



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

August 12, 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 June 30, 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 June 30, 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 & Three Months Ended June 30, 2019**  
**(Unaudited)**



**Statements of Operations**  
**Quarter ended June 30**  
*000's*

	<b>Consolidated</b>			<b>Obligated Group</b>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Revenues, Gains and Other Support Without Donor Restrictions</b>						
Resident and patient service revenue	46,907	48,754	51,584	26,241	27,143	29,056
Amortization of entrance fees	2,258	2,167	2,543	2,256	2,166	2,543
Other	137	50	70	1,317	1,279	1,567
Net assets released from restrictions used for operations	171	131	134	160	123	122
<b>Total revenues, gains and other support without donor restrictions</b>	<b>49,473</b>	<b>51,102</b>	<b>54,331</b>	<b>29,974</b>	<b>30,711</b>	<b>33,288</b>
<b>Expenses</b>						
Medical services	12,402	12,435	13,141	7,001	6,839	7,152
Communities operating costs	4,804	4,873	5,038	2,815	2,902	2,969
Dietary services	7,778	7,892	8,558	4,410	4,657	4,989
Residential services	4,061	4,269	4,486	2,434	2,635	2,648
Administrative services	10,503	11,292	11,178	7,685	8,311	8,310
Depreciation	6,267	6,928	7,465	4,075	4,714	5,215
Amortization of deferred costs	338	289	124	286	236	72
Interest expense and other financing costs	2,485	2,252	2,471	1,404	1,194	1,434
Other	637	599	479	490	442	291
<b>Total Expenses</b>	<b>49,275</b>	<b>50,829</b>	<b>52,940</b>	<b>30,600</b>	<b>31,930</b>	<b>33,080</b>
<b>Operating Income (Loss)</b>	<b>198</b>	<b>273</b>	<b>1,391</b>	<b>(626)</b>	<b>(1,219)</b>	<b>208</b>
<b>Other Income</b>						
Investment return, net	8,659	6,198	8,018	8,655	6,193	8,008
Total other income (expense)	8,659	6,198	8,018	8,655	6,193	8,008
<b>Excess of Revenues Over Expenses</b>	<b>8,857</b>	<b>6,471</b>	<b>9,409</b>	<b>8,029</b>	<b>4,974</b>	<b>8,216</b>
Net Assets Released from Restrictions Used for Purchase of Property and Equipment	41	123	45	-	123	20
<b>Increase in Net Assets Without Donor Restrictions</b>	<b>\$ 8,898</b>	<b>\$ 6,594</b>	<b>\$ 9,454</b>	<b>\$ 8,029</b>	<b>\$ 5,097</b>	<b>\$ 8,236</b>



**Statements of Operations**  
**Three Months Ended June 30**  
*000's*

	<b>Consolidated</b>			<b>Obligated Group</b>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Revenues, Gains and Other Support Without Donor Restrictions</b>						
Resident and patient service revenue	46,907	48,754	51,584	26,241	27,143	29,056
Amortization of entrance fees	2,258	2,167	2,543	2,256	2,166	2,543
Other	137	50	70	1,317	1,279	1,567
Net assets released from restrictions used for operations	171	131	134	160	123	122
<b>Total revenues, gains and other support without donor restrictions</b>	<b>49,473</b>	<b>51,102</b>	<b>54,331</b>	<b>29,974</b>	<b>30,711</b>	<b>33,288</b>
<b>Expenses</b>						
Medical services	12,402	12,435	13,141	7,001	6,839	7,152
Communities operating costs	4,804	4,873	5,038	2,815	2,902	2,969
Dietary services	7,778	7,892	8,558	4,410	4,657	4,989
Residential services	4,061	4,269	4,486	2,434	2,635	2,648
Administrative services	10,503	11,292	11,178	7,685	8,311	8,310
Depreciation	6,267	6,928	7,465	4,075	4,714	5,215
Amortization of deferred costs	338	289	124	286	236	72
Interest expense and other financing costs	2,485	2,252	2,471	1,404	1,194	1,434
Other	637	599	479	490	442	291
<b>Total Expenses</b>	<b>49,275</b>	<b>50,829</b>	<b>52,940</b>	<b>30,600</b>	<b>31,930</b>	<b>33,080</b>
<b>Operating Income (Loss)</b>	<b>198</b>	<b>273</b>	<b>1,391</b>	<b>(626)</b>	<b>(1,219)</b>	<b>208</b>
<b>Other Income</b>						
Investment return, net	8,659	6,198	8,018	8,655	6,193	8,008
Total other income (expense)	8,659	6,198	8,018	8,655	6,193	8,008
<b>Excess of Revenues Over Expenses</b>	<b>8,857</b>	<b>6,471</b>	<b>9,409</b>	<b>8,029</b>	<b>4,974</b>	<b>8,216</b>
Net Assets Released from Restrictions Used for Purchase of Property and Equipment	41	123	45	-	123	20
<b>Increase in Net Assets Without Donor Restrictions</b>	<b>\$ 8,898</b>	<b>\$ 6,594</b>	<b>\$ 9,454</b>	<b>\$ 8,029</b>	<b>\$ 5,097</b>	<b>\$ 8,236</b>



