



800 n. brand blvd
19th floor
glendale, ca 91203
tel 818 254 4100
fax 818 254 4101

May 14, 2019

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 March 31, 2019, 2018, and 2017. 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, 2019, 2018, and 2017.

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 & Twelve Months Ended March 31, 2019
(Unaudited)



Statements of Operations
Quarter ended March 31
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	<u>Consolidated</u>			<u>Obligated Group</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Unrestricted Revenues, Gains and Other Support						
Resident and net patient service revenue less provision for uncollectible accounts ⁽¹⁾	46,306	47,699	50,118	26,161	26,925	27,769
Amortization of entrance fees	3,117	2,616	2,667	3,115	2,616	2,666
Other	246	590	103	1,402	1,775	1,350
Net assets released from restriction used for operations	354	385	555	342	365	533
Total unrestricted revenues, gains and other support	50,023	51,290	53,443	31,020	31,681	32,318
Expenses						
Medical services	12,436	12,738	12,979	7,278	7,179	7,111
Communities operating costs	4,912	5,021	5,189	2,850	2,961	3,014
Dietary services	7,450	7,901	8,226	4,335	4,580	4,806
Residential services	4,064	4,286	4,454	2,530	2,622	2,632
Administrative services	9,803	8,783	10,832	8,561	8,134	9,369
Depreciation	6,353	6,970	7,627	4,104	4,795	5,317
Amortization of deferred costs	339	291	289	286	239	236
Interest expense and other financing costs	2,470	1,921	2,261	1,376	905	1,360
Other	159	447	269	160	306	113
Total Expenses	47,986	48,358	52,126	31,480	31,721	33,958
Operating Income (Loss) Before Other Operating Charges	2,037	2,932	1,317	(460)	(40)	(1,640)
Other Operating Charges						
Asset Impairment - Wesley Palms	-	(111)	-	-	(111)	-
Operating Income (Loss)	2,037	2,821	1,317	(460)	(151)	(1,640)
Other Income						
Investment return	13,106	(5,817)	32,410	13,104	(5,821)	32,403
Loss on extinguishment of debt	-	954	-	-	954	-
Total other income	13,106	(4,863)	32,410	13,104	(4,867)	32,403
Excess of Revenue Over Expenses	15,143	(2,042)	33,727	12,644	(5,018)	30,763
Contribution from/to affiliates	-	-	-	90	(309)	1,961
Net assets released from restriction for purchase of property and equipment	83	95	67	14	37	(20)
Increase in Net Assets without donor restriction	\$ 15,226	\$ (1,947)	\$ 33,794	\$ 12,748	\$ (5,290)	\$ 32,704

⁽¹⁾ Provision for uncollectible accounts has been re-instated to reflect a reduction to revenue. In Q1, provision for uncollectible accounts had been reflected as an expense. After careful examination of the new accounting principles it was determined there would be no material change.



Statements of Operations
Twelve Months Ended March 31
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	<u>Consolidated</u>			<u>Obligated Group</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Unrestricted Revenues, Gains and Other Support						
Resident and net patient service revenue less provision for uncollectible accounts ⁽¹⁾	183,813	189,991	197,218	103,904	106,503	109,822
Amortization of entrance fees	10,103	9,437	9,421	10,095	9,425	9,417
Other	683	1,147	1,291	5,261	5,911	5,863
Net assets released from restriction used for operations	841	915	1,037	806	878	990
Total unrestricted revenues, gains and other support	195,440	201,490	208,967	120,066	122,717	126,092
Expenses						
Medical services	47,612	50,748	51,112	27,584	28,640	28,026
Communities operating costs	19,141	20,116	20,975	11,328	11,851	12,321
Dietary services	29,486	31,695	32,873	17,152	18,332	19,291
Residential services	15,920	16,928	17,619	9,618	10,244	10,690
Administrative services	42,521	41,518	42,689	33,234	32,533	32,355
Depreciation	24,641	26,499	29,250	15,897	17,676	20,107
Amortization of deferred costs	1,362	1,218	1,154	1,147	1,008	944
Interest expense and other financing costs	9,786	9,406	9,440	5,363	5,158	5,390
Other	2,087	2,125	2,064	1,676	1,560	1,435
Total Expenses	192,556	200,253	207,176	122,999	127,002	130,559
Operating Income (Loss) Before Other Operating Charges	2,884	1,237	1,791	(2,933)	(4,285)	(4,467)
Other Operating Charges						
Asset Impairment - Wesley Palms	(356)	(483)	(53)	(356)	(483)	(53)
Operating Income (Loss)	2,528	754	1,738	(3,289)	(4,768)	(4,520)
Other Income						
Investment return	20,546	19,689	12,159	20,535	19,672	12,134
Loss on extinguishment of debt	-	(2,937)	-	-	(2,937)	-
Total other income	20,546	16,752	12,159	20,535	16,735	12,134
Excess of Revenue Over Expenses	23,074	17,506	13,897	17,246	11,967	7,614
Contribution from/to affiliates	-	-	-	6,613	(310)	1,961
Net assets released from restriction for purchase of property and equipment	244	217	464	41	112	378
Increase in Net Assets without donor restriction	\$ 23,318	\$ 17,723	\$ 14,361	\$ 23,900	\$ 11,769	\$ 9,953

