



Consolidated and Obligated Group Financial Results
Quarter & Twelve Months Ended March 31, 2018
(Unaudited)



Statements of Operations

Quarter ended March 31

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	Consolidated			Obligated Group		
	2016	2017	2018	2016	2017	2018
Unrestricted Revenues, Gains and Other Support						
Resident and patient service revenue (net of contractual discounts and allowances)	44,938	46,291	48,418	25,712	26,219	27,288
Provision for uncollectible accounts	568	15	(719)	178	(57)	(363)
Resident and net patient service revenue less provision for uncollectible accounts	45,506	46,306	47,699	25,890	26,162	26,925
Amortization of entrance fees	2,281	3,117	2,616	2,278	3,115	2,616
Other	153	246	590	1,284	1,403	1,775
Net assets released from restriction used for operations	343	354	385	329	342	365
Total unrestricted revenues, gains and other support	48,283	50,023	51,290	29,781	31,022	31,681
Expenses						
Medical services	11,756	12,436	12,738	6,709	7,278	7,179
Communities operating costs	4,587	4,912	5,021	2,724	2,850	2,964
Dietary services	7,112	7,450	7,901	4,114	4,335	4,580
Residential services	3,972	4,064	4,286	2,338	2,530	2,621
Administrative services	11,454	9,801	9,007	9,723	8,561	8,359
Depreciation	6,093	6,353	6,970	3,925	4,104	4,793
Amortization of deferred costs	344	339	291	288	286	239
Interest expense	2,314	2,470	2,229	1,181	1,376	1,213
Other	559	159	447	377	160	306
Total Expenses	48,191	47,984	48,890	31,379	31,480	32,254
Operating Income (Loss) Before Other Operating Charges	92	2,039	2,400	(1,598)	(458)	(573)
Other Operating Charges						
Asset Impairment - Wesley Palms	(205)	-	(111)	(652)	-	(111)
Operating Income (Loss)	(113)	2,039	2,289	(2,250)	(458)	(684)
Other Income						
Investment return	4,727	13,106	(5,817)	4,724	13,104	(5,822)
Gain on extinguishment of debt	-	-	954	-	-	954
Non-Operating gains						
Total other income (expense)	4,727	13,106	(4,863)	4,724	13,104	(4,868)
Excess (Deficiency) of Revenue Over Expenses	4,614	15,145	(2,574)	2,474	12,646	(5,552)
Contribution from/to affiliates	-	-	-	(222)	90	(310)
Net assets released from restriction for capital expenditures	31	83	95	16	14	37
Increase (Decrease) in Unrestricted Net Assets	\$ 4,645	\$ 15,228	\$ (2,479)	\$ 2,268	\$ 12,750	\$ (5,825)



