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August 8, 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 June 30, 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 June 30, 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

A handwritten signature in black ink, appearing to read "John Woodward". The signature is fluid and cursive, with a large initial "J" and "W".

By:
John Woodward
Chief Executive Officer



front porch

Financial Results

Quarter & Year-to-Date period ended June 30, 2017

(Unaudited)



Front Porch & Affiliates Consolidated Financial Results

Quarter & Year-to-Date period ended June 30, 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						
95.4%	95.8%	-0.5%	Residential living ⁽¹⁾	95.4%	95.8%	-0.5%
96.9%	97.1%	-0.2%	Summer House ⁽²⁾	96.9%	97.1%	-0.2%
84.6%	81.5%	3.0%	Care center	84.6%	81.5%	3.0%
Unrestricted Revenues, Gains and Other Support						
\$ 47,229	\$ 45,086	\$ 2,143	Resident and net patient service revenue	\$ 47,229	\$ 45,086	\$ 2,143
(323)	(185)	(138)	Provision for uncollectible accounts	(323)	(185)	(138)
46,906	44,901	2,005	Resident and net patient service revenue less provision for uncollectible accounts	46,906	44,901	2,005
2,258	2,188	70	Amortization of entrance fees	2,258	2,188	70
135	150	(15)	Other	135	150	(15)
171	150	21	Net assets released from restriction used for operations	171	150	21
49,470	47,389	2,081	Total unrestricted revenues, gains and other support	49,470	47,389	2,081
Expenses						
12,403	11,188	(1,215)	Medical services	12,403	11,188	(1,215)
4,802	4,415	(387)	Communities operating costs	4,802	4,415	(387)
7,777	7,119	(658)	Dietary services	7,777	7,119	(658)
4,061	3,911	(150)	Residential services	4,061	3,911	(150)
10,503	10,949	446	Administrative services	10,503	10,949	446
6,267	6,004	(263)	Depreciation	6,267	6,004	(263)
338	341	3	Amortization of deferred costs	338	341	3
2,486	2,393	(93)	Interest expense and other financing costs	2,486	2,393	(93)
637	712	75	Other	637	712	75
49,274	47,032	(2,242)	Total operating expenses	49,274	47,032	(2,242)
196	357	(161)	Operating income	196	357	(161)
Other Income (Expense)						
8,658	7,063	1,595	Investment return ⁽³⁾	8,658	7,063	1,595
8,658	7,063	1,595	Total other income (expense)	8,658	7,063	1,595
8,854	7,420	1,434	Excess (deficiency) of Revenues over Expenses	8,854	7,420	1,434
41	15	26	Net assets released from restriction for purchases of property and equipment	41	15	26
\$ 8,895	\$ 7,435	\$ 1,460	Increase (decrease) in Unrestricted Net Assets	\$ 8,895	\$ 7,435	\$ 1,460

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

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

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

Front Porch & Affiliates
Consolidated Statements of Financial Position

(Unaudited)

(\$ in 000's)

	6/30/2017	3/31/2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,784	\$ 16,317
Short-term investments	38,440	11,330
Assets limited as to use - required for current liabilities	8,511	12,619
Patient accounts receivable, net of allowance	10,188	9,866
Prepaid expenses and other	5,012	2,473
Total current assets	69,935	52,605
Investments		
Assets limited as to use, net of current portion	16,218	15,923
Long-term investments	256,325	272,720
Derivative instruments	5,874	5,130
Total investments	278,417	293,773
Property and Equipment, Net	325,682	324,740
Other Assets		
Interest in net assets of Pacific Homes Foundation	11,618	11,618
Receivables from supporting organizations	11,653	11,644
Other receivables	1,822	1,822
Deferred costs, net of accumulated amortization	1,162	1,328
Other Assets	1,013	623
Total other assets	27,268	27,035
Total Assets	\$ 701,302	\$ 698,153
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	5,643	6,111
Accounts payable	2,373	8,234
Accrued payroll and related expenses	12,331	12,713
Accrued interest	2,226	3,601
Other accrued expenses	9,850	12,412
Total current liabilities	32,423	43,071
Asset retirement obligations	2,218	2,210
Accrued workers' compensation	9,450	9,449
Other accrued liabilities	17,077	17,629
Deferred interest - forward sale agreements	1,206	1,232
Refundable entrance fees	73,616	71,503
Deferred revenue from entrance fees	36,875	36,143
Long-term debt	289,127	286,325
Total Liabilities	461,992	467,562
Net Assets		
Unrestricted	216,640	207,743
Temporarily restricted	15,766	15,944
Permanently restricted	6,904	6,904
Total Net Assets	239,310	230,591
Total Liabilities and Net Assets	\$ 701,302	\$ 698,153

