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August 13, 2018

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”):

- \$100,040,000 California Statewide Communities Development Authority Revenue Bonds (Front Porch Communities and Services), Series 2017A

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, 2018, 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, 2018, 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: _____

Eduardo Salvador
Chief Financial Officer



Consolidated and Obligated Group Financial Results

Quarter & Three Months Ended June 30, 2018

(Unaudited)



Statements of Operations
Quarter ended June 30
000's

	Consolidated			Obligated Group		
	<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 ⁽¹⁾	45,061	47,227	48,950	25,365	26,476	27,179
Amortization of entrance fees	2,188	2,258	2,167	2,186	2,256	2,166
Other	150	135	50	1,268	1,317	1,278
Net assets released from restriction used for operations	150	171	131	141	160	123
Total unrestricted revenues, gains and other support	47,549	49,791	51,298	28,960	30,209	30,746
Expenses						
Medical services	11,188	12,403	12,435	6,313	7,002	6,839
Communities operating costs	4,415	4,802	4,873	2,642	2,815	2,902
Dietary services	7,119	7,777	7,892	4,122	4,411	4,657
Residential services	3,911	4,061	4,269	2,299	2,434	2,635
Administrative services ⁽¹⁾	11,109	10,824	11,488	8,418	7,922	8,346
Depreciation	6,004	6,267	6,928	3,837	4,075	4,714
Amortization of deferred costs	341	338	289	287	286	236
Interest expense and other financing costs	2,393	2,486	2,252	1,276	1,404	1,194
Other	712	637	599	563	486	442
Total Expenses	47,192	49,595	51,025	29,757	30,835	31,965
Operating Income (Loss)	357	196	273	(797)	(626)	(1,219)
Other Income						
Investment return	7,063	8,658	6,198	7,060	8,655	6,193
Total other income	7,063	8,658	6,198	7,060	8,655	6,193
Excess of Revenue Over Expenses	7,420	8,854	6,471	6,263	8,029	4,974
Net assets released from restriction for purchase of property and equipment	15	41	123	15	-	123
Increase in Net Assets without donor restriction	\$ 7,435	\$ 8,895	\$ 6,594	\$ 6,278	\$ 8,029	\$ 5,097

⁽¹⁾ Provision for uncollectible accounts is re-allocated from Revenue to Administrative Services due to a change in accounting principles.



Statements of Operations
Three Months Ended June 30
000's

	Consolidated			Obligated Group		
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Unrestricted Revenues, Gains and Other Support						
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Balance Sheets