Statements of Operations
Twelve Months Ended March 31
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	<u>Consolidated</u>			<u>Obligated Group</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Unrestricted Revenues, Gains and Other Support						
Resident and patient service revenue (net of contractual discounts and allowances)	180,862	184,368	191,960	104,253	104,407	107,618
Provision for uncollectible accounts	(1,676)	(555)	(1,968)	(454)	(503)	(1,115)
Resident and net patient service revenue less provision for uncollectible accounts	179,186	183,813	189,992	103,799	103,904	106,503
Amortization of entrance fees	10,884	10,103	9,436	10,875	10,095	9,424
Other	489	683	1,148	4,829	5,261	5,911
Net assets released from restriction used for operations	820	841	915	779	806	878
Total unrestricted revenues, gains and other support	191,379	195,440	201,491	120,282	120,066	122,716
Expenses						
Medical services	46,808	47,612	50,748	26,751	27,584	28,640
Communities operating costs	19,099	19,141	20,119	11,326	11,328	11,854
Dietary services	28,590	29,486	31,697	16,616	17,152	18,332
Residential services	15,518	15,920	16,926	9,225	9,618	10,243
Administrative services	41,672	42,521	41,741	32,557	33,234	32,757
Depreciation	24,553	24,641	26,498	15,819	15,897	17,675
Amortization of deferred costs	1,374	1,362	1,218	1,153	1,147	1,008
Interest expense	9,422	9,786	9,714	4,823	5,363	5,466
Other	2,198	2,087	2,124	1,571	1,676	1,560
Total Expenses	189,234	192,556	200,785	119,841	122,999	127,535
Operating Income (Loss) Before Other Operating Charges	2,145	2,884	706	441	(2,933)	(4,819)
Other Operating Charges						
Asset Impairment - Wesley Palms	(652)	(356)	(483)	(652)	(356)	(483)
Operating Income (Loss)	1,493	2,528	223	(211)	(3,289)	(5,302)
Other Income						
Investment return	(7,578)	20,546	19,689	(7,588)	20,535	19,672
Loss on extinguishment of debt	-	-	(2,937)	-	-	(2,937)
Total other income (expense)	(7,578)	20,546	16,752	(7,588)	20,535	16,735
Excess (Deficiency) of Revenue Over Expenses	(6,085)	23,074	16,975	(7,799)	17,246	11,433
Contributions to affiliates	-	-	-	(222)	6,613	(310)
Net assets released from restriction for capital expenditures	171	244	217	144	41	112
Increase (Decrease) in Unrestricted Net Assets	\$ (5,914)	\$ 23,318	\$ 17,192	\$ (7,877)	\$ 23,900	\$ 11,235



Balance Sheets

At March 31

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	Consolidated			Obligated Group		
	2016	2017	2018	2016	2017	2018
Assets						
Current Assets						
Cash and cash equivalents	\$19,906	\$16,317	\$13,025	\$13,549	\$11,837	\$6,543
Short-term investments	6,680	11,330	9,208	6,680	11,330	9,208
Assets limited as to use - required for current liabilities	11,564	12,619	9,550	9,441	10,616	8,371
Patient accounts receivable, net	13,023	9,866	10,734	7,423	6,609	7,272
Prepaid expenses and other	2,463	2,473	2,441	1,936	1,893	1,897
Intercompany receivables				738	330	3,319
Total current assets	<u>53,636</u>	<u>52,605</u>	<u>44,958</u>	<u>39,767</u>	<u>42,615</u>	<u>36,610</u>
Investments						
Assets limited as to use, net of current portion	16,325	15,923	4,015	12,432	12,027	118
Long-term investments	238,598	272,720	281,193	238,598	272,720	281,193
Derivative instruments	8,331	5,130	265	8,331	5,130	265
Total investments	<u>263,254</u>	<u>293,773</u>	<u>285,473</u>	<u>259,361</u>	<u>289,877</u>	<u>281,576</u>
Property and Equipment, Net	303,342	324,740	346,422	233,001	255,082	273,146
Other Assets						
Interest in net assets of Pacific Homes Foundation	10,475	11,618	12,294	10,475	11,618	12,294
Receivables from supporting organizations	10,617	11,644	11,815	10,617	11,644	11,815
Other receivables	1,813	1,822	1,738	1,813	1,822	1,738
Deferred costs, net	1,992	1,328	664	1,267	1,328	664
Other assets	414	623	415	-	209	-
Total other assets	<u>25,311</u>	<u>27,035</u>	<u>26,926</u>	<u>24,172</u>	<u>26,621</u>	<u>26,511</u>
Total assets	<u>\$645,543</u>	<u>\$698,153</u>	<u>\$703,779</u>	<u>\$556,301</u>	<u>\$614,195</u>	<u>\$617,843</u>
Liabilities and Net Assets						
Current Liabilities						
Current maturities of long-term debt	\$5,887	\$6,111	\$3,178	\$2,920	\$3,040	-
Account payable	9,002	8,234	6,987	6,824	6,367	5,173
Accrued payroll and related expenses	13,413	12,713	12,702	9,418	8,661	8,748
Intercompany payables						
Accrued interest	3,526	3,601	3,138	3,220	3,304	2,849
Other accrued expenses	10,677	12,412	14,314	9,682	11,460	13,965
Total current liabilities	<u>42,505</u>	<u>43,071</u>	<u>40,319</u>	<u>32,064</u>	<u>32,832</u>	<u>30,735</u>
Asset retirement obligations	2,188	2,210	2,147	228	235	243
Accrued workers compensation	9,763	9,449	8,716	5,496	6,173	5,837
Other accrued liabilities	14,833	17,629	21,037	11,630	14,363	17,646
Deferred interest - forward sale agreements	1,036	1,232	-	1,036	1,232	-
Refundable entrance fees	66,830	71,503	71,076	66,830	71,503	70,493
Deferred revenue from entrance fees	36,462	36,143	37,639	35,836	35,524	37,615
Long-term debt	266,940	286,325	274,224	157,570	180,535	171,402
Total liabilities	<u>440,557</u>	<u>467,562</u>	<u>455,158</u>	<u>310,690</u>	<u>342,397</u>	<u>333,971</u>
Net Assets:						
Unrestricted	184,425	207,743	224,934	225,050	248,950	260,185
Temporarily restricted	14,239	15,944	16,656	14,239	15,944	16,656
Permanently restricted	6,322	6,904	7,031	6,322	6,904	7,031
Total net assets	<u>204,986</u>	<u>230,591</u>	<u>248,621</u>	<u>245,611</u>	<u>271,798</u>	<u>283,872</u>
Total liabilities and net assets	<u>\$645,543</u>	<u>\$698,153</u>	<u>\$703,779</u>	<u>\$556,301</u>	<u>\$614,195</u>	<u>\$617,843</u>



