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November 11, 2020

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 September 30, 2020, 2019, and 2018. The Quarterly Report also contains the unaudited financial statements for the Obligated Group for the fiscal quarter and year-to-date period ended September 30, 2020, 2019, and 2018.

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 & Six Months Ended September 30, 2020**  
**(Unaudited)**



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

	<b>Consolidated</b>			<b>Obligated Group</b>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Revenues, Gains and Other Support Without Donor Restrictions</b>						
Resident and patient service revenue	49,076	51,406	48,031	27,499	28,871	26,419
Amortization of entrance fees	2,371	2,618	2,690	2,369	2,617	2,689
Other	74	1,309	68	1,292	1,831	1,251
Net assets released from restrictions used for operations	169	139	62	158	139	62
<b>Total revenues, gains and other support without donor restrictions</b>	<b>51,690</b>	<b>55,472</b>	<b>50,851</b>	<b>31,318</b>	<b>33,458</b>	<b>30,421</b>
<b>Expenses</b>						
Medical services	12,811	12,922	12,199	7,017	7,040	6,297
Communities operating costs	5,666	5,592	5,798	3,275	3,338	3,469
Dietary services	8,170	8,387	8,408	4,731	4,954	5,020
Residential services	4,458	4,514	4,438	2,728	2,697	2,569
Administrative services	9,988	11,013	10,785	7,066	8,339	7,827
Depreciation	7,347	7,624	8,235	5,041	5,301	5,811
Amortization of deferred costs	289	124	124	236	72	72
Interest expense and other financing costs	2,478	2,445	2,121	1,427	1,415	1,137
Other	600	662	757	441	468	512
<b>Total Expenses</b>	<b>51,807</b>	<b>53,283</b>	<b>52,865</b>	<b>31,962</b>	<b>33,624</b>	<b>32,714</b>
<b>Operating Income (Loss) Before Other Operating Charges</b>	<b>(117)</b>	<b>2,189</b>	<b>(2,014)</b>	<b>(644)</b>	<b>(166)</b>	<b>(2,293)</b>
<b>Other Operating Charges</b>						
COVID-19 related expenses	-	-	(1,373)	-	-	(593)
COVID-19 related income	-	-	(2,488)	-	-	(2,488)
Asset Impairment	(53)	-	-	(53)	-	-
<b>Operating Income (Loss)</b>	<b>(170)</b>	<b>2,189</b>	<b>(5,875)</b>	<b>(697)</b>	<b>(166)</b>	<b>(5,374)</b>
<b>Other Income</b>						
Investment return, net	6,309	(975)	17,994	6,302	(984)	17,986
Total other income (expense)	6,309	(975)	17,994	6,302	(984)	17,986
<b>Excess of Revenues Over Expenses</b>	<b>6,139</b>	<b>1,214</b>	<b>12,119</b>	<b>5,605</b>	<b>(1,150)</b>	<b>12,612</b>
Net Assets Released from Restrictions Used for Purchase of Property and Equipment	152	5	13	152	5	13
<b>Increase in Net Assets Without Donor Restrictions</b>	<b>\$ 6,291</b>	<b>\$ 1,219</b>	<b>\$ 12,132</b>	<b>\$ 5,757</b>	<b>\$ (1,145)</b>	<b>\$ 12,625</b>