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						
\$ 8,854	\$ 7,420	\$ 1,434	Excess (deficiency) of revenues over expenses	\$ 8,854	\$ 7,420	\$ 1,434
41	15	26	Net assets released from restriction used for purchase of property and equipment	41	15	26
<u>8,895</u>	<u>7,435</u>	<u>1,460</u>	Increase (decrease) in unrestricted net assets	<u>8,895</u>	<u>7,435</u>	<u>1,460</u>
Temporarily Restricted Net Assets						
36	126	(90)	Contributions received and investment income	36	126	(90)
(171)	(150)	(21)	Net assets released from restriction for operations	(171)	(150)	(21)
(41)	(15)	(26)	Net assets released from restriction used for purchase of property & equipment	(41)	(15)	(26)
<u>(176)</u>	<u>(39)</u>	<u>(137)</u>	Increase (decrease) in temporarily restricted net assets	<u>(176)</u>	<u>(39)</u>	<u>(137)</u>
<u>8,719</u>	<u>7,396</u>	<u>1,323</u>	Change in Net Assets	<u>8,719</u>	<u>7,396</u>	<u>1,323</u>
<u>230,591</u>	<u>204,986</u>	<u>25,605</u>	Net Assets, Beginning of Year, as Previously Reported	<u>230,591</u>	<u>204,986</u>	<u>25,605</u>
<u>\$ 239,310</u>	<u>\$ 212,382</u>	<u>\$ 26,928</u>	Net Assets at End of Period	<u>\$ 239,310</u>	<u>\$ 212,382</u>	<u>\$ 26,928</u>

Front Porch & Affiliates
Consolidated Statements of Cash Flows

(Unaudited)

(\$ in 000's)

	3 Months Ending	12 Months Ending
	6/30/2017	3/31/2017
Operating Activities		
Cash received from contract residents	\$ 10,768	\$ 46,172
Proceeds from entrance fees received	5,652	25,490
Cash received from and on behalf of noncontract residents	36,048	135,044
Reimbursement for services to nonresidents	644	3,748
Other receipts from operations	137	683
Unrestricted investment income received	2,262	6,897
Processing fees	17	60
Cash paid to suppliers, employees, and others	(44,446)	(156,908)
Cash paid for interest on long-term debt, net of amounts capitalized	(3,855)	(9,669)
	<u>7,227</u>	<u>51,517</u>
Net cash provided by operating activities		
Investing Activities		
Capital expenditures	(15,316)	(47,257)
Proceeds from sale of trading investments	74,777	131,701
Purchase of trading investments	(79,415)	(151,763)
Purchase of assets limited as to use	(1,024)	(2,837)
Proceeds from sale of assets limited as to use	4,838	2,184
Repayment from (advances to) Brookmore Apartment Corporation	(391)	(209)
	<u>(16,531)</u>	<u>(68,181)</u>
Net cash used in investing activities		
Financing Activities		
Refunds of entrance fees	(1,440)	(6,112)
Principal payments of long-term debt	(3,193)	(5,887)
Proceeds from 2015 financing, net of issuance cost	5,363	24,830
Proceeds from restricted contributions	41	244
	<u>771</u>	<u>13,075</u>
Net cash provided by (used in) financing activities		
Net Increase (Decrease) in Cash and Cash Equivalents	(8,533)	(3,589)
Cash and Cash Equivalents, Beginning of Period	16,317	19,906
Cash and Cash Equivalents, End of Period	\$ 7,784	\$ 16,317
Supplemental Cash Flows Information		
Property and equipment purchases included in accounts payable	1,510	5,860
Entrance fees included in accounts receivable	2,245	1,355

