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July 24, 2019

This Continuing Disclosure Annual 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 Annual Report**

Front Porch’s Continuing Disclosure Annual Report is attached hereto and contains the consolidated financial statements of Front Porch and affiliates for the fiscal year-to-date period ended March 31, 2019, 2018, and 2017. The Annual Report also contains the financial statements for the Obligated Group for the fiscal year-to-date period ended March 31, 2019, 2018, and 2017.

This Annual Report is provided solely pursuant to the continuing disclosure certificates relating to the above-referenced Bonds. The filing of this Annual 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 Annual Report relates (other than as contained in this Annual Report), or any other date specified with respect to any of the information contained in this Annual 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 Annual Report has been obtained from sources which are believed to be reliable. No statement in this Annual 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 Annual Report**

**Twelve Months Ended March 31, 2019**

**(Audited)**



**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>
<b>Revenues, Gains and Other Support Without Donor Restrictions</b>						
Resident and patient service revenue	183,813	189,991	197,218	103,904	106,503	109,822
Amortization of entrance fees	10,103	9,437	9,422	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
<b>Total revenues, gains and other support without donor restrictions</b>	<b>195,440</b>	<b>201,490</b>	<b>208,968</b>	<b>120,066</b>	<b>122,717</b>	<b>126,092</b>
<b>Expenses</b>						
Medical services	47,612	50,748	51,107	27,584	28,640	28,022
Communities operating costs	19,141	20,116	20,971	11,328	11,851	12,318
Dietary services	29,486	31,695	32,873	17,152	18,332	19,290
Residential services	15,920	16,928	17,623	9,618	10,244	10,695
Administrative services	42,521	41,518	42,299	33,234	32,533	31,964
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	9,441	5,363	5,158	5,390
Other	2,087	2,125	2,064	1,676	1,560	1,435
<b>Total Expenses</b>	<b>192,556</b>	<b>200,253</b>	<b>206,782</b>	<b>122,999</b>	<b>127,002</b>	<b>130,165</b>
<b>Operating Income (Loss) Before Other Operating Charges</b>	<b>2,884</b>	<b>1,237</b>	<b>2,186</b>	<b>(2,933)</b>	<b>(4,285)</b>	<b>(4,073)</b>
<b>Other Operating Charges</b>						
Asset Impairment	(356)	(483)	(53)	(356)	(483)	(53)
<b>Operating Income (Loss)</b>	<b>2,528</b>	<b>754</b>	<b>2,133</b>	<b>(3,289)</b>	<b>(4,768)</b>	<b>(4,126)</b>
<b>Other Income (Expense)</b>						
Investment return, net	20,546	19,689	12,159	20,535	19,672	12,135
Loss on extinguishment of debt	-	(2,937)	-	-	(2,937)	-
<b>Total other income (expense)</b>	<b>20,546</b>	<b>16,752</b>	<b>12,159</b>	<b>20,535</b>	<b>16,735</b>	<b>12,135</b>
<b>Excess of Revenue Over Expenses</b>	<b>23,074</b>	<b>17,506</b>	<b>14,292</b>	<b>17,246</b>	<b>11,967</b>	<b>8,009</b>
Contributions to affiliates	-	-	-	6,613	(310)	1,961
Net Assets Released from Restrictions Used for Purchase of Property and Equipment	244	217	465	41	112	378
<b>Increase in Net Assets Without Donor Restrictions</b>	<b>\$ 23,318</b>	<b>\$ 17,723</b>	<b>\$ 14,757</b>	<b>\$ 23,900</b>	<b>\$ 11,769</b>	<b>\$ 10,348</b>