⁽¹⁾ Provision for uncollectible accounts has been re-instated to reflect a reduction to revenue. In Q1, provision for uncollectible accounts had been reflected as an expense. After careful examination of the new accounting principles it was determined there would be no material change.



Balance Sheets

At March 31

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	Consolidated			Obligated Group		
	2017	2018	2019	2017	2018	2019
Assets						
Current Assets						
Cash and cash equivalents	\$16,317	\$13,025	\$10,865	\$11,837	\$6,543	\$10,124
Short-term investments	11,330	10,820	9,521	11,330	10,820	9,521
Assets limited as to use - required for current liabilities	12,619	9,550	11,030	10,616	8,371	9,995
Patient accounts receivable, net	9,866	10,734	8,791	6,609	7,272	5,022
Prepaid expenses and other	2,473	2,442	2,723	1,893	1,898	2,176
Intercompany receivables	-	-	-	330	3,319	420
Total current assets	52,605	46,571	42,930	42,615	38,223	37,258
Investments						
Assets limited as to use, net of current portion	15,923	4,015	3,759	12,027	118	-
Long-term investments	272,720	279,581	296,307	272,720	279,581	296,307
Derivative instruments	5,130	265	59	5,130	265	59
Total investments	293,773	283,861	300,125	289,877	279,964	296,366
Property and Equipment, Net	324,740	346,728	363,821	255,082	273,452	286,766
Other Assets						
Interest in net assets of Pacific Homes Foundation	11,618	12,332	12,328	11,618	12,332	12,328
Receivables from supporting organizations	11,644	11,813	12,611	11,644	11,813	12,611
Other receivables	1,822	1,738	1,582	1,822	1,738	1,582
Deferred costs, net	1,328	664	-	1,328	664	-
Other assets	623	414	739	209	-	325
Total other assets	27,035	26,961	27,260	26,621	26,547	26,846
Total assets	\$698,153	\$704,121	\$734,136	\$614,195	\$618,186	\$647,236
Liabilities and Net Assets						
Current Liabilities						
Current maturities of long-term debt	\$6,111	\$3,178	\$3,903	\$3,040	-	765
Account payable	8,234	6,987	7,864	6,367	5,173	6,304
Accrued payroll and related expenses	12,713	12,475	14,169	8,661	8,521	10,252
Accrued interest	3,601	3,138	2,563	3,304	2,849	2,283
Other accrued expenses	12,412	14,315	13,202	11,460	13,965	12,478
Total current liabilities	43,071	40,093	41,701	32,832	30,508	32,082
Asset retirement obligations	2,210	2,147	2,124	235	243	220
Accrued workers compensation	9,449	8,716	8,393	6,173	5,837	5,851
Other accrued liabilities	17,629	21,037	23,354	14,363	17,646	19,814
Deferred interest - forward sale agreements	1,232	-	-	1,232	-	-
Refundable entrance fees	71,503	71,076	71,869	71,503	70,493	71,642
Deferred revenue from entrance fees	36,143	37,639	39,638	35,524	37,615	39,619
Long-term debt	286,325	274,224	282,859	180,535	171,402	182,967
Total liabilities	467,562	454,932	469,938	342,397	333,744	352,195
Net Assets:						
Without donor restriction ⁽¹⁾	207,743	225,466	239,828	248,950	260,719	270,671
With donor restriction ⁽¹⁾	22,848	23,723	24,370	22,848	23,723	24,370
Total net assets	230,591	249,189	264,198	271,798	284,442	295,041
Total liabilities and net assets	\$698,153	\$704,121	\$734,136	\$614,195	\$618,186	\$647,236