Front Porch & Affiliates
Consolidated Investment Income

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

Current Quarter				Year to Date		
Actual	Prior Yr	Var		Actual	Prior Yr	Var
2,261	1,803	458	Interest and dividend income	2,261	1,803	458
109	109	-	Amortization of deferred interest income	109	109	-
6,536	354	6,182	Net realized gains (losses) on sales of securities	6,536	354	6,182
(464)	4,828	(5,292)	Net unrealized gains (losses) on investments valued at fair value	(464)	4,828	(5,292)
666	372	294	Net unrealized gains (losses) on derivative financial instruments	666	372	294
(450)	(403)	(47)	Investment fees	(450)	(403)	(47)
<u>8,658</u>	<u>7,063</u>	<u>1,595</u>	Investment Return	<u>8,658</u>	<u>7,063</u>	<u>1,595</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
\$ 2,784	\$ 2,472	\$ 312	Operating Revenues: ⁽¹⁾	\$ 2,784	\$ 2,472	\$ 312
4,513	3,623	890	Medicare	4,513	3,623	890
967	740	227	Medi-Cal	967	740	227
<u>2,755</u>	<u>3,421</u>	<u>(666)</u>	Managed Care	<u>2,755</u>	<u>3,421</u>	<u>(666)</u>
<u>\$ 11,019</u>	<u>\$ 10,256</u>	<u>\$ 763</u>	Private Pay	<u>\$ 11,019</u>	<u>\$ 10,256</u>	<u>\$ 763</u>
			Total Operating Revenues ⁽¹⁾			
			Percent of Revenues:			
25.3%	24.1%	1.2%	Medicare	25.3%	24.1%	1.2%
41.0%	35.3%	5.7%	Medi-Cal	41.0%	35.3%	5.7%
8.8%	7.2%	1.6%	Managed Care	8.8%	7.2%	1.6%
<u>24.9%</u>	<u>33.4%</u>	<u>-8.5%</u>	Private Pay	<u>24.9%</u>	<u>33.4%</u>	<u>-8.5%</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.

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

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	%
158	95.8%	N/A	N/A	33	87.9%	Carlsbad By The Sea	158	95.8%	N/A	N/A	33	87.9%
189	96.7%	N/A	N/A	N/A	N/A	Casa de Manana	189	96.7%	N/A	N/A	N/A	N/A
92	99.6%	N/A	N/A	N/A	N/A	Cecil Pines	92	99.6%	N/A	N/A	N/A	N/A
204	96.1%	10	90.0%	59	85.3%	Claremont	204	96.1%	10	90.0%	59	85.3%
182	92.5%	N/A	N/A	N/A	N/A	England Oaks	182	92.5%	N/A	N/A	N/A	N/A
284	91.0%	N/A	N/A	172	92.0%	Fredericka	284	91.0%	N/A	N/A	172	92.0%
218	99.4%	N/A	N/A	51	80.4%	Kingsley	218	99.4%	N/A	N/A	51	80.4%
93	97.5%	23	100.0%	48	84.8%	Sunny View	93	97.5%	23	100.0%	48	84.8%
190	98.1%	19	94.7%	54	61.1%	Villa Gardens	190	98.1%	19	94.7%	54	61.1%
170	90.4%	10	90.0%	29	71.4%	Vista del Monte	170	90.4%	10	90.0%	29	71.4%
156	96.3%	14	100.0%	94	89.0%	Walnut Village	156	96.3%	14	100.0%	94	89.0%
See footnote ⁽¹⁾		22	100.0%	N/A	N/A	Wesley Palms	See footnote ⁽¹⁾		22	100.0%	N/A	N/A
1,936	95.4%	98	96.9%	540	84.6%	Average ⁽¹⁾	1,936	95.4%	98	96.9%	540	84.6%
1,943	95.8%	97	97.1%	540	81.5%	Average - Prior Year to Date ⁽¹⁾	1,943	95.8%	97	97.1%	540	81.5%
293	55.3%	N/A	N/A	N/A	N/A	Wesley Palms ⁽²⁾	293	55.3%	N/A	N/A	N/A	N/A
203	79.7%	N/A	N/A	N/A	N/A	Wesley Palms ⁽³⁾	203	79.7%	N/A	N/A	N/A	N/A