Statements of Changes in Net Assets
Quarter ended March 31
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	<u>Consolidated</u>			<u>Obligated Group</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Unrestricted Net Assets						
Excess (deficiency) of revenues over expenses	\$4,614	\$15,145	\$ (2,574)	\$2,474	\$12,646	\$ (5,552)
Contributions to affiliates	-	-	-	(222)	90	(310)
Net assets released from restriction used for purchase of property and equipment	31	83	95	16	14	37
Increase (decrease) in unrestricted net assets	4,645	15,228	(2,479)	2,268	12,750	(5,825)
Temporarily Restricted Net Assets						
Contributions received and investment income	38	509	254	35	623	184
Change in interest in net assets of Pacific Home Foundation	(558)	1,331	676	(574)	1,143	676
Net assets released from restriction for operations	(343)	(354)	(385)	(329)	(342)	(365)
Net assets released from restriction used for purchase of property and equipment	(31)	(83)	(95)	(16)	(14)	(37)
Increase (decrease) in temporarily restricted net assets	(894)	1,403	450	(884)	1,410	458
Permanently Restricted Net Assets						
Contributions received	103	(47)	112	103	(47)	112
Change in value of trust	(220)	528	-	(220)	528	-
Increase (decrease) in permanently restricted net assets	(117)	481	112	(117)	481	112
Change in Net Assets	3,634	17,112	(1,917)	1,267	14,641	(5,255)
Net Assets, Beginning of Year	201,352	213,479	250,538	244,344	257,157	289,127
Net Assets, End of Year	<u>\$204,986</u>	<u>\$230,591</u>	<u>\$248,621</u>	<u>\$245,611</u>	<u>\$271,798</u>	<u>\$283,872</u>