At June 30

000's

	Consolidated			Obligated Group		
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Assets						
Current Assets						
Cash and cash equivalents	\$17,733	\$7,784	\$7,729	\$15,262	\$4,073	\$5,167
Short-term investments	9,796	38,440	10,733	9,796	38,440	10,733
Assets limited as to use - required for current liabilities	9,588	8,511	7,910	7,564	7,662	7,085
Patient accounts receivable, net	11,156	10,188	9,804	6,689	7,027	6,438
Prepaid expenses and other	4,217	5,012	4,231	3,550	3,991	3,555
Intercompany receivables	-	-	-	-	44	1,303
Total current assets	<u>52,490</u>	<u>69,935</u>	<u>40,407</u>	<u>42,861</u>	<u>61,237</u>	<u>34,281</u>
Investments						
Assets limited as to use, net of current portion	16,019	16,218	5,712	11,865	12,061	1,526
Long-term investments	246,132	256,325	285,825	246,132	256,325	285,825
Derivative instruments	8,450	5,874	237	8,450	5,874	237
Total investments	<u>270,601</u>	<u>278,417</u>	<u>291,774</u>	<u>266,447</u>	<u>274,260</u>	<u>287,588</u>
Property and Equipment, Net	303,784	325,682	350,897	234,022	259,864	276,608
Other Assets						
Interest in net assets of Pacific Homes Foundation	10,475	11,618	12,332	10,475	11,618	12,332
Receivables from supporting organizations	10,647	11,653	12,149	10,647	11,653	12,149
Other receivables	1,813	1,822	1,738	1,813	1,822	1,738
Deferred costs, net	8,706	1,162	498	5,469	1,162	498
Other assets	414	1,013	414		600	
Total other assets	<u>32,055</u>	<u>27,268</u>	<u>27,131</u>	<u>28,404</u>	<u>26,855</u>	<u>26,717</u>
Total assets	<u>\$658,930</u>	<u>\$701,302</u>	<u>\$710,209</u>	<u>\$571,734</u>	<u>\$622,216</u>	<u>\$625,194</u>
Liabilities and Net Assets						
Current Liabilities						
Current maturities of long-term debt	\$5,977	\$5,643	\$3,143	\$3,010	\$2,550	-
Account payable	3,363	2,373	4,144	2,333	3,397	3,253
Accrued payroll and related expenses	14,267	12,331	12,023	9,480	8,326	8,452
Intercompany payables				5,111		
Accrued interest	1,989	2,226	1,687	1,685	1,931	1,401
Other accrued expenses	9,635	9,850	13,322	8,234	11,044	12,955
Total current liabilities	<u>35,231</u>	<u>32,423</u>	<u>34,319</u>	<u>29,853</u>	<u>27,248</u>	<u>26,061</u>
Asset retirement obligations	2,202	2,218	2,141	230	237	234
Accrued workers compensation	9,763	9,450	8,716	5,496	6,173	5,837
Other accrued liabilities	14,765	17,077	21,235	11,553	13,772	17,899
Deferred interest - forward sale agreements	807	1,206	-	807	1,206	
Refundable entrance fees	69,228	73,616	72,706	69,228	73,616	72,479
Deferred revenue from entrance fees	37,066	36,875	38,045	36,441	36,259	38,022
Long-term debt	277,486	289,127	277,095	166,283	184,066	174,970
Total liabilities	<u>446,548</u>	<u>461,992</u>	<u>454,257</u>	<u>319,891</u>	<u>342,577</u>	<u>335,502</u>
Net Assets:						
Without donor restriction ⁽¹⁾	191,860	216,640	232,061	231,329	256,978	265,809
With donor restriction ⁽¹⁾	20,522	22,670	23,891	20,514	22,661	23,883
Total net assets	<u>212,382</u>	<u>239,310</u>	<u>255,952</u>	<u>251,843</u>	<u>279,639</u>	<u>289,692</u>
Total liabilities and net assets	<u>\$658,930</u>	<u>\$701,302</u>	<u>\$710,209</u>	<u>\$571,734</u>	<u>\$622,216</u>	<u>\$625,194</u>

(1) Without Donor Restriction was previously labeled Unrestricted Net Assets.
With Donor Restriction includes Temporarily and Permanently Restricted Net Assets.



Statements of Changes in Net Assets
Quarter ended June 30
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>
Net Assets without Donor Restriction⁽¹⁾						
Excess of revenues over expenses	\$7,420	\$8,854	\$6,471	\$6,263	\$8,029	\$4,974
Net assets released from restriction used for purchase of property and equipment	15	41	123	15	-	123
Increase in Net Assets without Donor Restriction	<u>7,435</u>	<u>8,895</u>	<u>6,594</u>	<u>6,278</u>	<u>8,029</u>	<u>5,097</u>
Net Assets with Donor Restriction⁽¹⁾						
Contributions received and investment income	126	36	423	110	(28)	399
Net assets released from restriction for operations	(150)	(171)	(131)	(141)	(160)	(123)
Net assets released from restriction used for purchase of property and equipment	(15)	(41)	(123)	(15)	-	(123)
Increase (decrease) in Net Assets with Donor Restriction	<u>(39)</u>	<u>(176)</u>	<u>169</u>	<u>(46)</u>	<u>(188)</u>	<u>153</u>
Change in Net Assets	7,396	8,719	6,763	6,232	7,841	5,250
Net Assets, Beginning of Year	204,986	230,591	249,189	245,611	271,798	284,442
Net Assets, End of Year	<u>\$212,382</u>	<u>\$239,310</u>	<u>\$255,952</u>	<u>\$251,843</u>	<u>\$279,639</u>	<u>\$289,692</u>

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Net Assets with Donor Restriction includes Temporarily and Permanently Restricted Net Assets.



Statements of Changes in Net Assets
Three Months Ended June 30
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>
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Net Assets with Donor Restriction includes Temporarily and Permanently Restricted Net Assets.