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

(2) Wesley Palms' residential living occupancy is based on 293 unit capacity.

(3) Wesley Palms' residential living occupancy is based on reduced capacity.



Front Porch Communities & Services Obligated Group Financial Results

Quarter & Year-to-Date period ended June 30, 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						
95.3%	96.9%	-1.5%	Residential living ⁽¹⁾	95.3%	96.9%	-1.5%
97.7%	96.8%	0.9%	Summer House ⁽²⁾	97.7%	96.8%	0.9%
80.3%	76.5%	3.8%	Care center	80.3%	76.5%	3.8%
Unrestricted Revenues, Gains and Other Support						
\$ 26,476	\$ 25,400	\$ 1,076	Resident and net patient service revenue	\$ 26,476	\$ 25,400	\$ 1,076
(235)	(144)	(91)	Provision for uncollectible accounts	(235)	(144)	(91)
26,241	25,256	985	Resident and net patient service revenue less provision for uncollectible accounts	26,241	25,256	985
2,256	2,186	70	Amortization of entrance fees	2,256	2,186	70
1,317	1,268	49	Other	1,317	1,268	49
160	141	19	Net assets released from restriction used for operations	160	141	19
29,974	28,851	1,123	Total unrestricted revenues, gains and other support	29,974	28,851	1,123
Expenses						
7,002	6,313	(689)	Medical services	7,002	6,313	(689)
2,815	2,642	(173)	Communities operating costs	2,815	2,642	(173)
4,411	4,122	(289)	Dietary services	4,411	4,122	(289)
2,434	2,299	(135)	Residential services	2,434	2,299	(135)
7,687	8,309	622	Administrative services	7,687	8,309	622
4,075	3,837	(238)	Depreciation	4,075	3,837	(238)
286	287	1	Amortization of deferred costs	286	287	1
1,404	1,276	(128)	Interest expense and other financing costs	1,404	1,276	(128)
486	563	77	Other	486	563	77
30,600	29,648	(952)	Total operating expenses	30,600	29,648	(952)
(626)	(797)	171	Operating income	(626)	(797)	171
Other Income (Expense)						
8,655	7,060	1,595	Investment return ⁽³⁾	8,655	7,060	1,595
8,655	7,060	1,595	Total other income (expense)	8,655	7,060	1,595
8,029	6,263	1,766	Excess (deficiency) of Revenues over Expenses	8,029	6,263	1,766
-	15	(15)	Net assets released from restriction for purchases of property and equipment	-	15	(15)
\$ 8,029	\$ 6,278	\$ 1,751	Increase (decrease) in Unrestricted Net Assets	\$ 8,029	\$ 6,278	\$ 1,751

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

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

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

Front Porch Communities & Services Obligated Group
Statements of Financial Position

(Unaudited)
(\$ in 000's)