## Balance Sheets

At June 30

000's

	Consolidated			Obligated Group		
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$7,784	\$7,735	\$5,415	\$4,073	\$5,174	\$4,229
Short-term investments	38,440	10,733	8,493	38,440	10,733	8,493
Assets limited as to use - required for current liabilities	8,511	7,910	8,448	7,662	7,085	7,654
Resident and patient accounts receivable	10,188	9,804	8,664	8,806	6,434	5,160
Prepaid expenses and other	5,012	4,231	4,797	2,213	3,555	4,050
Intercompany receivables	-	-	-	44	1,303	1,257
Total current assets	<u>69,935</u>	<u>40,413</u>	<u>35,817</u>	<u>61,238</u>	<u>34,284</u>	<u>30,843</u>
<b>Investments</b>						
Assets limited as to use, net of current portion	16,218	5,713	4,022	12,061	1,526	1
Long-term investments	256,325	285,825	305,191	256,325	285,825	305,191
Derivative instruments	5,874	237	36	5,874	237	36
Total investments	<u>278,417</u>	<u>291,775</u>	<u>309,249</u>	<u>274,260</u>	<u>287,588</u>	<u>305,228</u>
<b>Property and Equipment, Net</b>	<b>329,439</b>	<b>350,897</b>	<b>365,149</b>	<b>259,865</b>	<b>276,608</b>	<b>287,837</b>
<b>Other Assets</b>						
Interest in net assets of Pacific Homes Foundation	11,618	12,332	12,649	11,618	12,332	12,649
Receivables from supporting organizations	11,653	12,149	12,984	11,653	12,149	12,984
Other receivables	1,822	1,738	1,582	1,822	1,738	1,582
Deferred costs, net	1,162	498	-	1,162	498	-
Other assets	1,013	414	814	600	-	400
Total other assets	<u>27,268</u>	<u>27,131</u>	<u>28,029</u>	<u>26,855</u>	<u>26,717</u>	<u>27,615</u>
<b>Total assets</b>	<b><u>\$705,059</u></b>	<b><u>\$710,216</u></b>	<b><u>\$738,244</u></b>	<b><u>\$622,218</u></b>	<b><u>\$625,197</u></b>	<b><u>\$651,523</u></b>
<b>Liabilities and Net Assets</b>						
<b>Current Liabilities</b>						
Current maturities of long-term debt	\$5,643	\$3,143	\$5,134	\$2,550	\$0	2,034
Account payable	4,619	4,150	4,382	3,397	3,250	3,140
Accrued payroll and related expenses	12,331	12,023	12,263	8,326	8,452	8,516
Intercompany payables	-	-	-	-	-	-
Accrued interest	2,226	1,688	1,450	1,930	1,401	1,173
Other accrued expenses	11,360	13,322	12,816	11,044	12,955	12,232
Total current liabilities	<u>36,179</u>	<u>34,326</u>	<u>36,045</u>	<u>27,247</u>	<u>26,058</u>	<u>27,095</u>
Asset retirement obligations	2,218	2,141	2,149	237	234	223
Accrued workers compensation	9,450	8,716	8,393	6,173	5,837	5,851
Other accrued liabilities	17,077	21,235	24,002	13,773	17,899	20,499
Deferred interest - forward sale agreements	1,207	-	-	1,206	-	-
Refundable entrance fees	73,616	72,706	71,179	73,616	72,479	70,951
Deferred revenue from entrance fees	36,875	38,045	39,542	36,259	38,022	39,524
Long-term debt	289,127	277,095	282,170	184,066	174,970	182,997
Total liabilities	<u>465,749</u>	<u>454,264</u>	<u>463,480</u>	<u>342,577</u>	<u>335,499</u>	<u>347,140</u>
<b>Net Assets:</b>						
Without donor restrictions	216,640	232,061	249,677	256,978	265,815	279,303
With donor restrictions	22,670	23,891	25,087	22,661	23,883	25,080
Total net assets	<u>239,310</u>	<u>255,952</u>	<u>274,764</u>	<u>279,639</u>	<u>289,698</u>	<u>304,383</u>
<b>Total liabilities and net assets</b>	<b><u>\$705,059</u></b>	<b><u>\$710,216</u></b>	<b><u>\$738,244</u></b>	<b><u>\$622,216</u></b>	<b><u>\$625,197</u></b>	<b><u>\$651,523</u></b>