Statements of Cash Flows
Three Months Ended June 30
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	\$12,427	\$10,768	\$10,642	\$12,397	\$10,726	\$10,512
Proceeds from entrance fees received	7,030	5,652	6,303	7,030	5,652	6,303
Cash received from and on behalf of noncontract residents	33,597	36,048	37,829	13,272	15,809	16,911
Reimbursement for services to nonresidents	799	644	946	376	164	308
Other receipts from operations	150	137	50	1,267	1,317	1,278
Unrestricted investment income received	1,912	2,262	2,168	1,909	2,367	2,163
Processing fees	15	17	25	15	17	25
Proceeds from forward sale	(109)	-	-	(109)	(109)	-
Cash paid to suppliers, employees and others	(41,102)	(44,446)	(46,347)	(21,994)	(27,621)	(28,350)
Cash paid for interest on long-term debt, net of amounts capitalized	(3,920)	(3,855)	(3,772)	(2,817)	(2,783)	(2,730)
Net cash provided by operating activities	<u>10,799</u>	<u>7,227</u>	<u>7,844</u>	<u>11,346</u>	<u>5,539</u>	<u>6,420</u>
Investing Activities						
Capital expenditures	(11,598)	(15,316)	(12,385)	(9,154)	(12,683)	(8,117)
Proceeds from sale of trading investments	20,970	74,777	32,859	20,970	74,777	32,859
Purchase of trading investments	(26,305)	(79,415)	(34,502)	(26,305)	(79,415)	(34,502)
Purchase of assets limited as to use	(861)	(1,024)	(1,933)	(380)	(369)	(3,160)
Proceeds from sale of assets limited as to use	3,143	4,838	1,876	2,824	3,289	3,038
Advances to Brookmore Apartment Corporation	-	(391)	-	-	(390)	-
Net cash used in investing activities	<u>(14,651)</u>	<u>(16,531)</u>	<u>(14,085)</u>	<u>(12,045)</u>	<u>(14,791)</u>	<u>(9,882)</u>
Financing Activities						
Refunds of entrance fees	(1,910)	(1,440)	(1,858)	(1,910)	(1,440)	(1,502)
Principal payments on long-term debt	(3,078)	(3,193)	-	(2,345)	(2,435)	-
Principal payment HUD loans	-	-	(785)	-	-	-
Proceeds from Series 2015 debt issuance	6,667	5,363	3,586	6,667	5,363	3,586
Proceeds from Series 2017B bond financing	-	-	2	-	-	2
Proceeds from contributions with donor restrictions	-	41	-	-	-	-
Net cash used in financing activities	<u>1,679</u>	<u>771</u>	<u>945</u>	<u>2,412</u>	<u>1,488</u>	<u>2,086</u>
Increase (Decrease) in Cash and Cash Equivalents	(2,173)	(8,533)	(5,296)	1,713	(7,764)	(1,376)
Cash and Cash Equivalents, Beginning of Year	19,906	16,317	13,025	13,549	11,837	6,543
Cash and Cash Equivalents, End of Year	\$17,733	\$7,784	\$7,729	\$15,262	\$4,073	\$5,167
Supplemental Cash Flows Information						
Property and equipment purchase included in accounts payable and other accrued expenses	-	1,510	4,141	-	1,510	4,141
Entrance fees included in accounts receivable	3,368	2,245	2,822	3,368	2,245	2,822



Average Available Units / Beds
Quarter Ended June 30, 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	160	**	33	193
Cecil Pines	Jacksonville, FL	Rental	92	**	**	92
England Oaks	Alexandria, LA	Rental	181	**	**	181
Sunny View	Cupertino, CA	CCRC	92	23	48	163
Villa Gardens	Pasadena, CA	CCRC	188	18	54	260
Vista del Monte	Santa Barbara, CA	CCRC	168	10	**	178
Walnut Village	Anaheim, CA	CCRC	156	14	99	269
Wesley Palms	San Diego, CA	Rental	220	22	**	242
Subtotal			1,257	87	234	1,578
<i>Non-Obligated Group Communities</i>						
Casa de Manana	La Jolla, CA	Rental	188	**	**	188
Claremont Manor	Claremont, CA	Rental	213	10	59	282
Fredericka Manor	Chula Vista, CA	Rental	288	5	174	467
Kingsley Manor	Los Angeles, CA	Rental	217	**	51	268
Subtotal			906	15	284	1,205
Total All Communities			2,163	102	518	2,783

** Not applicable



Average Available Units / Beds
Three Months Ended June 30, 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>
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Total All Communities			2,163	102	518	2,783