**Statements of Operations**  
**Six Months Ended September 30**  
*000's*

	<b>Consolidated</b>			<b>Obligated Group</b>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Revenues, Gains and Other Support Without Donor Restrictions</b>						
Resident and patient service revenue	97,829	102,990	95,273	54,642	57,927	52,926
Amortization of entrance fees	4,538	5,161	5,280	4,536	5,160	5,278
Other	124	1,379	413	2,570	3,398	2,640
Net assets released from restrictions used for operations	300	273	175	281	261	175
<b>Total revenues, gains and other support without donor restrictions</b>	<b>102,791</b>	<b>109,803</b>	<b>101,141</b>	<b>62,029</b>	<b>66,746</b>	<b>61,019</b>
<b>Expenses</b>						
Medical services	25,246	26,063	24,153	13,856	14,192	12,686
Communities operating costs	10,539	10,630	10,642	6,177	6,307	6,294
Dietary services	16,061	16,944	16,442	9,387	9,943	9,658
Residential services	8,727	9,000	8,765	5,363	5,344	5,098
Administrative services	21,280	22,190	21,473	15,377	16,649	15,671
Depreciation	14,275	15,089	16,365	9,754	10,517	11,552
Amortization of deferred costs	577	249	249	472	144	143
Interest expense and other financing costs	4,730	4,916	4,529	2,622	2,849	2,554
Other	1,199	1,141	1,480	884	759	990
<b>Total Expenses</b>	<b>102,634</b>	<b>106,222</b>	<b>104,098</b>	<b>63,892</b>	<b>66,704</b>	<b>64,646</b>
<b>Operating Income (Loss) Before Other Operating Charges</b>	<b>157</b>	<b>3,581</b>	<b>(2,957)</b>	<b>(1,863)</b>	<b>42</b>	<b>(3,627)</b>
<b>Other Operating Charges</b>						
COVID-19 related expenses	-	-	(3,861)	-	-	(2,389)
COVID-19 related income	-	-	-	-	-	-
Asset Impairment	(53)	-	-	(53)	-	-
<b>Operating Income (Loss)</b>	<b>104</b>	<b>3,581</b>	<b>(6,818)</b>	<b>(1,916)</b>	<b>42</b>	<b>(6,016)</b>
<b>Other Income</b>						
Investment return, net	12,506	7,043	63,267	12,495	7,024	63,251
Total other income (expense)	12,506	7,043	63,267	12,495	7,024	63,251
<b>Excess of Revenues Over Expenses</b>	<b>12,610</b>	<b>10,624</b>	<b>56,449</b>	<b>10,579</b>	<b>7,066</b>	<b>57,235</b>
Net Assets Released from Restrictions Used for Purchase of Property and Equipment	275	50	19	275	25	19
<b>Increase in Net Assets Without Donor Restrictions</b>	<b>\$ 12,885</b>	<b>\$ 10,674</b>	<b>\$ 56,468</b>	<b>\$ 10,854</b>	<b>\$ 7,091</b>	<b>\$ 57,254</b>



**Balance Sheets**  
**At September 30**  
*000's*

	<b>Consolidated</b>			<b>Obligated Group</b>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$9,343	\$11,588	\$14,304	\$8,123	\$6,480	\$11,134
Short-term investments	9,364	5,160	2,608	9,364	5,160	2,608
Assets limited as to use - required for current liabilities	7,662	10,476	6,748	6,807	9,627	5,851
Resident and patient accounts receivable	8,896	8,390	5,459	5,963	5,405	2,607
Prepaid expenses and other	4,290	4,366	4,812	3,465	3,577	3,949
Intercompany receivables	-	-	-	-	3,496	5,334
<b>Total current assets</b>	<b>39,555</b>	<b>39,980</b>	<b>33,931</b>	<b>33,722</b>	<b>33,745</b>	<b>31,483</b>
<b>Investments</b>						
Assets limited as to use, net of current portion	4,449	4,282	4,260	1	1	1
Long-term investments	293,753	305,120	324,837	293,752	305,120	324,837
Derivative instruments	233	19	22	233	19	22
<b>Total investments</b>	<b>298,435</b>	<b>309,421</b>	<b>329,119</b>	<b>293,986</b>	<b>305,140</b>	<b>324,860</b>
<b>Property and Equipment, Net</b>	<b>353,704</b>	<b>369,455</b>	<b>370,233</b>	<b>278,186</b>	<b>290,751</b>	<b>288,256</b>
<b>Other Assets</b>						
Interest in net assets of Pacific Homes Foundation	12,332	12,649	10,727	12,332	12,649	10,727
Receivables from supporting organizations	12,525	12,902	13,610	12,525	12,902	13,610
ROU assets - operating leases	-	-	7,401	-	-	6,639
Other receivables	1,738	1,582	1,350	1,738	1,582	1,350
Deferred costs, net	332	-	-	332	-	-
Other assets	414	414	414	-	-	-
<b>Total other assets</b>	<b>27,341</b>	<b>27,547</b>	<b>33,502</b>	<b>26,927</b>	<b>27,133</b>	<b>32,326</b>
<b>Total assets</b>	<b>719,035</b>	<b>746,403</b>	<b>766,785</b>	<b>632,821</b>	<b>656,769</b>	<b>676,925</b>
<b>Liabilities and Net Assets</b>						
<b>Current Liabilities</b>						
Current maturities of long-term debt	\$3,107	\$4,127	\$5,295	\$ -	\$1,045	\$2,114
Current portion of operating lease liabilities	-	-	1,780	-	-	1,389
Account payable	4,198	5,218	4,268	3,100	3,794	3,042
Accrued payroll and related expenses	12,599	12,921	13,910	7,869	8,257	13,590
Intercompany payables	-	-	-	447	-	-
Accrued interest	2,529	2,570	2,468	2,244	2,295	2,201
Other accrued expenses	11,530	12,891	19,442	10,739	12,167	13,541
<b>Total current liabilities</b>	<b>33,963</b>	<b>37,727</b>	<b>47,163</b>	<b>24,399</b>	<b>27,558</b>	<b>35,877</b>
Asset retirement obligations	2,152	2,159	2,056	236	225	233
Accrued workers compensation	8,716	8,393	6,991	5,837	5,852	5,747
Operating lease liabilities	-	-	6,757	-	-	6,386
Other accrued liabilities	21,288	23,599	32,980	17,891	20,045	29,610
Refundable entrance fees	71,707	73,644	60,045	71,480	73,416	59,817
Deferred revenue from entrance fees	38,536	40,445	39,272	38,514	40,428	39,258
Long-term debt	280,368	284,615	282,763	178,946	186,171	187,289
<b>Total liabilities</b>	<b>456,730</b>	<b>470,582</b>	<b>478,027</b>	<b>337,303</b>	<b>353,695</b>	<b>364,217</b>
<b>Net Assets:</b>						
Without donor restrictions	238,351	250,897	264,640	271,572	278,157	288,590
With donor restrictions	23,954	24,924	24,118	23,946	24,917	24,118
<b>Total net assets</b>	<b>262,305</b>	<b>275,821</b>	<b>288,758</b>	<b>295,518</b>	<b>303,074</b>	<b>312,708</b>
<b>Total liabilities and net assets</b>	<b>\$719,035</b>	<b>\$746,403</b>	<b>\$766,785</b>	<b>\$632,821</b>	<b>\$656,769</b>	<b>\$676,925</b>