**Statements of Changes in Net Assets**  
**Quarter ended June 30**  
*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>
<b>Net Assets Without Donor Restrictions</b>						
Excess of revenues over expenses	\$8,857	\$6,471	\$9,409	\$8,029	\$4,974	\$8,216
Net assets released from restriction used for purchase of property and equipment	41	123	45	-	123	20
Increase in net assets without donor restrictions	<u>8,898</u>	<u>6,594</u>	<u>9,454</u>	<u>8,029</u>	<u>5,097</u>	<u>8,236</u>
<b>Net Assets With Donor Restrictions</b>						
Contributions received and investment income	33	423	610	(28)	405	566
Net assets released from restrictions used for operations	(171)	(131)	(134)	(160)	(123)	(122)
Net assets released from restrictions used for purchase of property and equipment	(41)	(123)	(45)	-	(123)	(20)
Increase (decrease) in net assets with donor restrictions	<u>(179)</u>	<u>169</u>	<u>431</u>	<u>(188)</u>	<u>159</u>	<u>424</u>
<b>Change in Net Assets</b>	<b>8,719</b>	<b>6,763</b>	<b>9,885</b>	<b>7,841</b>	<b>5,256</b>	<b>8,660</b>
<b>Net Assets, Beginning of Year</b>	<b>230,591</b>	<b>249,189</b>	<b>264,879</b>	<b>271,798</b>	<b>284,442</b>	<b>295,723</b>
<b>Net Assets, End of Year</b>	<b><u>\$239,310</u></b>	<b><u>\$255,952</u></b>	<b><u>\$274,764</u></b>	<b><u>\$279,639</u></b>	<b><u>\$289,698</u></b>	<b><u>\$304,383</u></b>



**Statements of Changes in Net Assets**  
**Three Months Ended June 30**  
*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>
<b>Net Assets Without Donor Restrictions</b>						
Excess of revenues over expenses	\$8,857	\$6,471	\$9,409	\$8,029	\$4,974	\$8,216
Net assets released from restriction used for purchase of property and equipment	41	123	45	-	123	20
Increase in net assets without donor restrictions	<u>8,898</u>	<u>6,594</u>	<u>9,454</u>	<u>8,029</u>	<u>5,097</u>	<u>8,236</u>
<b>Net Assets With Donor Restrictions</b>						
Contributions received and investment income	33	423	610	(28)	405	566
Net assets released from restrictions used for operations	(171)	(131)	(134)	(160)	(123)	(122)
Net assets released from restrictions used for purchase of property and equipment	(41)	(123)	(45)	-	(123)	(20)
Increase (decrease) in net assets with donor restrictions	<u>(179)</u>	<u>169</u>	<u>431</u>	<u>(188)</u>	<u>159</u>	<u>424</u>
<b>Change in Net Assets</b>	<b>8,719</b>	<b>6,763</b>	<b>9,885</b>	<b>7,841</b>	<b>5,256</b>	<b>8,660</b>
<b>Net Assets, Beginning of Year</b>	<b>230,591</b>	<b>249,189</b>	<b>264,879</b>	<b>271,798</b>	<b>284,442</b>	<b>295,723</b>
<b>Net Assets, End of Year</b>	<b><u>\$239,310</u></b>	<b><u>\$255,952</u></b>	<b><u>\$274,764</u></b>	<b><u>\$279,639</u></b>	<b><u>\$289,698</u></b>	<b><u>\$304,383</u></b>