(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 March 31
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	<u>Consolidated</u>			<u>Obligated Group</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Net Assets without Donor Restriction⁽¹⁾						
Excess of revenues over expenses	\$15,143	\$ (2,042)	\$33,727	\$12,644	\$ (5,018)	\$30,763
Contributions to affiliates	-	-	-	90	(309)	1,961
Net assets released from restriction used for purchase of property and equipment	83	95	67	14	37	(20)
Increase in Net Assets without Donor Restriction	<u>15,226</u>	<u>(1,947)</u>	<u>33,794</u>	<u>12,748</u>	<u>(5,290)</u>	<u>32,704</u>
Net Assets with Donor Restriction⁽¹⁾						
Contributions received and investment income	410	234	1,965	336	163	1,862
Change in interest in net assets of Pacific Home Foundation	1,385	769	(4)	1,385	769	(4)
Net assets released from restriction for operations	(354)	(385)	(555)	(342)	(365)	(533)
Net assets released from restriction used for purchase of property and equipment	(83)	(95)	(67)	(14)	(37)	20
Change in value of trust	528	75	-	528	75	-
Increase (decrease) in Net Assets with Donor Restriction	<u>1,886</u>	<u>598</u>	<u>1,339</u>	<u>1,893</u>	<u>605</u>	<u>1,345</u>
Change in Net Assets	17,112	(1,349)	35,133	14,641	(4,685)	34,049
Net Assets, Beginning of Year	213,479	250,538	229,065	257,157	289,127	260,992
Net Assets, End of Year	<u>\$230,591</u>	<u>\$249,189</u>	<u>\$264,198</u>	<u>\$271,798</u>	<u>\$284,442</u>	<u>\$295,041</u>

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



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

	<u>Consolidated</u>			<u>Obligated Group</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Net Assets without Donor Restriction⁽¹⁾						
Excess of revenues over expenses	\$23,074	\$17,506	\$13,897	\$17,246	\$11,967	\$7,614
Contributions to affiliates	-	-	-	6,613	(310)	1,961
Net assets released from restriction used for purchase of property and equipment	244	217	464	41	112	378
Increase in Net Assets without Donor Restriction	<u>23,318</u>	<u>17,723</u>	<u>14,361</u>	<u>23,900</u>	<u>11,769</u>	<u>9,953</u>
Net Assets with Donor Restriction⁽¹⁾						
Contributions received and investment income	1,459	1,163	2,153	1,221	1,021	2,018
Change in interest in net assets of Pacific Home Foundation	1,385	769	(4)	1,385	769	(4)
Net assets released from restriction for operations	(841)	(915)	(1,037)	(806)	(878)	(990)
Net assets released from restriction used for purchase of property and equipment	(244)	(217)	(464)	(41)	(112)	(378)
Change in value of trust	528	75	-	528	75	-
Increase (decrease) in Net Assets with Donor Restriction	<u>2,287</u>	<u>875</u>	<u>648</u>	<u>2,287</u>	<u>875</u>	<u>646</u>
Change in Net Assets	25,605	18,598	15,009	26,187	12,644	10,599
Net Assets, Beginning of Year	204,986	230,591	249,189	245,611	271,798	284,442
Net Assets, End of Year	<u>\$230,591</u>	<u>\$249,189</u>	<u>\$264,198</u>	<u>\$271,798</u>	<u>\$284,442</u>	<u>\$295,041</u>