		6/30/2017		3/31/2017
Assets				
	Current Assets			
	Cash and cash equivalents	\$ 4,073	\$	11,837
	Short-term investments	38,440		11,330
	Assets limited as to use - required for current liabilities	7,662		10,616
	Patient accounts receivable, net of allowance	7,027		6,609
	Prepaid expenses and other	3,991		1,893
	Intercompany receivables	44		330
	Total current assets	61,237		42,615
	Investments			
	Assets limited as to use, net of current portion	12,061		12,027
	Long-term investments	256,325		272,720
	Derivative instruments	5,874		5,130
	Total investments	274,260		289,877
	Property and Equipment, Net	259,864		255,082
	Other Assets			
	Interest in net assets of Pacific Homes Foundation	11,618		11,618
	Receivables from supporting organizations	11,653		11,644
	Other receivables	1,822		1,822
	Deferred costs, net of accumulated amortization	1,162		1,328
	Other Assets	600		209
	Total other assets	26,855		26,621
Total Assets		\$ 622,216	\$	614,195
	Liabilities and Net Assets			
	Current Liabilities			
	Current maturities of long-term debt	2,550		3,040
	Accounts payable	3,397		6,367
	Accrued payroll and related expenses	8,326		8,661
	Accrued interest	1,931		3,304
	Other accrued expenses	11,044		11,460
	Total current liabilities	27,248		32,832
	Asset retirement obligations	237		235
	Accrued workers' compensation	6,173		6,173
	Other accrued liabilities	13,772		14,363
	Deferred interest - forward sale agreements	1,206		1,232
	Refundable entrance fees	73,616		71,503
	Deferred revenue from entrance fees	36,259		35,524
	Long-term debt	184,066		180,535
Total Liabilities		342,577		342,397
	Net Assets			
	Unrestricted	256,978		248,950
	Temporarily restricted	15,757		15,944
	Permanently restricted	6,904		6,904
Total Net Assets		279,639		271,798
Total Liabilities and Net Assets		\$ 622,216	\$	614,195

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						
\$ 8,029	\$ 6,263	\$ 1,766	Excess (deficiency) of revenues over expenses	\$ 8,029	\$ 6,263	\$ 1,766
-	15	(15)	Net assets released from restriction used for purchase of property and equipment	-	15	(15)
<u>8,029</u>	<u>6,278</u>	<u>1,751</u>	Increase (decrease) in unrestricted net assets	<u>8,029</u>	<u>6,278</u>	<u>1,751</u>
Temporarily Restricted Net Assets						
(28)	110	(138)	Contributions received and investment income	(28)	110	(138)
(160)	(141)	(19)	Net assets released from restriction for operations	(160)	(141)	(19)
-	(15)	15	Net assets released from restriction used for purchase of property & equipment	-	(15)	15
<u>(188)</u>	<u>(46)</u>	<u>(142)</u>	Increase (decrease) in temporarily restricted net assets	<u>(188)</u>	<u>(46)</u>	<u>(142)</u>
<u>7,841</u>	<u>6,232</u>	<u>1,609</u>	Change in Net Assets	<u>7,841</u>	<u>6,232</u>	<u>1,609</u>
<u>271,798</u>	<u>245,611</u>	<u>26,187</u>	Net Assets, Beginning of Year, as Previously Reported	<u>271,798</u>	<u>245,611</u>	<u>26,187</u>
<u>\$ 279,639</u>	<u>\$ 251,843</u>	<u>\$ 27,796</u>	Net Assets at End of Period	<u>\$ 279,639</u>	<u>\$ 251,843</u>	<u>\$ 27,796</u>

Front Porch Communities & Services Obligated Group
Statements of Cash Flows

(Unaudited)

(\$ in 000's)