Statements of Changes in Net Assets
Twelve Months Ended March 31
000's

	<u>Consolidated</u>			<u>Obligated Group</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Unrestricted Net Assets						
Excess (deficiency) of revenues over expenses	\$ (6,085)	\$23,074	\$16,975	\$ (7,799)	\$17,246	\$11,433
Contributions to affiliates	-	-	-	(222)	6,613	(310)
Net assets released from restriction used for purchase of property and equipment	171	244	217	144	41	112
Increase (decrease) in unrestricted net assets	(5,914)	23,318	17,192	(7,877)	23,900	11,235
Temporarily Restricted Net Assets						
Contributions received and investment income	120	1,459	1,167	68	1,409	1,026
Change in interest in net assets of Pacific Home Foundation	(558)	1,331	676	(574)	1,143	676
Net assets released from restriction for operations	(820)	(841)	(915)	(779)	(806)	(878)
Net assets released from restriction used for purchase of property and equipment	(171)	(244)	(217)	(144)	(41)	(112)
Increase (decrease) in temporarily restricted net assets	(1,429)	1,705	711	(1,429)	1,705	712
Permanently Restricted Net Assets						
Contributions received	103	54	127	103	54	127
Change in value of trust	(220)	528	-	(220)	528	-
Increase (decrease) in permanently restricted net assets	(117)	582	127	(117)	582	127
Change in Net Assets	(7,460)	25,605	18,030	(9,423)	26,187	12,074
Net Assets, Beginning of Year	212,446	204,986	230,591	255,034	245,611	271,798
Net Assets, End of Year	<u>\$204,986</u>	<u>\$230,591</u>	<u>\$248,621</u>	<u>\$245,611</u>	<u>\$271,798</u>	<u>\$283,872</u>



Statements of Cash Flows
Twelve Months Ended March 31
000's

	Consolidated			Obligated Group		
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Operating Activities						
Cash received from contract residents	\$44,079	\$46,172	\$42,520	\$43,977	\$45,910	\$42,297
Proceeds from entrance fees received	21,555	25,490	21,048	21,555	25,490	21,049
Cash received from and on behalf of noncontract residents	132,987	135,044	145,019	59,254	55,799	63,992
Reimbursement for services to nonresidents	2,453	3,748	3,199	1,274	1,003	1,165
Other receipts from operations	489	683	1,148	4,829	5,261	5,911
Unrestricted investment income received	6,388	6,897	8,675	6,378	6,887	8,658
Processing fees	198	60	76	198	60	76
Payments on forward sale agreements		-	(109)	-	-	(109)
Cash paid to suppliers, employees and others	(153,996)	(156,908)	(164,168)	(98,530)	(99,621)	(105,941)
Cash paid for interest on long-term debt, net of amounts capitalized	(9,329)	(9,669)	(10,373)	(4,791)	(5,303)	(6,132)
Net cash provided by operating activities	<u>44,824</u>	<u>51,517</u>	<u>47,035</u>	<u>34,144</u>	<u>35,486</u>	<u>30,966</u>
Investing Activities						
Capital expenditures	(33,866)	(47,257)	(49,141)	(27,283)	(38,885)	(37,217)
Proceeds from sale of trading investments	99,719	131,701	166,801	99,719	131,701	166,801
Purchase of trading investments	(125,513)	(151,763)	(165,574)	(125,513)	(151,763)	(165,574)
Purchase of assets limited as to use	(4,507)	(2,837)	(3,277)	(3,276)	(1,512)	(2,944)
Proceeds from sale of assets limited as to use	4,796	2,184	18,254	2,810	742	17,098
Proceeds from termination of derivative financial instrument	-	-	7,130	-	-	7,130
Repayment from (advances to) Brookmore Apartment Corporations	600	(209)	209	600	(209)	209
Net cash used in investing activities	<u>(58,771)</u>	<u>(68,181)</u>	<u>(25,598)</u>	<u>(52,943)</u>	<u>(59,926)</u>	<u>(14,497)</u>
Financing Activities						
Refunds of entrance fees	(7,644)	(6,112)	(8,533)	(7,643)	(6,113)	(8,533)
Principal payments on long-term debt	(5,687)	(5,887)	(2,435)	(2,820)	(2,920)	(2,435)
Principal payments on refinancing of long-term debt	-	-	(143,210)	-	-	(143,210)
Principal payment HUD loans	-	-	(3,071)	-	-	-
Proceeds from HUD-insured financing, net of issuance cost	-	-	-	-	-	-
Proceeds from refinancing 2007A & 2017B financing, net of issuance cost	16,868	24,830	127,553	16,868	24,830	132,303
Proceeds from restricted contributions	171	244	217	144	41	112
Contributions from Affiliates	-	-	-	-	6,890	-
Net cash provided by financing activities	<u>3,708</u>	<u>13,075</u>	<u>(24,729)</u>	<u>6,549</u>	<u>22,728</u>	<u>(21,763)</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>(10,239)</u>	<u>(3,589)</u>	<u>(3,292)</u>	<u>(12,250)</u>	<u>(1,712)</u>	<u>(5,294)</u>
Cash and Cash Equivalents, Beginning of Year	<u>30,145</u>	<u>19,906</u>	<u>16,317</u>	<u>25,799</u>	<u>13,549</u>	<u>11,837</u>
Cash and Cash Equivalents, End of Year	<u>\$19,906</u>	<u>\$16,317</u>	<u>\$13,025</u>	<u>\$13,549</u>	<u>\$11,837</u>	<u>\$6,543</u>
Supplemental Cash Flows Information						
Property and equipment purchase included in accounts payable and other accrued expenses	6,744	5,860	5,371	4,296	3,514	4,330
Entrance fees included in accounts receivable	3,299	1,355	3,050	3,299	1,355	3,050