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



Statements of Cash Flows
Twelve Months Ended March 31
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	<u>Consolidated</u>			<u>Obligated Group</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Operating Activities						
Cash received from contract residents	\$46,172	\$42,464	\$41,796	\$45,910	\$42,269	\$41,634
Proceeds from entrance fees received	25,490	21,048	26,313	25,490	21,048	26,313
Cash received from and on behalf of noncontract residents	135,044	145,011	152,604	55,799	63,869	67,673
Reimbursement for services to nonresidents	3,748	3,264	3,060	1,003	1,318	1,064
Other receipts from operations	683	1,148	1,291	5,261	5,911	5,863
Unrestricted investment income received	6,897	8,565	7,941	6,887	8,547	7,917
Processing fees	60	76	81	60	76	81
Proceeds from forward sale						
Cash paid to suppliers, employees and others	(156,908)	(164,227)	(169,064)	(99,621)	(105,999)	(104,097)
Cash paid for interest on long-term debt, net of amounts capitalized	(9,669)	(10,065)	(10,316)	(5,303)	(5,824)	(6,310)
Net cash provided by operating activities	<u>51,517</u>	<u>47,284</u>	<u>53,706</u>	<u>35,486</u>	<u>31,215</u>	<u>40,138</u>
Investing Activities						
Capital expenditures	(47,257)	(49,390)	(46,411)	(38,885)	(37,466)	(32,487)
Proceeds from sale of trading investments	131,701	166,801	143,077	131,701	166,801	143,077
Purchase of trading investments	(151,763)	(165,574)	(152,232)	(151,763)	(165,574)	(152,232)
Purchase of assets limited as to use	(2,837)	(3,277)	(3,270)	(1,512)	(2,944)	(2,745)
Proceeds from sale of assets limited as to use	2,184	18,254	2,056	742	17,098	1,249
Proceeds from termination of derivative financial instrument		7,130			7,130	-
Advances to Brookmore Apartment Corporation	(209)	209	(325)	(209)	209	(325)
Net cash used in investing activities	<u>(68,181)</u>	<u>(25,847)</u>	<u>(57,105)</u>	<u>(59,926)</u>	<u>(14,746)</u>	<u>(43,463)</u>
Financing Activities						
Refunds of entrance fees	(6,112)	(8,533)	(8,454)	(6,113)	(8,533)	(8,098)
Principal payments on long-term debt	(5,887)	(5,506)	(4,196)	(2,920)	(2,435)	(1,017)
Principal payments on refinancing of long-term debt	-	(138,460)	-	-	(138,460)	-
Proceeds from Series 2015 debt issuance	24,830	20,993	5,600	24,830	20,993	5,600
Proceeds from Series 2017A and 2017B debt issuance	-	108,441	7,827	-	108,441	7,827
Costs of issuance of Series 2017A and 2017B bond financing	-	(1,881)	-	-	(1,881)	-
Contributions from (to) affiliate	-	-	-	6,890	-	2,218
Proceeds from restricted contributions	244	217	462	41	112	376
Net cash used in financing activities	<u>13,075</u>	<u>(24,729)</u>	<u>1,239</u>	<u>22,728</u>	<u>(21,763)</u>	<u>6,906</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>(3,589)</u>	<u>(3,292)</u>	<u>(2,160)</u>	<u>(1,712)</u>	<u>(5,294)</u>	<u>3,581</u>
Cash and Cash Equivalents, Beginning 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>
Cash and Cash Equivalents, End of Year	<u>\$16,317</u>	<u>\$13,025</u>	<u>\$10,865</u>	<u>\$11,837</u>	<u>\$6,543</u>	<u>\$10,124</u>
Supplemental Cash Flows Information						
Property and equipment purchase included in accounts payable and other accrued expenses	5,860	5,429	5,414	3,514	4,388	4,146
Entrance fees included in accounts receivable	1,355	3,050	1,488	1,355	3,050	1,488