	3 Months Ending	12 Months Ending
	6/30/2017	3/31/2017
	<hr/>	<hr/>
Operating Activities		
Cash received from contract residents	\$ 10,726	\$ 45,910
Proceeds from entrance fees received	5,652	25,490
Cash received from and on behalf of noncontract residents	15,809	55,799
Reimbursement for services to nonresidents	164	1,003
Other receipts from operations	1,317	5,261
Unrestricted investment income received	2,367	6,887
Proceeds from forward sale	(109)	-
Processing fees	17	60
Cash paid to suppliers, employees, and others	(27,621)	(99,621)
Cash paid for interest on long-term debt, net of amounts capitalized	(2,783)	(5,303)
	<hr/>	<hr/>
Net cash provided by operating activities	5,539	35,486
Investing Activities		
Capital expenditures	(12,683)	(38,885)
Proceeds from sale of trading investments	74,777	131,701
Purchase of trading investments	(79,415)	(151,763)
Purchase of assets limited as to use	(369)	(1,512)
Proceeds from sale of assets limited as to use	3,289	742
Repayment from (advances to) Brookmore Apartment Corporation	(390)	(209)
	<hr/>	<hr/>
Net cash used in investing activities	(14,791)	(59,926)
Financing Activities		
Refunds of entrance fees	(1,440)	(6,113)
Principal payments of long-term debt	(2,435)	(2,920)
Proceeds from 2015 financing, net of issuance cost	5,363	24,830
Proceeds from restricted contributions	-	41
Contributions from Affiliates	-	6,890
	<hr/>	<hr/>
Net cash provided by (used in) financing activities	1,488	22,728
Net Increase (Decrease) in Cash and Cash Equivalents	(7,764)	(1,712)
Cash and Cash Equivalents, Beginning of Period	11,837	13,549
	<hr/>	<hr/>
Cash and Cash Equivalents, End of Period	\$ 4,073	\$ 11,837
	<hr/> <hr/>	<hr/> <hr/>
Supplemental Cash Flows Information		
Property and equipment purchases included in accounts payable	1,510	3,514
Entrance fees included in accounts receivable	2,245	1,355

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
2,258	1,800	458	Interest and dividend income	2,258	1,800	458
109	109	-	Amortization of deferred interest income	109	109	-
6,536	354	6,182	Net realized gains (losses) on sales of securities	6,536	354	6,182
(464)	4,828	(5,292)	Net unrealized gains (losses) on investments valued at fair value	(464)	4,828	(5,292)
666	372	294	Net unrealized gains (losses) on derivative financial instruments	666	372	294
(450)	(403)	(47)	Investment fees	(450)	(403)	(47)
<u>8,655</u>	<u>7,060</u>	<u>1,595</u>	Investment Return	<u>8,655</u>	<u>7,060</u>	<u>1,595</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		Actual	Prior Yr	Var
\$ 1,690	\$ 1,561	\$ 129	Operating Revenues: ⁽¹⁾	\$ 1,690	\$ 1,561	\$ 129
1,606	1,229	377	Medicare	1,606	1,229	377
329	107	222	Medi-Cal	329	107	222
1,820	2,265	(445)	Managed Care	1,820	2,265	(445)
			Private Pay			
<u>\$ 5,445</u>	<u>\$ 5,162</u>	<u>\$ 283</u>	Total Operating Revenues ⁽¹⁾	<u>\$ 5,445</u>	<u>\$ 5,162</u>	<u>\$ 283</u>
			Percent of Revenues:			
31.0%	30.2%	0.8%	Medicare	31.0%	30.2%	0.8%
29.5%	23.8%	5.7%	Medi-Cal	29.5%	23.8%	5.7%
6.0%	2.1%	3.9%	Managed Care	6.0%	2.1%	3.9%
<u>33.5%</u>	<u>43.9%</u>	<u>-10.4%</u>	Private Pay	<u>33.5%</u>	<u>43.9%</u>	<u>-10.4%</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.

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

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	%
158	95.8%	N/A	N/A	33	87.9%	Carlsbad By The Sea	158	95.8%	N/A	N/A	33	87.9%
92	99.6%	N/A	N/A	N/A	N/A	Cecil Pines	92	99.6%	N/A	N/A	N/A	N/A
182	92.5%	N/A	N/A	N/A	N/A	England Oaks	182	92.5%	N/A	N/A	N/A	N/A
93	97.5%	23	100.0%	48	84.8%	Sunny View	93	97.5%	23	100.0%	48	84.8%
190	98.1%	19	94.7%	54	61.1%	Villa Gardens	190	98.1%	19	94.7%	54	61.1%
170	90.4%	10	90.0%	29	71.4%	Vista del Monte	170	90.4%	10	90.0%	29	71.4%
156	96.3%	14	100.0%	94	89.0%	Walnut Village	156	96.3%	14	100.0%	94	89.0%
See footnote (1)		22	100.0%	N/A	N/A	Wesley Palms	See footnote (1)		22	100.0%	N/A	N/A
1,041	95.3%	88	97.7%	258	80.3%	Average ⁽¹⁾	1,041	95.3%	88	97.7%	258	80.3%
1,045	96.9%	87	96.8%	258	76.5%	Average - Prior Year to Date ⁽¹⁾	1,045	96.9%	87	96.8%	258	76.5%
293	55.3%	N/A	N/A	N/A	N/A	Wesley Palms ⁽²⁾	293	55.3%	N/A	N/A	N/A	N/A
203	79.7%	N/A	N/A	N/A	N/A	Wesley Palms ⁽³⁾	203	79.7%	N/A	N/A	N/A	N/A