**Statement of Cash Flows**  
**Three Months Ended June 30**  
*000's*

	<b>Consolidated</b>			<b>Obligated Group</b>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Operating Activities</b>						
Cash received from contract residents	\$10,768	\$10,642	\$11,378	\$10,726	\$10,512	\$11,320
Proceeds from entrance fees received	5,652	6,303	5,944	5,652	6,303	5,944
Cash received from and on behalf of noncontract residents	36,048	37,829	39,859	15,809	16,911	17,703
Reimbursement for services to nonresidents	644	946	834	164	308	257
Other receipts from operations	137	50	70	1,317	1,278	1,567
Unrestricted investment income received	2,262	2,168	2,013	2,367	2,163	2,003
Processing fees	17	25	16	17	25	16
Proceeds from forward sale	-	-	-	(109)	-	-
Cash paid to suppliers, employees and others	(44,446)	(46,341)	(45,586)	(27,621)	(28,343)	(29,735)
Cash paid for interest on long-term debt, net of amounts capitalized	(3,855)	(3,772)	(3,637)	(2,783)	(2,730)	(2,628)
Net cash provided by operating activities	7,227	7,850	10,891	5,539	6,427	6,447
<b>Investing Activities</b>						
Capital expenditures	(15,316)	(12,385)	(13,199)	(12,683)	(8,117)	(10,033)
Proceeds from sale of trading investments	74,777	32,859	36,227	74,777	32,859	36,227
Purchase of trading investments	(79,415)	(34,502)	(37,556)	(79,415)	(34,502)	(37,556)
Purchase of assets limited as to use	(1,024)	(1,933)	(1,840)	(369)	(3,160)	(1,162)
Proceeds from sale of assets limited as to use	4,838	1,876	4,161	3,289	3,038	3,503
Advances to Brookmore Apartment Corporation	(391)	-	(75)	(390)	-	(75)
Net cash used in investing activities	(16,531)	(14,085)	(12,282)	(14,791)	(9,882)	(9,096)
<b>Financing Activities</b>						
Refunds of entrance fees	(1,440)	(1,858)	(4,563)	(1,440)	(1,502)	(4,563)
Contributions from (to) affiliate						
Principal payments on long-term debt	(3,193)	(785)	(1,577)	(2,435)	-	(765)
Proceeds from Series 2015 debt issuance	5,363	3,586		5,363	3,586	
Proceeds from Series 2017B debt issuance		2	2,082	-	2	2,082
Proceeds from contributions for purchases of property and equipment	41	-		-	-	
Net cash provided by (used in) financing activities	771	945	(4,058)	1,488	2,086	(3,246)
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(8,533)</b>	<b>(5,290)</b>	<b>(5,449)</b>	<b>(7,764)</b>	<b>(1,369)</b>	<b>(5,895)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>16,317</b>	<b>13,025</b>	<b>10,864</b>	<b>11,837</b>	<b>6,543</b>	<b>10,124</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$7,784</b>	<b>\$7,735</b>	<b>\$5,415</b>	<b>\$4,073</b>	<b>\$5,174</b>	<b>\$4,229</b>
<b>Supplemental Cash Flows Information</b>						
Property and equipment purchases included in accounts payable and other accrued expenses	1,510	4,141	5,414	1,510	4,141	5,414
Entrance fees included in accounts receivable	2,245	2,822	1,488	2,245	2,822	1,488