Average Available Units / Beds
Quarter Ended March 31, 2019

<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	158	**	33	191
Cecil Pines	Jacksonville, FL	Rental	92	**	**	92
England Oaks	Alexandria, LA	Rental	181	**	**	181
Sunny View	Cupertino, CA	CCRC	94	22	48	164
Villa Gardens	Pasadena, CA	CCRC	190	17	54	261
Vista del Monte	Santa Barbara, CA	CCRC	167	10	**	177
Walnut Village	Anaheim, CA	CCRC	156	14	99	269
Wesley Palms	San Diego, CA	Rental	260	22	**	282
Subtotal			1,298	85	234	1,617
<i>Non-Obligated Group Communities</i>						
Casa de Manana	La Jolla, CA	Rental	188	**	**	188
Claremont Manor	Claremont, CA	Rental	220	10	59	289
Fredericka Manor	Chula Vista, CA	Rental	280	21	174	475
Kingsley Manor	Los Angeles, CA	Rental	218	**	51	269
Subtotal			906	31	284	1,221
Total All Communities			2,204	116	518	2,838

** Not applicable



Average Available Units / Beds
Twelve Months Ended March 31, 2019

<u>Community Name</u>	<u>City</u>	<u>Type</u>	<u>Residential Living</u>	<u>Memory Care</u>	<u>Care Centers</u>	<u>Total 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	180	**	**	180
Sunny View	Cupertino, CA	CCRC	93	22	48	163
Villa Gardens	Pasadena, CA	CCRC	191	18	54	263
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	241	22	**	263
Subtotal			1,280	86	234	1,600
<i>Non-Obligated Group Communities</i>						
Casa de Manana	La Jolla, CA	Rental	188	**	**	188
Claremont Manor	Claremont, CA	Rental	217	10	59	286
Fredericka Manor	Chula Vista, CA	Rental	284	14	174	472
Kingsley Manor	Los Angeles, CA	Rental	219	**	51	270
Subtotal			908	24	284	1,216
Total All Communities			2,188	110	518	2,816

** Not applicable



Historical Average Occupancy Quarter Ended March 31

Community Name	2017			2018			2019		
	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	98.1%	**	94.8%	97.9%	**	91.8%	97.7%	**	90.0%
Cecil Pines	99.7%	**	**	99.7%	**	**	99.7%	**	**
England Oaks	93.9%	**	**	92.8%	**	**	86.7%	**	**
Sunny View	97.6%	97.0%	94.4%	97.2%	97.0%	85.4%	97.1%	91.0%	92.3%
Villa Gardens	99.1%	98.4%	68.0%	99.7%	97.9%	84.6%	99.5%	98.2%	90.7%
Vista del Monte	95.3%	100.0%	70.0%	85.6%	100.0%	13.8%	92.2%	83.0%	**
Walnut Village	95.3%	100.0%	96.1%	96.6%	100.0%	95.4%	97.0%	100.0%	91.6%
Wesley Palms	76.5%	95.5%	**	84.5%	95.5%	**	81.5%	98.6%	**
Subtotal	93.6%	97.7%	86.8%	93.5%	97.6%	81.7%	92.5%	95.0%	91.3%
<i>Non-Obligated Group Communities</i>									
Casa de Manana	97.1%	**	**	98.2%	**	**	98.1%	**	**
Claremont Manor	92.9%	97.0%	81.4%	92.5%	97.0%	83.1%	93.9%	94.2%	80.8%
Fredericka Manor	91.0%	**	92.8%	89.4%	**	89.4%	83.5%	92.5%	94.1%
Kingsley Manor	99.1%	**	84.9%	99.2%	**	91.6%	99.7%	**	84.9%
Subtotal	94.7%	97.0%	89.0%	94.3%	97.0%	88.4%	92.9%	93.0%	89.7%
All Communities	94.0%	97.6%	87.9%	93.8%	97.5%	85.2%	92.7%	94.4%	90.4%