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

(2) Wesley Palms' residential living occupancy is based on 293 unit capacity.

(3) Wesley Palms' residential living occupancy is based on reduced capacity.

UNAUDITED DRAFT NUMBERS

Management's Discussion – Quarter ended 6/30/17

Results of Operations - Consolidated

Residential living occupancy declined slightly from 95.8% for Q1 FY17 to 95.4% for Q1 FY18 excluding the Wesley Palms campus which is undergoing a major renovation. Wesley Palms had 90 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 Q1 FY18. Residential living average available units for Q1 FY18 declined by 7 units to 1,936 compared to Q1 FY17 excluding the Wesley Palms campus.

Summer House occupancy declined slightly from 97.1% for Q1 FY17 to 96.9% for Q1 FY18. Average available units increased from 97 for Q1 FY17 to 98 for Q1 FY18.

Care Center occupancy improved from 81.5% for Q1 FY17 to 84.6% for Q1 FY18. Care Center average available beds of 540 for Q1 FY18 remained flat compared to Q1 FY17. Four out of the eight care centers experienced increases in census for Q1 FY18 compared to Q1 FY17 led by Walnut Village and Kingsley Manor. 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 Q1 FY17 to Q1 FY18, Medicare as a portion of operating revenues increased from 24.1% to 25.3%. Medi-Cal and managed care combined increased from 42.5% to 49.8% while Private pay decreased from 33.4% to 24.9%.

Resident and patient service revenues, net of the provision for uncollectible accounts, increased from \$44.9 million for Q1 FY17 to \$46.9 million for Q1 FY18, an increase of 4.5%. Amortization of entrance fees remained flat at \$2.2 million for Q1 FY18 compared with Q1 FY17. Total unrestricted revenues, gains and other support improved from \$47.4 million for Q1 FY17 to \$49.5 million for Q1 FY18, an increase of 4.4%

Total operating expenses increased 4.9% from \$47.0 million for Q1 FY17 to \$49.3 million for Q1 FY18.

Operating income decreased from \$0.4 million for Q1 FY17 to \$0.2 million for Q1 FY18 primarily due to higher labor costs.

UNAUDITED DRAFT NUMBERS

Management's Discussion – Quarter ended 6/30/17

Results of Operations - Obligated Group

Residential living occupancy declined slightly from 96.9% for Q1 FY17 to 95.3% for Q1 FY18 excluding the Wesley Palms campus which is undergoing a major renovation. Wesley Palms had 90 fewer residential living units available as compared to the capacity prior to the renovation. Five of Front Porch's eight Obligated Group communities averaged 95% or higher occupancy for Q1 FY18. Residential living average available units for Q1 FY18 declined by 4 units to 1,041 compared to Q1 FY17 excluding the Wesley Palms campus.

Summer House occupancy increased from 96.8% for Q1 FY17 to 97.7% for Q1 FY18. Average available units increased from 87 for Q1 FY17 to 88 for Q1 FY18.

Care Center occupancy improved from 76.5% for Q1 FY17 to 80.3% for Q1 FY18 primarily due to the improvement in census at Walnut Village. Care Center average available beds of 258 for Q1 FY18 remained flat compared to Q1 FY17. Comparing Q1 FY17 to Q1 FY18, Medicare as a portion of operating revenues increased from 30.2% to 31.0%. Medi-Cal and managed care combined increased from 25.9% to 35.5% while Private pay decreased from 43.9% to 33.5%.