## Balance Sheets

At March 31

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	Consolidated			Obligated Group		
	2017	2018	2019	2017	2018	2019
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$16,317	\$13,025	\$10,864	\$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	11,031	10,616	8,371	9,995
Resident and patient accounts receivable	9,866	10,734	8,791	6,609	7,272	5,023
Prepaid expenses and other	2,473	2,442	2,721	1,893	1,898	2,174
Intercompany receivables	-	-	-	330	3,319	420
Total current assets	52,605	46,571	42,928	42,615	38,223	37,257
<b>Investments</b>						
Assets limited as to use, net of current portion	15,923	4,015	3,760	12,027	118	1
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	300,126	289,877	279,964	296,367
<b>Property and Equipment, Net</b>	<b>324,740</b>	<b>346,728</b>	<b>363,820</b>	<b>255,082</b>	<b>273,452</b>	<b>286,764</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	11,644	11,813	12,576	11,644	11,813	12,576
Other receivables	1,822	1,738	1,582	1,822	1,738	1,582
Deferred costs, net of accumulated amortization: 2019 - \$5,856, 2018 - \$5,192	1,328	664	-	1,328	664	-
Other assets	623	414	739	209	-	325
Total other assets	27,035	26,961	27,546	26,621	26,547	27,132
<b>Total assets</b>	<b>\$698,153</b>	<b>\$704,121</b>	<b>\$734,420</b>	<b>\$614,195</b>	<b>\$618,186</b>	<b>\$647,520</b>
<b>Liabilities and Net Assets</b>						
<b>Current Liabilities</b>						
Current maturities of long-term debt	\$6,111	\$3,178	\$4,920	\$3,040	-	1,782
Accounts payable	8,234	6,987	8,107	6,367	5,173	6,547
Accrued payroll and related expenses	12,713	12,475	13,530	8,661	8,521	9,613
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	42,322	32,832	30,508	32,703
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	5,852
Other accrued liabilities	17,629	21,037	23,351	14,363	17,646	19,812
Deferred interest - forward sale agreements	1,232	-	-	1,232	-	-
Refundable entrance fees	71,503	71,076	71,870	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	281,843	180,535	171,402	181,949
Total liabilities	467,562	454,932	469,541	342,397	333,744	351,797
<b>Net Assets</b>						
Without donor restrictions	207,743	225,466	240,223	248,950	260,719	271,067
With donor restrictions	22,848	23,723	24,656	22,848	23,723	24,656
Total net assets	230,591	249,189	264,879	271,798	284,442	295,723
<b>Total liabilities and net assets</b>	<b>\$698,153</b>	<b>\$704,121</b>	<b>\$734,420</b>	<b>\$614,195</b>	<b>\$618,186</b>	<b>\$647,520</b>



**Statements of Changes in Net Assets**  
**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>
<b>Net Assets Without Donor Restrictions</b>						
Excess of revenues over expenses	\$23,074	\$17,506	\$14,292	\$17,246	\$11,967	\$8,009
Contributions to affiliates	-	-	-	6,613	(310)	1,961
Net assets released from restriction used for purchase of property and equipment	244	217	465	41	112	378
Increase in net assets without donor restrictions	<u>23,318</u>	<u>17,723</u>	<u>14,757</u>	<u>23,900</u>	<u>11,769</u>	<u>10,348</u>
<b>Net Assets With Donor Restrictions</b>						
Contributions received and investment income	1,513	1,163	2,044	1,463	1,021	1,910
Change in interest in net assets of Pacific Homes Foundation	1,331	769	447	1,143	769	447
Change in beneficial interest in perpetual trust	528	75	(56)	528	75	(56)
Net assets released from restrictions used for operations	(841)	(915)	(1,037)	(806)	(878)	(990)
Net assets released from restrictions used for purchase of property and equipment	(244)	(217)	(465)	(41)	(112)	(378)
Increase in net assets with donor restrictions	<u>2,287</u>	<u>875</u>	<u>933</u>	<u>2,287</u>	<u>875</u>	<u>933</u>
<b>Change in Net Assets</b>	<u>25,605</u>	<u>18,598</u>	<u>15,690</u>	<u>26,187</u>	<u>12,644</u>	<u>11,281</u>
<b>Net Assets, Beginning of Year</b>	<u>204,986</u>	<u>230,591</u>	<u>249,189</u>	<u>245,611</u>	<u>271,798</u>	<u>284,442</u>
<b>Net Assets, End of Year</b>	<u><u>\$230,591</u></u>	<u><u>\$249,189</u></u>	<u><u>\$264,879</u></u>	<u><u>\$271,798</u></u>	<u><u>\$284,442</u></u>	<u><u>\$295,723</u></u>