** Not applicable



Historical Average Occupancy
Quarter Ended June 30

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	97.7%	**	88.8%	95.8%	**	87.9%	96.7%	**	88.8%
Cecil Pines	99.2%	**	**	99.6%	**	**	99.7%	**	**
England Oaks	96.1%	**	**	92.5%	**	**	90.3%	**	**
Sunny View	98.6%	98.2%	90.2%	97.5%	100.0%	84.8%	96.7%	98.7%	82.7%
Villa Gardens	99.1%	97.9%	66.7%	98.1%	94.7%	61.1%	98.6%	96.7%	82.0%
Vista del Monte	94.1%	97.0%	74.8%	90.4%	90.0%	71.4%	87.2%	100.0%	**
Walnut Village	94.7%	87.9%	71.3%	96.3%	100.0%	89.0%	98.5%	100.0%	89.9%
Wesley Palms	88.7%	100.0%	**	76.5%	100.0%	**	83.2%	94.1%	**
Subtotal	95.6%	96.8%	76.5%	92.8%	97.7%	80.3%	92.9%	97.5%	86.5%
<i>Non-Obligated Group Communities</i>									
Casa de Manana	97.9%	**	**	96.7%	**	**	98.2%	**	**
Claremont Manor	94.1%	100.0%	83.6%	96.1%	90.0%	85.3%	92.2%	87.0%	79.2%
Fredericka Manor	89.5%	**	91.1%	91.0%	**	92.0%	87.0%	20.0%	92.5%
Kingsley Manor	99.2%	**	72.5%	99.4%	**	80.4%	99.4%	**	87.6%
Subtotal	94.6%	100.0%	86.2%	95.4%	90.0%	88.5%	93.5%	87.0%	88.9%
All Communities	95.8%	97.1%	81.5%	95.4%	96.9%	84.6%	93.1%	92.7%	87.8%

** Not applicable



**Historical Average Occupancy
Three Months Ended June 30**

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	97.7%	**	88.8%	95.8%	**	87.9%	96.7%	**	88.8%
Cecil Pines	99.2%	**	**	99.6%	**	**	99.7%	**	**
England Oaks	96.1%	**	**	92.5%	**	**	90.3%	**	**
Sunny View	98.6%	98.2%	90.2%	97.5%	100.0%	84.8%	96.7%	98.7%	82.7%
Villa Gardens	99.1%	97.9%	66.7%	98.1%	94.7%	61.1%	98.6%	96.7%	82.0%
Vista del Monte	94.1%	97.0%	74.8%	90.4%	90.0%	71.4%	87.2%	100.0%	**
Walnut Village	94.7%	87.9%	71.3%	96.3%	100.0%	89.0%	98.5%	100.0%	89.9%
Wesley Palms	88.7%	100.0%	**	76.5%	100.0%	**	83.2%	94.1%	**
Subtotal	95.6%	96.8%	76.5%	92.8%	97.7%	80.3%	92.9%	97.5%	86.5%
<i>Non-Obligated Group Communities</i>									
Casa de Manana	97.9%	**	**	96.7%	**	**	98.2%	**	**
Claremont Manor	94.1%	100.0%	83.6%	96.1%	90.0%	85.3%	92.2%	87.0%	79.2%
Fredericka Manor	89.5%	**	91.1%	91.0%	**	92.0%	87.0%	20.0%	92.5%
Kingsley Manor	99.2%	**	72.5%	99.4%	**	80.4%	99.4%	**	87.6%
Subtotal	94.6%	100.0%	86.2%	95.4%	90.0%	88.5%	93.5%	87.0%	88.9%
All Communities	95.8%	97.1%	81.5%	95.4%	96.9%	84.6%	93.1%	92.7%	87.8%

** Not applicable



Care Center Payor Mix and Occupancy
Quarter ended June 30

Payor	Consolidated			Obligated Group		
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Private Pay	33.0%	25.6%	25.6%	43.5%	34.5%	34.3%
Medi-Cal ⁽¹⁾	35.9%	40.7%	42.1%	23.5%	28.7%	33.6%
Medicare	23.8%	24.5%	22.9%	29.9%	30.0%	28.2%
Managed Care	7.3%	9.2%	9.4%	3.1%	6.8%	3.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Average beds available	540	540	518	258	258	234
Average occupancy	81.5%	84.6%	87.8%	76.5%	80.3%	86.5%

⁽¹⁾ Includes Medi-Cal Managed Care

* Provision for uncollectible accounts (bad debts) is re-allocated from Revenue to Administrative Services due to a change in accounting principles. These percentages exclude bad debts.