Resident and patient service revenues, net of the provision for uncollectible accounts, increased from \$25.3 million for Q1 FY17 to \$26.2 million for Q1 FY18, an increase of 3.6%. Amortization of entrance fees remained flat at \$2.2 million for Q1 FY18 compared with Q1 FY17. Total unrestricted revenues, gains and other support improved from \$28.9 million for Q1 FY17 to \$30.0 million for Q1 FY18, an increase of 3.8%

Total operating expenses increased 3.4% from \$29.6 million for Q1 FY17 to \$30.6 million for Q1 FY18.

Operating income improved from a loss of \$0.8 million for Q1 FY17 to a loss of \$0.6 million for Q1 FY18.

UNAUDITED DRAFT NUMBERS

Management's Discussion – Quarter ended 6/30/17

Balance sheet and cash flow - Consolidated

Total assets increased \$3.1 million, from \$698.2 million at 3/31/17 to \$701.3 million at 6/30/17. Cash and short-term investments increased \$18.6 million, from \$27.6 million at 3/31/17 to \$46.2 million at 6/30/17. Long term investments decreased by \$16.4 million, from \$272.7 million at 3/31/17 to \$256.3 million at 6/30/17. Property and Equipment, Net increased by \$1.0 million from \$324.7 million at 3/31/17 to \$325.7 million at 6/30/17, reflecting continued investment in Wesley Palms. Long term debt increased by \$2.8 million, from \$286.3 million at 3/31/17 to \$289.1 million at 6/30/17, primarily reflecting \$5.6 million of additional debt drawn down on the Series 2015 financing for the Wesley Palms renovation project and principal payments of \$3.2 million that occurred during Q1 FY18. Net assets increased by \$8.7 million, from \$230.6 million at 3/31/17 to \$239.3 million at 6/30/17, driven primarily by positive investment returns.

Cash decreased by \$8.5 million, from \$16.3 million at 3/31/17 to \$7.8 million at 6/30/17, due primarily to investing activities. Capital expenditures at 6/30/17 were \$15.3 million reflecting continued re-investment in our communities led by \$8.0 million at Wesley Palms and \$1.4 million at Villa Gardens. Cash provided by operating activities were \$7.2 million for the three months ended 6/30/17 compared to \$51.5 million for the twelve months ended 3/31/17.

Balance sheet and cash flow – Obligated Group

Total assets increased \$8.0 million, from \$614.2 million at 3/31/17 to \$622.2 million at 6/30/17. Cash and short-term investments increased \$19.3 million, from \$23.2 million at 3/31/17 to \$42.5 million at 6/30/17. Long term investments decreased by \$16.4 million, from \$272.7 million at 3/31/17 to \$256.3 million at 6/30/17. Property and Equipment, Net increased by \$4.8 million from \$255.1 million at 3/31/17 to \$259.9 million at 6/30/17, reflecting continued investment in Wesley Palms. Long term debt increased by \$3.5 million, from \$180.5 million at 3/31/17 to \$184.0 million at 6/30/17, primarily reflecting \$5.6 million of additional debt drawn down on the Series 2015 financing for the Wesley Palms renovation project and principal payments of \$2.4 million that occurred during Q1 FY18. Net assets increased by \$7.8 million, from \$271.8 million at 3/31/17 to \$279.6 million at 6/30/17, driven primarily by positive investment returns.

Cash decreased by \$7.8 million, from \$11.8 million at 3/31/17 to \$4.0 million at 6/30/17, due primarily to investing activities. Capital expenditures at 6/30/17 were \$12.7 million reflecting continued re-investment in our communities led by \$8.0 million at Wesley Palms and \$1.4 million at Villa Gardens. Cash provided by operating activities were \$5.5 million for the three months ended 6/30/17 compared to \$35.5 million for the twelve months ended 3/31/17.