Average Available Units / Beds
Quarter Ended March 31, 2018

<u>Community Name</u>	<u>City</u>	<u>Type</u>	<u>Residential</u> <u>Living</u>	<u>Memory</u> <u>Care</u>	<u>Care</u> <u>Centers</u>	<u>Total</u> <u>Units/Beds</u>
<i>Obligated Group Communities</i>						
Carlsbad By The Sea	Carlsbad, CA	CCRC	159	**	33	192
Cecil Pines	Jacksonville, FL	Rental	92	**	**	92
England Oaks	Alexandria, LA	Rental	181	**	**	181
Sunny View	Cupertino, CA	CCRC	93	23	48	164
Villa Gardens	Pasadena, CA	CCRC	187	19	54	260
Vista del Monte	Santa Barbara, CA	CCRC	170	10	29	209
Walnut Village	Anaheim, CA	CCRC	156	14	94	264
Wesley Palms	San Diego, CA	Rental	205	22	**	227
Subtotal			1,243	88	258	1,589
<i>Non-Obligated Group Communities</i>						
Casa de Manana	La Jolla, CA	Rental	189	**	**	189
Claremont Manor	Claremont, CA	Rental	214	10	59	283
Fredericka Manor	Chula Vista, CA	Rental	286	**	172	458
Kingsley Manor	Los Angeles, CA	Rental	221	**	51	272
Subtotal			910	10	282	1,202
Total All Communities			2,153	98	540	2,791

** Not applicable



Average Available Units / Beds
Twelve Months Ended March 31, 2018

<u>Communiy Name</u>	<u>City</u>	<u>Type</u>	<u>Residential</u> <u>Living</u>	<u>Memory</u> <u>Care</u>	<u>Care</u> <u>Centers</u>	<u>Total</u> <u>Units/Beds</u>
<i>Obligated Group Communities</i>						
Carlsbad By The Sea	Carlsbad, CA	CCRC	159	**	33	192
Cecil Pines	Jacksonville, FL	Rental	92	**	**	92
England Oaks	Alexandria, LA	Rental	181	**	**	181
Sunny View	Cupertino, CA	CCRC	94	23	48	165
Villa Gardens	Pasadena, CA	CCRC	190	19	54	263
Vista del Monte	Santa Barbara, CA	CCRC	170	10	29	209
Walnut Village	Anaheim, CA	CCRC	156	14	94	264
Wesley Palms	San Diego, CA	Rental	206	22	**	228
Subtotal			1,248	88	258	1,594
<i>Non-Obligated Group Communities</i>						
Casa de Manana	La Jolla, CA	Rental	189	**	**	189
Claremont Manor	Claremont, CA	Rental	209	10	59	278
Fredericka Manor	Chula Vista, CA	Rental	286	**	172	458
Kingsley Manor	Los Angeles, CA	Rental	218	**	51	269
Subtotal			902	10	282	1,194
Total All Communities			2,150	98	540	2,788