** Not applicable



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

Community Name	2017			2018			2019		
	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	98.0%	**	91.8%	97.2%	**	90.6%	97.3%	**	88.8%
Cecil Pines	99.6%	**	**	99.8%	**	**	99.8%	**	**
England Oaks	95.2%	**	**	94.0%	**	**	89.1%	**	**
Sunny View	98.4%	97.8%	91.3%	97.7%	99.1%	86.0%	97.6%	91.0%	85.8%
Villa Gardens	98.9%	96.3%	65.7%	98.6%	97.9%	74.1%	98.1%	97.8%	85.6%
Vista del Monte	95.7%	95.0%	75.2%	87.8%	97.0%	57.9%	89.7%	93.0%	**
Walnut Village	95.7%	93.6%	88.6%	96.3%	100.0%	89.7%	97.8%	100.0%	89.1%
Wesley Palms	82.7%	97.7%	**	79.8%	97.7%	**	82.7%	96.8%	**
Subtotal	94.9%	96.5%	83.2%	92.9%	98.4%	82.3%	92.8%	95.6%	87.6%
<i>Non-Obligated Group Communities</i>									
Casa de Manana	97.8%	**	**	97.4%	**	**	97.8%	**	**
Claremont Manor	91.7%	99.0%	81.9%	94.0%	94.0%	85.6%	92.4%	87.1%	81.5%
Fredericka Manor	91.6%	**	92.0%	90.6%	**	91.9%	83.6%	81.4%	93.3%
Kingsley Manor	99.1%	**	79.0%	99.2%	**	85.9%	99.4%	**	87.8%
Subtotal	94.7%	99.0%	87.5%	94.9%	94.0%	89.5%	92.5%	84.2%	89.9%
All Communities	94.8%	96.8%	85.5%	93.7%	98.0%	86.1%	92.6%	93.1%	88.8%

** Not applicable



Care Center Payor Mix and Occupancy
Quarter ended March 31

<u>Payor</u>	<u>Consolidated</u>			<u>Obligated Group</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Private Pay	23.9%	21.2%	23.1%	32.2%	27.8%	30.7%
Medi-Cal ⁽¹⁾	41.1%	43.7%	45.7%	29.7%	32.5%	34.2%
Medicare	27.2%	25.8%	22.1%	31.4%	33.7%	29.1%
Managed Care	7.8%	9.3%	9.1%	6.7%	6.0%	6.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Average beds available	540	540	518	258	258	234
Average occupancy	87.9%	85.2%	90.4%	86.8%	81.7%	91.3%

⁽¹⁾ Includes Medi-Cal Managed Care

* Provision for uncollectible accounts has been re-instated to reflect a reduction to revenue. In Q1, provision for uncollectible accounts had been reflected as an expense. After careful examination of the new accounting principles it was determined there would be no material change.



Care Center Payor Mix and Occupancy
Twelve Months Ended March 31

<u>Payor</u>	<u>Consolidated</u>			<u>Obligated Group</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Private Pay	28.2%	24.6%	23.6%	37.1%	33.3%	31.2%
Medi-Cal ⁽¹⁾	38.4%	41.6%	44.5%	26.2%	29.9%	34.2%
Medicare	25.8%	25.6%	23.0%	31.1%	31.6%	29.8%
Managed Care	7.6%	8.2%	8.9%	5.6%	5.2%	4.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Average beds available	540	540	518	258	258	234
Average occupancy	85.5%	86.1%	88.8%	83.2%	82.3%	87.6%

⁽¹⁾ Includes Medi-Cal Managed Care

* Provision for uncollectible accounts has been re-instated to reflect a reduction to revenue. In Q1, provision for uncollectible accounts had been reflected as an expense. After careful examination of the new accounting principles it was determined there would be no material change.



Management's Discussion
Quarter ended March 31

Unaudited Results of Operations ⁽¹⁾ – Consolidated: Q4 FY19 compared to Q4 FY18

Residential Living occupancy declined from 93.8% for Q4 FY18 to 92.7% for Q4 FY19 with Fredericka Manor and England Oaks experiencing the largest declines. Wesley Palms residential living occupancy decreased from 84.5% for Q4 FY18 to 81.5% for Q4 FY19 as the fill up rate to occupy newly completed units has taken longer than expected. 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 October 2019.

Summer House[®] occupancy declined from 97.5% for Q4 FY18 to 94.4% for Q4 FY19 with Sunny View Manor and Vista del Monte experiencing the largest declines. Partially offsetting this decrease are the new units added at Fredericka Manor in Q4 FY19.