**Average Available Units / Beds**  
**Quarter Ended June 30, 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><b>Obligated Group Communities</b></i>						
Carlsbad By The Sea	Carlsbad, CA	CCRC	159	**	33	192
Cecil Pines	Jacksonville, FL	Rental	92	**	**	92
England Oaks	Alexandria, LA	Rental	179	**	**	179
Sunny View	Cupertino, CA	CCRC	95	23	48	166
Villa Gardens	Pasadena, CA	CCRC	190	19	54	263
Vista del Monte	Santa Barbara, CA	CCRC	165	11	**	176
Walnut Village	Anaheim, CA	CCRC	156	14	99	269
Wesley Palms	San Diego, CA	Rental	260	22	**	282
<b>Subtotal</b>			<b>1,296</b>	<b>89</b>	<b>234</b>	<b>1,619</b>
<i><b>Non-Obligated Group Communities</b></i>						
Casa de Manana	La Jolla, CA	Rental	187	**	**	187
Claremont Manor	Claremont, CA	Rental	216	10	59	285
Fredericka Manor	Chula Vista, CA	Rental	281	22	174	477
Kingsley Manor	Los Angeles, CA	Rental	216	**	51	267
<b>Subtotal</b>			<b>900</b>	<b>32</b>	<b>284</b>	<b>1,216</b>
<b>Total All Communities</b>			<b>2,196</b>	<b>121</b>	<b>518</b>	<b>2,835</b>

\*\* Not applicable



**Average Available Units / Beds**  
**Three Months Ended June 30, 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><b>Obligated Group Communities</b></i>						
Carlsbad By The Sea	Carlsbad, CA	CCRC	159	**	33	192
Cecil Pines	Jacksonville, FL	Rental	92	**	**	92
England Oaks	Alexandria, LA	Rental	179	**	**	179
Sunny View	Cupertino, CA	CCRC	95	23	48	166
Villa Gardens	Pasadena, CA	CCRC	190	19	54	263
Vista del Monte	Santa Barbara, CA	CCRC	165	11	**	176
Walnut Village	Anaheim, CA	CCRC	156	14	99	269
Wesley Palms	San Diego, CA	Rental	260	22	**	282
<b>Subtotal</b>			<b>1,296</b>	<b>89</b>	<b>234</b>	<b>1,619</b>
<i><b>Non-Obligated Group Communities</b></i>						
Casa de Manana	La Jolla, CA	Rental	187	**	**	187
Claremont Manor	Claremont, CA	Rental	216	10	59	285
Fredericka Manor	Chula Vista, CA	Rental	281	22	174	477
Kingsley Manor	Los Angeles, CA	Rental	216	**	51	267
<b>Subtotal</b>			<b>900</b>	<b>32</b>	<b>284</b>	<b>1,216</b>
<b>Total All Communities</b>			<b>2,196</b>	<b>121</b>	<b>518</b>	<b>2,835</b>