** Not applicable



**Historical Average Occupancy
Quarter Ended March 31**

Community Name	2016			2017			2018		
	Residential Living	Memory Care	Care Centers	Residential Living	Memory Care	Care Centers	Residential Living	Memory Care	Care Centers
<i>Obligated Group Communities</i>									
Carlsbad By The Sea	97.5%	**	90.0%	98.1%	**	94.8%	97.9%	**	91.8%
Cecil Pines	100.0%	**	**	99.7%	**	**	99.7%	**	**
England Oaks	96.1%	**	**	93.9%	**	**	92.8%	**	**
Sunny View	99.0%	95.7%	91.7%	97.6%	97.0%	94.4%	97.2%	97.0%	85.4%
Villa Gardens	98.5%	100.0%	70.4%	99.1%	98.4%	68.0%	99.7%	97.9%	84.6%
Vista del Monte	92.9%	100.0%	79.3%	95.3%	100.0%	70.0%	85.6%	100.0%	13.8%
Walnut Village	93.6%	100.0%	81.9%	95.3%	100.0%	96.1%	96.6%	100.0%	95.4%
Wesley Palms	88.7%	100.0%	**	76.5%	95.5%	**	84.5%	95.5%	**
Subtotal	95.5%	99.1%	82.2%	93.6%	97.7%	86.8%	93.5%	97.6%	81.7%
<i>Non-Obligated Group Communities</i>									
Casa de Manana	97.9%	**	**	97.1%	**	**	98.2%	**	**
Claremont Manor	97.0%	100.0%	79.7%	92.9%	97.0%	81.4%	92.5%	97.0%	83.1%
Fredericka Manor	91.7%	**	92.4%	91.0%	**	92.8%	89.4%	**	89.4%
Kingsley Manor	100.0%	**	80.4%	99.1%	**	84.9%	99.2%	**	91.6%
Subtotal	96.0%	100.0%	87.5%	94.7%	97.0%	89.0%	94.3%	97.0%	88.4%
All Communities	95.7%	99.2%	85.0%	94.0%	97.6%	87.9%	93.8%	97.5%	85.2%

** Not applicable



**Historical Average Occupancy
Twelve Months Ended March 31**

Community Name	2016			2017			2018		
	Residential Living	Memory Care	Care Centers	Residential Living	Memory Care	Care Centers	Residential Living	Memory Care	Care Centers
<i>Obligated Group Communities</i>									
Carlsbad By The Sea	97.5%	**	87.9%	98.0%	**	91.8%	97.2%	**	90.6%
Cecil Pines	99.5%	**	**	99.6%	**	**	99.8%	**	**
England Oaks	96.5%	**	**	95.2%	**	**	94.0%	**	**
Sunny View	99.1%	93.7%	91.7%	98.4%	97.8%	91.3%	97.7%	99.1%	86.0%
Villa Gardens	98.3%	100.0%	74.1%	98.9%	96.3%	65.7%	98.6%	97.9%	74.1%
Vista del Monte	98.0%	98.0%	82.8%	95.7%	95.0%	75.2%	87.8%	97.0%	57.9%
Walnut Village	95.1%	99.3%	84.0%	95.7%	93.6%	88.6%	96.3%	100.0%	89.7%
Wesley Palms	89.8%	97.7%	**	82.7%	97.7%	**	79.8%	97.7%	**
Subtotal	96.2%	96.9%	83.3%	94.9%	96.5%	83.2%	92.9%	98.4%	82.3%
<i>Non-Obligated Group Communities</i>									
Casa de Manana	97.0%	**	**	97.8%	**	**	97.4%	**	**
Claremont Manor	96.3%	99.0%	83.1%	91.7%	99.0%	81.9%	94.0%	94.0%	85.6%
Fredericka Manor	87.4%	**	93.0%	91.6%	**	92.0%	90.6%	**	91.9%
Kingsley Manor	99.4%	**	90.2%	99.1%	**	79.0%	99.2%	**	85.9%
Subtotal	96.0%	99.0%	90.6%	94.7%	99.0%	87.5%	94.9%	94.0%	89.5%
All Communities	95.5%	97.2%	87.1%	94.8%	96.8%	85.5%	93.7%	98.0%	86.1%