**Statements of Changes in Net Assets**  
**Quarter ended September 30**  
*000's*

	<u>Consolidated</u>			<u>Obligated Group</u>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Net Assets Without Donor Restrictions</b>						
Excess of revenues over expenses	\$6,139	\$1,214	\$12,119	\$5,605	\$ (1,150)	\$12,612
Net assets released from restriction used for purchase of property and equipment	152	5	13	152	5	13
Increase in net assets without donor restrictions	<u>6,291</u>	<u>1,219</u>	<u>12,132</u>	<u>5,757</u>	<u>(1,145)</u>	<u>12,625</u>
<b>Net Assets With Donor Restrictions</b>						
Contributions received and investment income	383	(18)	711	379	(20)	712
Net assets released from restrictions used for operations	(169)	(139)	(62)	(158)	(139)	(62)
Net assets released from restrictions used for purchase of property and equipment	(152)	(5)	(13)	(152)	(5)	(13)
Increase (decrease) in net assets with donor restrictions	<u>62</u>	<u>(162)</u>	<u>636</u>	<u>69</u>	<u>(164)</u>	<u>637</u>
<b>Change in Net Assets</b>	<b>6,353</b>	<b>1,057</b>	<b>12,768</b>	<b>5,826</b>	<b>(1,309)</b>	<b>13,262</b>
<b>Net Assets, Beginning of Year</b>	<b>255,952</b>	<b>274,764</b>	<b>275,990</b>	<b>289,692</b>	<b>304,383</b>	<b>299,446</b>
<b>Net Assets, End of Year</b>	<b><u>\$262,305</u></b>	<b><u>\$275,821</u></b>	<b><u>\$288,758</u></b>	<b><u>\$295,518</u></b>	<b><u>\$303,074</u></b>	<b><u>\$312,708</u></b>