Care Center occupancy increased from 85.2% for Q4 FY18 to 90.4% for Q4 FY19 as Sunny View, Villa Gardens and Fredericka Manor experienced the largest improvements. Note: Vista del Monte Care Center was closed at the end of FY18. Changes in Care Center payor mix reflect improvement in Private Pay and Medi-Cal while Medicare, and Managed Care revenues declined. Average available beds decreased from 540 in Q4 FY18 to 518 in Q4 FY19 due to the closure of the Vista del Monte Care Center.

Resident and net patient service revenue less provision for uncollectible accounts increased from \$47.7M for Q4 FY18 to \$50.1M for Q4 FY19, a 5.1% improvement. Amortization of entrance fees increased slightly from \$2.6M for Q4 FY18 to \$2.7M for Q4 FY19, a 1.9% increase. Total unrestricted revenues, gains and other support improved from \$51.3M for Q4 FY18 to \$53.4M for Q4 FY19, a 4.2% increase.

Total operating expenses increased from \$48.4M for Q4 FY18 to \$52.1M for Q4 FY19, a 7.8% increase. Operating income decreased from \$2.8M for Q4 FY18 to \$1.3M for Q4 FY19.



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

**Unaudited Results of Operations ⁽¹⁾ – Consolidated: Twelve Months Ended March 31, 2019
Compared to Twelve Months Ended March 31, 2018**

Residential Living occupancy declined from 93.7% for FY18 to 92.6% for FY19 primarily due to declining occupancy at Fredericka Manor and England Oaks. Wesley Palms while undergoing a major renovation managed to increase their residential living occupancy from 79.8% for FY18 to 82.7% for 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 October 2019.

Summer House[®] occupancy declined from 98.0% for FY18 to 93.1% for FY19 primarily due to declining occupancy at Sunny View and Claremont Manor. Partially offsetting this decrease are the new units added at Fredericka Manor in FY19.

Care Center occupancy improved from 86.1% for FY18 to 88.8% for FY19 with Villa Gardens experiencing the biggest improvement. Note: the Vista del Monte Care Center was closed at the end of FY18. Changes in Care Center payor mix reflect increasing revenues in Medi-Cal and Managed Care while revenues decline in Private pay and Medicare. Average available beds decreased from 540 in FY18 to 518 in FY19 due to the closure of the Vista del Monte Care Center.

Resident and net patient service revenue less provision for uncollectible accounts increased from \$190.0M for FY18 to \$197.2M for FY19, a 3.8% improvement. Amortization of entrance fees remained stable at \$9.4M for FY18 and FY19. Total unrestricted revenues, gains and other support improved from \$201.5M for FY18 to \$209.0M for FY19, a 3.7% increase.

Total operating expenses increased from \$200.3M for FY18 to \$207.2M for FY19, a 3.5% increase. Operating income improved from \$0.8M for FY18 to \$1.7M for FY19.



Management's Discussion
Twelve Months Ended March 31

Balance sheet and cash flow – Consolidated: March 31, 2019 Compared to March 31, 2018

Total assets increased from \$704.1M at March 31, 2018 to \$734.1M at March 31, 2019. Cash and cash equivalents plus short term investments decreased from \$23.8M at March 31, 2018 to \$20.4M at March 31, 2019. Long term investments increased from \$279.6M at March 31, 2018 to \$296.3M at March 31, 2019. Property and Equipment, Net increased from \$346.7M at March 31, 2018 to \$363.8M at March 31, 2019 reflecting continued capital investment at our communities including the redevelopment at Wesley Palms. Long term debt increased from \$274.2M at March 31, 2018 to \$282.9M at March 31, 2019 as a result of continuing to draw down from the \$21.5M Series 2017B debt for Wesley Palms. Net assets increased from \$249.2M at March 31, 2018 to \$264.2M at March 31, 2019.

Cash provided by operating activities increased from \$47.3M at March 31, 2018 to \$53.7M at March 31, 2019. Net entrance fees increased from \$12.5M at March 31, 2018 to \$17.9M at March 31, 2019. Capital expenditures decreased from \$49.4M at March 31, 2018 to \$46.4M at March 31, 2019. Cash and cash equivalents decreased from \$13.0M at March 31, 2018 to \$10.9M at March 31, 2019.

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.