** Not applicable



Care Center Payor Mix and Occupancy
Quarter ended March 31

<u>Payor</u>	<u>Consolidated</u>			<u>Obligated Group</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Private Pay	29.7%	23.9%	21.3%	38.6%	32.1%	27.8%
Medi-Cal ⁽¹⁾	36.1%	41.1%	43.6%	22.1%	29.7%	32.5%
Medicare	26.2%	27.2%	25.8%	34.3%	31.4%	33.7%
Managed Care	8.0%	7.8%	9.3%	5.0%	6.8%	6.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Average Beds Available	540	540	540	258	258	258
Average Occupancy	85.0%	87.9%	85.2%	82.2%	86.8%	81.7%

⁽¹⁾ Includes Medi-Cal Managed Care



Care Center Payor Mix and Occupancy
Twelve Months Ended March 31

Payor	Consolidated			Obligated Group		
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Private Pay	31.3%	28.1%	24.6%	40.8%	37.1%	33.3%
Medi-Cal ⁽¹⁾	38.5%	38.5%	41.6%	24.5%	26.5%	29.9%
Medicare	25.0%	25.8%	25.6%	31.9%	31.5%	31.6%
Managed Care	5.2%	7.6%	8.2%	2.8%	4.9%	5.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Average Beds Available	540	540	540	258	258	258
Average Occupancy	87.1%	85.5%	86.4%	83.3%	83.2%	82.6%

⁽¹⁾ Includes Medi-Cal Managed Care



Management's Discussion Quarter ended March 31

Unaudited Results of Operations ⁽¹⁾ – Consolidated: Q4 FY18 Compared to Q4 FY17

Residential Living occupancy declined slightly from 94.0% for Q4 FY17 to 93.8% for Q4 FY18 as Fredericka Manor and Vista del Monte experienced the largest declines. Wesley Palms while undergoing a major renovation managed to increase their residential living occupancy from 76.5% for Q4 FY17 to 84.5% for Q4 FY18 as a majority of the completed units became active and online. Upon the completion of the project, residential living will increase capacity from 150 independent living cottages to 170 patio homes. The Wesley Palms project is expected to be completed by April 2019.

Summer House[®] occupancy remained stable at 97.5% for Q4 FY18 compared to 97.6% for Q4 FY17. The company continues to explore Summer House opportunities at other campuses with an addition planned for Fredericka Manor in FY19.

Care Center occupancy declined from 87.9% for Q4 FY17 to 85.2% for Q4 FY18 due in large part to the closure of the Vista del Monte Care Center. Changes in Care Center payer mix reflect declining census in Private pay and Medicare while Medi-Cal and Managed Care census continue to increase. Average available beds of 540 remained unchanged Q4 FY17 compared with Q4 FY18. In November 2017, management announced plans to close the 29-bed Care Center at Vista del Monte and convert the space to add Summer House[®] capacity.

Resident and net patient service revenue, net of the provision for uncollectible accounts, increased from \$46.3M for Q4 FY17 to \$47.7M for Q4 FY18, a 3.0% improvement. Amortization of entrance fees decreased from \$3.1M for Q4 FY17 to \$2.6M for Q4 FY18, a 16.1% decrease. Total unrestricted revenues, gains and other support improved from \$50.0M for Q4 FY17 to \$51.3M for Q4 FY18, a 2.5% increase.

Total operating expenses less other operating charges increased from \$48.0M for Q4 FY17 to \$48.9M for Q4 FY18, a 1.9% increase. Operating income improved from \$2.0M for Q4 FY17 to \$2.3M for Q4 FY18. Operating results reflect continued wage and salary pressures at most communities. Additionally, Q4 FY18 operating results include a \$3.3M workers compensation credit booked in March 2018 and a \$2.3M proposed settlement of two class action lawsuits filed against Front Porch over alleged “meal and rest break” violations.



