased California minimum wage and competition for talent is driving higher salaries, wages and benefits as well as nursing registry costs.

Operating income improved from a loss of \$2.3 million for Q4 FY16 compared to a loss of \$0.5 million for Q4 FY17, primarily due to higher amortization of entrance fees and stronger resident and net patient service revenue.

Operating income declined from a loss of \$0.2 million for FY 16 to a loss of 3.3 million for FY 17, primarily due to the anticipated decline in operating performance from the Wesley Palms campus during renovation, and higher labor costs.

Balance sheet and cash flow - Consolidated

Total assets of \$702.5 million for FY 17 increased \$49.9 million compared to \$652.6 million for FY 16. Cash and short-term investments increased \$1.0 million, from \$26.6 million for FY 16 to \$27.6 million for FY 17. Long term investments increased by \$34.1 million, from \$238.6 million for FY 16 to \$272.7 million for FY 17, due to market performance. Property and Equipment, Net increased by \$21.4 million from \$303.3 million for FY 16 to \$324.7 million for FY 17, reflecting continued investment in Wesley Palms. Long term debt increased by \$18.7 million, from \$274.0 million for FY 16 to \$292.7 million for FY 17, reflecting \$6.1 million of additional debt drawn down on the Series 2015 financing for the Wesley Palms renovation project and principal payments of \$0.2 million that occurred during Q4 FY17. Net assets increased by \$23.6 million, from \$205.0 million for FY16 to \$228.6 million for FY 17, driven primarily by positive investment returns.

Cash decreased by \$3.6 million, from \$19.9 million for FY 16 to \$16.3 million for FY 17, due to cash used in investing activities. Capital expenditures for FY 17 were \$49.4 million including \$24.9 million at Wesley Palms and \$5.2 million at Villa Gardens. Cash provided by operating activities were \$53.6 million for FY 17 compared to \$44.8 million for FY 16.

Balance sheet and cash flow – Obligated Group

Total assets of \$615.5 million for FY 17 increased \$54.7 million compared to \$560.8 million for FY 16. Cash and short term investments increased \$3.0 million from \$20.2 million for FY 16 to \$23.2 million for FY 17. Long term investments increased from \$238.6 million for FY 16 to \$272.7 million for FY 17, due to market performance. Property and Equipment, Net increased \$22.1 million, from \$233.0 million for FY 16 to \$255.1 million for FY 17, primarily the result of additional assets purchased for the new construction at Wesley Palms. Long term debt increased by \$21.7 million, from \$162.1 million for FY 16 to \$183.8 million for FY 17, reflecting \$6.1 million of additional debt drawn down on the Series 2015 financing for the Wesley Palms renovation project. Net assets increased \$24.2 million, from \$245.6 million for FY 16 to \$269.8 million for FY 17 driven primarily by positive investment returns.

Capital expenditures for FY 17 were \$38.9 million including \$24.9 million at Wesley Palms and \$5.2 million at Villa Gardens. Cash provided by operating activities were \$35.5 million for FY 17 compared to \$34.1 million for FY 16.