Care Center Payor Mix and Occupancy
Three Months Ended June 30

Payor	Consolidated			Obligated Group		
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Private Pay	33.0%	25.6%	25.6%	43.5%	34.5%	34.3%
Medi-Cal ⁽¹⁾	35.9%	40.7%	42.1%	23.5%	28.7%	33.6%
Medicare	23.8%	24.5%	22.9%	29.9%	30.0%	28.2%
Managed Care	7.3%	9.2%	9.4%	3.1%	6.8%	3.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Average beds available	540	540	518	258	258	234
Average occupancy	81.5%	84.6%	87.8%	76.5%	80.3%	86.5%

⁽¹⁾ Includes Medi-Cal Managed Care

* Provision for uncollectible accounts (bad debts) is re-allocated from Revenue to Administrative Services due to a change in accounting principles. These percentages exclude bad debts.



Management's Discussion
Quarter ended June 30

Unaudited Results of Operations ⁽¹⁾ – Consolidated: Q1 FY19 Compared to Q1 FY18

Residential Living occupancy declined from 95.4% for Q1 FY18 to 93.1% for Q1 FY19 with Fredericka Manor and Claremont Manor experiencing the largest declines. Wesley Palms while undergoing a major renovation managed to increase their residential living occupancy from 76.5% for Q1 FY18 to 83.2% for Q1 FY19 as 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 declined from 96.9% for Q1 FY18 to 92.7% for Q1 FY19 primarily due to 15 new units coming online in June 2018 at Fredericka Manor.

Care Center occupancy increased from 84.6% for Q1 FY18 to 87.8% for Q1 FY19 as five of our eight care centers improved over prior year led by Villa Gardens Care Center. Note: the Vista del Monte Care Center was closed at the end of FY18. Changes in Care Center payor mix reflect declining revenue in Private pay and Medicare while Medi-Cal and Managed Care revenue continue to increase. Average available beds decreased from 540 in Q1 FY18 to 518 in Q1 FY19 due to the closure of the Vista del Monte Care Center.

Resident patient service revenue increased from \$47.2M for Q1 FY18 to \$48.9M for Q1 FY19, a 3.6% improvement. Amortization of entrance fees decreased from \$2.3M for Q1 FY18 to \$2.2M for Q1 FY19, a 4.0% decrease. Total unrestricted revenues, gains and other support improved from \$49.8M for Q1 FY18 to \$51.3M for Q1 FY19, a 3.0% increase.

Total operating expenses increased from \$49.6M for Q1 FY18 to \$51.0M for Q1 FY19, a 2.9% increase. Operating income improved from \$196K for Q1 FY18 to \$273K for Q1 FY19.



**Management's Discussion
Three Months Ended June 30**

Balance sheet and cash flow – Consolidated: June 30, 2018 Compared to June 30, 2017

Total assets increased from \$701.3M at June 30, 2017 to \$710.2M at June 30, 2018. Cash and cash equivalent plus short term investments decreased from \$46.2M at June 30, 2017 to \$18.5M at June 30, 2018. Long term investments grew from \$256.3M at June 30, 2017 to \$285.8M at June 30, 2018. Property and Equipment, Net increased from \$325.7M at June 30, 2017 to \$350.9M at June 30, 2018 reflecting continued capital improvements including the redevelopment at Wesley Palms. Long term debt declined from \$289.1M at June 30, 2017 to \$277.1M at June 30, 2018, reflecting the debt restructuring completed in Q2 FY18. Net assets increased from \$239.3M at June 30, 2017 to \$256.0M at June 30, 2018, driven primarily by strong investment income.

Cash provided by operating activities increased from \$7.2M at June 30, 2017 to \$7.8M at June 30, 2018. Capital expenditures decreased from \$15.3M at June 30, 2017 to \$12.4M at June 30, 2018. Cash and cash equivalents decreased from \$16.3M at June 30, 2017 to \$13.0M at June 30, 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.

- ❖ Accounting for Leases – The Corporation is currently evaluating the impact that Accounting Standards Update 2016-02, Leases will have on the consolidated financial statements and the fiscal year in which the Corporation will implement the new standard which is required to be adopted in the Corporation’s fiscal year 2020. When the standard is adopted it is expected to have a material impact on the consolidated financial statements due to the recognition of additional assets and liabilities for operating leases.