**Statements of Cash Flows**  
**Twelve Months Ended March 31**  
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	Consolidated			Obligated Group		
	2017	2018	2019	2017	2018	2019
<b>Operating Activities</b>						
Cash received from contract residents	\$46,172	\$42,464	\$41,799	\$45,910	\$42,269	\$41,634
Proceeds from entrance fees received	25,490	21,048	26,315	25,490	21,048	26,315
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	7,942	6,887	8,547	7,917
Processing fees	60	76	81	60	76	81
Cash paid to suppliers, employees and others	(156,908)	(164,227)	(169,721)	(99,621)	(105,999)	(104,130)
Cash paid for interest on long-term debt, net of amounts capitalized	(9,669)	(10,065)	(10,317)	(5,303)	(5,824)	(6,311)
Net cash provided by operating activities	51,517	47,284	53,054	35,486	31,215	40,106
<b>Investing Activities</b>						
Capital expenditures	(47,257)	(49,390)	(45,758)	(38,885)	(37,466)	(32,454)
Proceeds from sale of trading investments	131,701	166,801	143,078	131,701	166,801	143,078
Purchase of trading investments	(151,763)	(165,574)	(152,224)	(151,763)	(165,574)	(152,224)
Purchase of assets limited as to use	(2,837)	(3,277)	(3,271)	(1,512)	(2,944)	(2,745)
Proceeds from sale of assets limited as to use	2,184	18,254	2,045	742	17,098	1,238
Proceeds from termination of derivative financial instrument	-	7,130	-	-	7,130	-
Repayment from (advances to) Brookmore Apartment Corporation	(209)	209	(325)	(209)	209	(325)
Net cash used in investing activities	(68,181)	(25,847)	(56,455)	(59,926)	(14,746)	(43,432)
<b>Financing Activities</b>						
Refunds of entrance fees	(6,112)	(8,533)	(8,454)	(6,113)	(8,533)	(8,099)
Principal payments on long-term debt	(5,887)	(5,506)	(4,195)	(2,920)	(2,435)	(1,017)
Principal payments on refinancing of long-term debt	-	(138,460)	-	-	(138,460)	-
Proceeds from 2015 debt issuance	24,830	20,993	5,600	24,830	20,993	5,600
Proceeds from Series 2017A and 2017B bond financing	-	106,560	7,827	-	106,560	7,827
Proceeds from contributions for purchases of property and equipment	244	217	462	41	112	378
Contributions from Affiliates	-	-	-	6,890	-	2,218
Net cash provided by (used in) financing activities	13,075	(24,729)	1,240	22,728	(21,763)	6,907
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(3,589)</b>	<b>(3,292)</b>	<b>(2,161)</b>	<b>(1,712)</b>	<b>(5,294)</b>	<b>3,581</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>19,906</b>	<b>16,317</b>	<b>13,025</b>	<b>13,549</b>	<b>11,837</b>	<b>6,543</b>
<b>Cash and Cash Equivalents, End 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>Supplemental Cash Flows Information</b>						
Property and equipment purchase included in accounts payable and other accrued expenses	5,860	5,429	6,066	3,514	4,388	5,406
Entrance fees included in accounts receivable	1,355	3,050	1,487	1,355	3,050	1,487



**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><b>Obligated Group Communities</b></i>						
Carlsbad By The Sea	Carlsbad, CA	CCRC	158	**	33	191
Cecil Pines	Jacksonville, FL	Rental	92	**	**	92
England Oaks	Alexandria, LA	Rental	180	**	**	180
Sunny View	Cupertino, CA	CCRC	94	23	48	165
Villa Gardens	Pasadena, CA	CCRC	187	16	54	257
Vista del Monte	Santa Barbara, CA	CCRC	165	10	**	175
Walnut Village	Anaheim, CA	CCRC	156	14	99	269
Wesley Palms	San Diego, CA	Rental	260	22	**	282
<b>Subtotal</b>			<b>1,292</b>	<b>85</b>	<b>234</b>	<b>1,611</b>
<i><b>Non-Obligated Group Communities</b></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	22	174	476
Kingsley Manor	Los Angeles, CA	Rental	217	**	51	268
<b>Subtotal</b>			<b>905</b>	<b>32</b>	<b>284</b>	<b>1,221</b>
<b>Total All Communities</b>			<b>2,197</b>	<b>117</b>	<b>518</b>	<b>2,832</b>

\*\* 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%	**
<b>Subtotal</b>	<b>94.9%</b>	<b>96.5%</b>	<b>83.2%</b>	<b>92.9%</b>	<b>98.4%</b>	<b>82.3%</b>	<b>92.8%</b>	<b>95.6%</b>	<b>87.6%</b>
<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%
<b>Subtotal</b>	<b>94.7%</b>	<b>99.0%</b>	<b>87.5%</b>	<b>94.9%</b>	<b>94.0%</b>	<b>89.5%</b>	<b>92.5%</b>	<b>84.2%</b>	<b>89.9%</b>
<b>All Communities</b>	<b>94.8%</b>	<b>96.8%</b>	<b>85.5%</b>	<b>93.7%</b>	<b>98.0%</b>	<b>86.1%</b>	<b>92.6%</b>	<b>93.1%</b>	<b>88.8%</b>

\*\* Not applicable





**Care Center Payor Mix and Occupancy**  
**Twelve Months Ended March 31**

<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	28.1%	24.6%	23.6%	37.1%	33.3%	31.2%
Medi-Cal <sup>(1)</sup>	38.5%	41.6%	44.5%	26.5%	29.9%	34.2%
Medicare	25.8%	25.6%	23.0%	31.5%	31.6%	29.8%
Managed Care	7.6%	8.2%	8.9%	4.9%	5.2%	4.8%
<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	85.5%	86.4%	88.8%	83.2%	82.6%	87.6%