\*\* Not applicable



**Historical Average Occupancy  
Quarter Ended June 30**

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	95.8%	**	87.9%	96.7%	**	88.8%	95.8%	**	87.9%
Cecil Pines	99.6%	**	**	99.7%	**	**	99.7%	**	**
England Oaks	92.5%	**	**	90.3%	**	**	89.2%	**	**
Sunny View	97.5%	100.0%	84.8%	96.7%	98.7%	82.7%	99.6%	100.0%	90.2%
Villa Gardens	98.1%	94.7%	61.1%	98.6%	96.7%	82.0%	98.1%	97.9%	85.2%
Vista del Monte	90.4%	90.0%	71.4%	87.2%	100.0%	**	93.8%	79.6%	**
Walnut Village	96.3%	100.0%	89.0%	98.5%	100.0%	89.9%	98.5%	97.9%	87.2%
Wesley Palms	76.5%	100.0%	**	83.2%	94.1%	**	79.9%	100.0%	**
<b>Subtotal</b>	<b>92.8%</b>	<b>97.7%</b>	<b>80.3%</b>	<b>92.9%</b>	<b>97.5%</b>	<b>86.5%</b>	<b>92.7%</b>	<b>96.6%</b>	<b>87.4%</b>
<i>Non-Obligated Group Communities</i>									
Casa de Manana	96.7%	**	**	98.2%	**	**	98.0%	**	**
Claremont Manor	96.1%	90.0%	85.3%	92.2%	87.0%	79.2%	94.1%	100.0%	83.1%
Fredericka Manor	91.0%	**	92.0%	87.0%	20.0%	92.5%	80.8%	87.7%	94.4%
Kingsley Manor	99.4%	**	80.4%	99.4%	**	87.6%	99.5%	**	84.3%
<b>Subtotal</b>	<b>95.4%</b>	<b>90.0%</b>	<b>88.5%</b>	<b>93.5%</b>	<b>87.0%</b>	<b>88.9%</b>	<b>92.1%</b>	<b>91.6%</b>	<b>90.2%</b>
<b>All Communities</b>	<b>95.4%</b>	<b>96.9%</b>	<b>84.6%</b>	<b>93.1%</b>	<b>92.7%</b>	<b>87.8%</b>	<b>92.4%</b>	<b>95.3%</b>	<b>89.0%</b>

\*\* Not applicable



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

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	95.8%	**	87.9%	96.7%	**	88.8%	95.8%	**	87.9%
Cecil Pines	99.6%	**	**	99.7%	**	**	99.7%	**	**
England Oaks	92.5%	**	**	90.3%	**	**	89.2%	**	**
Sunny View	97.5%	100.0%	84.8%	96.7%	98.7%	82.7%	99.6%	100.0%	90.2%
Villa Gardens	98.1%	94.7%	61.1%	98.6%	96.7%	82.0%	98.1%	97.9%	85.2%
Vista del Monte	90.4%	90.0%	71.4%	87.2%	100.0%	**	93.8%	79.6%	**
Walnut Village	96.3%	100.0%	89.0%	98.5%	100.0%	89.9%	98.5%	97.9%	87.2%
Wesley Palms	76.5%	100.0%	**	83.2%	94.1%	**	79.9%	100.0%	**
<b>Subtotal</b>	<b>92.8%</b>	<b>97.7%</b>	<b>80.3%</b>	<b>92.9%</b>	<b>97.5%</b>	<b>86.5%</b>	<b>92.7%</b>	<b>96.6%</b>	<b>87.4%</b>
<i>Non-Obligated Group Communities</i>									
Casa de Manana	96.7%	**	**	98.2%	**	**	98.0%	**	**
Claremont Manor	96.1%	90.0%	85.3%	92.2%	87.0%	79.2%	94.1%	100.0%	83.1%
Fredericka Manor	91.0%	**	92.0%	87.0%	20.0%	92.5%	80.8%	87.7%	94.4%
Kingsley Manor	99.4%	**	80.4%	99.4%	**	87.6%	99.5%	**	84.3%
<b>Subtotal</b>	<b>95.4%</b>	<b>90.0%</b>	<b>88.5%</b>	<b>93.5%</b>	<b>87.0%</b>	<b>88.9%</b>	<b>92.1%</b>	<b>91.6%</b>	<b>90.2%</b>
<b>All Communities</b>	<b>95.4%</b>	<b>96.9%</b>	<b>84.6%</b>	<b>93.1%</b>	<b>92.7%</b>	<b>87.8%</b>	<b>92.4%</b>	<b>95.3%</b>	<b>89.0%</b>

\*\* Not applicable



**Care Center Payor Mix and Occupancy**  
**Quarter ended June 30**

<b>Payor</b>	<b>Consolidated</b>			<b>Obligated Group</b>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Private Pay	25.6%	25.6%	24.8%	34.5%	34.3%	32.2%
Medi-Cal <sup>(1)</sup>	40.7%	42.1%	45.6%	28.7%	33.6%	34.2%
Medicare	24.5%	22.9%	21.1%	30.0%	28.2%	28.2%
Managed Care	9.2%	9.4%	8.5%	6.8%	3.9%	5.4%
<b>Total</b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Average beds available	540	518	518	258	234	234
Average occupancy	84.6%	87.8%	89.0%	80.3%	86.5%	87.4%