Management's Discussion Twelve Months Ended March 31

Unaudited Results of Operations ⁽¹⁾ – Consolidated: Twelve Months Ended March 31, 2018 Compared to Twelve Months Ended March 31, 2017

Residential Living occupancy declined slightly from 94.8% for FY17 to 93.7% for FY18 primarily due to lower occupancy at Vista del Monte and Wesley Palms. Wesley Palms is undergoing a major renovation which will decrease capacity as units have been taken offline to accommodate a phased redevelopment. Upon completion of the project, residential living will increase capacity from 150 independent living cottages to 170 patio homes. The Wesley Palms project is expected to be completed by April 2019.

Summer House[®] occupancy improved slightly from 96.8% for FY17 to 98.0% for FY18 reflecting continued strong demand. The company continues to explore Summer House opportunities at other campuses with an addition planned for Fredericka Manor in FY19.

Care Center occupancy improved slightly from 85.5% for FY17 to 86.1% for FY18 led by Villa Gardens, Kingsley Manor and Claremont Manor. The occupancy improvements helped to offset lower occupancy at Vista del Monte due to the closure of the care center. Changes in Care Center payer mix reflect declining census in Private pay and Medicare while Medi-Cal and Managed Care census continue to increase. Average available beds remain unchanged FY18 compared with FY17. In November 2017, management announced plans to close the 29-bed Care Center at Vista del Monte and convert the space to add Summer House[®] capacity.

Resident and net patient service revenue, net of the provision for uncollectible accounts, increased from \$183.8M for FY17 to \$190.0M for FY18, a 3.4% improvement. Amortization of entrance fees declined from \$10.1M for FY17 to \$9.4M for FY18. Total unrestricted revenues, gains and other support improved from \$195.4M for FY17 to \$201.5M for FY18, a 3.1% increase.

Total operating expenses less other operating charges increased from \$192.6M for FY17 to \$200.8M for FY18, a 4.3% increase. Operating income declined from \$2.5M for FY17 to \$0.2M for FY18. Operating results reflected continued wage and salary pressures at most communities. Additionally, FY18 operating results include a \$3.3M workers compensation credit booked in March 2018 and a \$2.3M proposed settlement of two class action lawsuits filed against Front Porch over alleged “meal and rest break” violations. This expense is reflected in “administrative services”.



**Management's Discussion
Twelve Months Ended March 31**

Balance sheet and cash flow – Consolidated: March 31, 2018 Compared to March 31, 2017

Total assets increased from \$698.2M at March 31, 2017 to \$703.8M at March 31, 2018. Cash and cash equivalent plus short term investments decreased from \$27.6M at March 31, 2017 to \$22.2M at March 31, 2018. Long term investments grew slightly from \$272.7M at March 31, 2017 to \$281.2M at March 31, 2018. Property and Equipment, Net increased from \$324.7M at March 31, 2017 to \$346.4M at March 31, 2018 reflecting continued capital improvements including the redevelopment at Wesley Palms. Long term debt declined from \$286.3M at March 31, 2017 to \$274.2M at March 31, 2018, reflecting the debt restructuring completed in Q2 FY18. Net assets increased from \$230.6M at March 31, 2017 to \$248.6M at March 31, 2018, driven primarily by strong investment income.

Cash and cash equivalents declined slightly from \$16.3M at March 31, 2017 to \$13.0 at March 31, 2018. Cash provided by operating activities declined from \$51.5M at March 31, 2017 to \$47.0M at March 31, 2018. Capital expenditures increased from \$47.3M at March 31, 2017 to \$49.1M at March 31, 2018.

Note:

- (1) Front Porch refers to independent and assisted living units as “Residential Living” units. Memory support units are collectively referred to by the brand name “Summer House®.” Skilled-nursing beds are collectively referred to as “Care Center” beds.