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



## Historical Debt Service Coverage Ratios

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>
<b>Excess of Revenues over Expenses</b>	23,074	17,506	14,292	17,246	11,967	8,009
<b>Additions:</b>						
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	9,786	9,406	9,441	5,363	5,158	5,390
Entrance Fees Received	25,490	21,048	26,315	25,490	21,048	26,315
Unrealized Losses (Gains)	(5,093)	(895)	(100)	(5,093)	(895)	(100)
Asset Impairment	356	483	53	356	483	53
Loss on Extinguishment of Debt	-	2,937	-	-	2,937	-
<b>Deductions:</b>						
Refunds of Entrance Fees	(6,112)	(8,533)	(8,454)	(6,112)	(8,533)	(8,099)
Amortization of Entrance Fees	(10,103)	(9,437)	(9,422)	(10,095)	(9,425)	(9,417)
Amortization of Deferred Interest Income	(437)	(109)	-	(437)	(109)	-
<b>Total Income Available for Debt Service</b>	<b>62,964</b>	<b>60,123</b>	<b>62,529</b>	<b>43,762</b>	<b>41,315</b>	<b>43,202</b>
 <b>Annual Debt Service</b>	 <b>15,599</b>	 <b>14,890</b>	 <b>14,017</b>	 <b>8,275</b>	 <b>7,586</b>	 <b>6,842</b>
 <b>Debt Service Coverage ratios</b>	 <b>4.04</b>	 <b>4.04</b>	 <b>4.46</b>	 <b>5.29</b>	 <b>5.45</b>	 <b>6.31</b>



**Historical Days Cash on Hand**  
**At March 31**  
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	<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>
Cash and cash equivalents	16,317	13,025	10,864	11,837	6,543	10,124
Short term investment	11,330	10,820	9,521	11,330	10,820	9,521
Long term investment	272,720	279,581	296,307	272,720	279,581	296,307
<b>Total Unrestricted Cash &amp; Investment</b>	<b>300,367</b>	<b>303,426</b>	<b>316,692</b>	<b>295,887</b>	<b>296,944</b>	<b>315,952</b>
Operating expenses before redevelopment costs	192,556	200,253	206,782	122,999	127,002	130,165
Less: depreciation	(24,641)	(26,499)	(29,250)	(15,897)	(17,676)	(20,107)
Less: amortization of deferred cost	(1,362)	(1,218)	(1,154)	(1,147)	(1,008)	(944)
<b>Operating Expenses Less Depreciation &amp; Amortization of Deferred Cost</b>	<b>166,553</b>	<b>172,536</b>	<b>176,378</b>	<b>105,955</b>	<b>108,318</b>	<b>109,114</b>
Divided # days per year	365	365	365	365	365	365
<b>Daily Average Operating Expense Excl. Depr. &amp; Amort. of Deferred Costs</b>	<b>456</b>	<b>473</b>	<b>483</b>	<b>290</b>	<b>297</b>	<b>299</b>
<b>Days Cash on Hand</b>	<b>658</b>	<b>642</b>	<b>655</b>	<b>1,019</b>	<b>1,001</b>	<b>1,057</b>



**Historical Cash to Debt**  
**At March 31**  
*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>
Cash and cash equivalents	16,317	13,025	10,864	11,837	6,543	10,124
Short term investment	11,330	10,820	9,521	11,330	10,820	9,521
Long term investment	272,720	279,581	296,307	272,720	279,581	296,307
<b>Total Unrestricted Cash &amp; Investment</b>	<b>300,367</b>	<b>303,426</b>	<b>316,692</b>	<b>295,887</b>	<b>296,944</b>	<b>315,952</b>
<b>Long Term Indebtedness</b>	<b>298,793</b>	<b>283,501</b>	<b>292,372</b>	<b>186,857</b>	<b>174,636</b>	<b>186,685</b>
<b>Cash to Debt ratio</b>	<b>1.01</b>	<b>1.07</b>	<b>1.08</b>	<b>1.58</b>	<b>1.70</b>	<b>1.69</b>



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

**Results of Operations <sup>(1)</sup> – 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, Claremont 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 available and occupied. 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<sup>®</sup> 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 were 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 for Medi-Cal and Managed Care while revenues declined for 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 patient service revenue increased from \$190.0M for FY18 to \$197.2M for FY19, a 3.8% improvement. Amortization of entrance fees remained flat at \$9.4M for FY18 and FY19. Total 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 \$206.8M for FY19, a 3.3% increase. Operating income improved from \$0.8M for FY18 to \$2.1M 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 \$734.4M 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 grew 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 improvements in our communities including \$10.2M for the redevelopment at Wesley Palms. Long term debt increased from \$274.2M at March 31, 2018 to \$281.8M at March 31, 2019, as a result of continuing to draw down from the \$21.5M Series 2017B debt for Wesley Palms. As of March 31, 2019 the 2017B debt had drawn down \$8.2M. Net assets increased from \$249.2M at March 31, 2018 to \$264.9M at March 31, 2019.

Cash provided by operating activities increased from \$47.3M at March 31, 2018 to \$53.1M 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 \$45.8M 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.