<sup>(1)</sup> Includes Medi-Cal Managed Care



**Care Center Payor Mix and Occupancy**  
**Three Months Ended June 30**

<b>Payor</b>	<b>Consolidated</b>			<b>Obligated Group</b>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Private Pay	25.6%	25.6%	24.8%	34.5%	34.3%	32.2%
Medi-Cal <sup>(1)</sup>	40.7%	42.1%	45.6%	28.7%	33.6%	34.2%
Medicare	24.5%	22.9%	21.1%	30.0%	28.2%	28.2%
Managed Care	9.2%	9.4%	8.5%	6.8%	3.9%	5.4%
<b>Total</b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Average beds available	540	540	518	258	258	234
Average occupancy	84.6%	87.8%	89.0%	80.3%	86.5%	87.4%

<sup>(1)</sup> Includes Medi-Cal Managed Care



**Management's Discussion**  
**Quarter ended June 30**

**Unaudited Results of Operations – Consolidated:** Q1 FY20 compared with Q1 FY19

Residential Living occupancy declined from 93.1% for Q1 FY19 to 92.4% for Q1 FY20 with Fredericka Manor experiencing the largest decline. Wesley Palms residential living occupancy decreased from 83.2% for Q1 FY19 to 79.9% for Q1 FY20 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 November 2019.

Summer House<sup>®</sup> occupancy increased from 92.7% for Q1 FY19 to 95.3% for Q1 FY20 lead by Fredericka Manor with additional new units and Claremont Manor improving substantially from the prior year.

Care Center occupancy increased from 87.8% for Q1 FY19 to 89.0% for Q1 FY20 with Sunny View experiencing the largest improvement. Note: Vista del Monte Care Center was closed at the end of FY18. Care Center payor mix continues to be challenging as Private Pay, Medicare and Managed Care have declined slightly year over year with only Medi-Cal increasing. Average available beds remained flat at 518 beds year over year.

Resident and patient service revenue increased from \$48.8M for Q1 FY19 to \$51.6M for Q1 FY20, a 5.8% improvement. Amortization of entrance fees increased from \$2.2M for Q1 FY19 to \$2.5M for Q1 FY20, a 17.4% increase. Total revenues, gains and other support without donor restriction improved from \$51.1M for Q1 FY19 to \$54.3M for Q1 FY20, a 6.3% increase.

Total operating expenses increased from \$50.8M for Q1 FY19 to \$52.9M for Q1 FY20, a 4.2% increase. Operating income increased from \$0.3M for Q1 FY19 to \$1.4M for Q1 FY20.



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

**Balance sheet and cash flow – Consolidated: June 30, 2019 Compared to June 30, 2018**

Total assets increased from \$710.2M at June 30, 2018 to \$738.2M at June 30, 2019. Cash and cash equivalents plus short term investments decreased from \$18.5M at June 30, 2018 to \$13.9M at June 30, 2019. Long term investments increased from \$285.8M at June 30, 2018 to \$305.2M at June 30, 2019. Property and Equipment, Net increased from \$350.9M at June 30, 2018 to \$365.1M at June 30, 2019 reflecting continued capital investment at our communities including the redevelopment at Wesley Palms. Long term debt increased from \$277.1M at June 30, 2018 to \$282.2M at June 30, 2019 as a result of continuing to draw down from the \$21.5M Series 2017B debt for Wesley Palms. As of June 30, 2019, \$11.0M had been drawn down from the 2017B debt. Net assets increased from \$256M at June 30, 2018 to \$274.8M at June 30, 2019.

Cash provided by operating activities increased from \$7.8M at June 30, 2018 to \$10.9M at June 30, 2019. Capital expenditures increased from \$12.4M at June 30, 2018 to \$13.2M at June 30, 2019. Cash and cash equivalents decreased from \$7.7M at June 30, 2018 to \$5.4M at June 30, 2019.

**Note:**

- <sup>(1)</sup> 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.