**Statements of Changes in Net Assets**  
**Six Months Ended September 30**  
*000's*

	<u>Consolidated</u>			<u>Obligated Group</u>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Net Assets Without Donor Restrictions</b>						
Excess of revenues over expenses	\$12,610	\$10,624	\$56,449	\$10,579	\$7,066	\$57,235
Net assets released from restriction used for purchase of property and equipment	275	50	19	275	25	19
Increase in net assets without donor restrictions	<u>12,885</u>	<u>10,674</u>	<u>56,468</u>	<u>10,854</u>	<u>7,091</u>	<u>57,254</u>
<b>Net Assets With Donor Restrictions</b>						
Contributions received and investment income	806	591	1,840	778	546	1,840
Net assets released from restrictions used for operations	(300)	(273)	(175)	(281)	(261)	(175)
Net assets released from restrictions used for purchase of property and equipment	(275)	(50)	(19)	(275)	(25)	(19)
Increase (decrease) in net assets with donor restrictions	<u>231</u>	<u>268</u>	<u>1,646</u>	<u>222</u>	<u>260</u>	<u>1,646</u>
<b>Change in Net Assets</b>	<b>13,116</b>	<b>10,942</b>	<b>58,114</b>	<b>11,076</b>	<b>7,351</b>	<b>58,900</b>
<b>Net Assets, Beginning of Year</b>	<b>249,189</b>	<b>264,879</b>	<b>230,644</b>	<b>284,442</b>	<b>295,723</b>	<b>253,808</b>
<b>Net Assets, End of Year</b>	<b><u>\$262,305</u></b>	<b><u>\$275,821</u></b>	<b><u>\$288,758</u></b>	<b><u>\$295,518</u></b>	<b><u>\$303,074</u></b>	<b><u>\$312,708</u></b>



**Statement of Cash Flows**  
**Six Months Ended September 30**  
*000's*

	<b>Consolidated</b>			<b>Obligated Group</b>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Operating Activities</b>						
Cash received from contract residents	\$20,978	\$22,744	\$21,838	\$20,911	\$22,628	\$21,741
Proceeds from entrance fees received	10,946	14,115	4,296	10,946	14,115	4,296
Cash received from and on behalf of noncontract residents	76,509	80,276	73,922	34,018	35,650	32,120
Reimbursement for services to nonresidents	1,541	1,305	1,468	382	209	357
Other receipts from operations	124	1,379	413	2,570	3,398	2,640
Unrestricted investment income received	4,159	4,023	3,336	4,148	4,023	3,320
Processing fees	47	36	21	47	34	21
Cash paid to suppliers, employees and others	(87,518)	(87,884)	(81,949)	(51,970)	(60,755)	(49,419)
Cash paid for interest on long-term debt, net of amounts capitalized	(5,476)	(5,019)	(4,776)	(3,404)	(1,519)	(2,827)
Net cash provided by operating activities	21,310	30,975	18,569	17,648	17,783	12,249
<b>Investing Activities</b>						
Capital expenditures	(24,757)	(24,795)	(15,378)	(17,994)	(17,915)	(8,554)
Proceeds from sale of trading investments	54,898	70,296	88,807	54,898	70,296	88,807
Purchase of trading investments	(58,317)	(70,677)	(91,559)	(58,317)	(70,677)	(91,559)
Purchase of assets limited as to use	(1,179)	(1,905)	(930)	(450)	(885)	(223)
Proceeds from sale of assets limited as to use	2,642	1,938	3,171	2,141	1,253	2,790
Repayment from (advances to) Brookmore Apartment Corporation	-	325	-	-	325	-
Net cash used in investing activities	(26,713)	(24,818)	(15,889)	(19,722)	(17,603)	(8,739)
<b>Financing Activities</b>						
Refunds of entrance fees	(4,287)	(7,343)	(6,739)	(3,931)	(7,343)	(6,739)
Principal payments on long-term debt	-	(1,782)	(1,870)	-	(1,782)	(1,870)
Principal payment HUD loans	(1,577)	(1,609)	(1,553)	-	-	-
Proceeds from Series 2015 debt issuance	5,600	-	-	5,600	-	-
Proceeds from Series 2017A and 2017B debt issuance	1,985	5,301	2,422	1,985	5,301	2,422
Proceeds from restricted contributions	-	-	19	-	-	19
Net cash provided by (used in) financing activities	1,721	(5,433)	(7,721)	3,654	(3,824)	(6,168)
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(3,682)</b>	<b>724</b>	<b>(5,041)</b>	<b>1,580</b>	<b>(3,644)</b>	<b>(2,658)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>13,025</b>	<b>10,864</b>	<b>19,345</b>	<b>6,543</b>	<b>10,124</b>	<b>13,792</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$9,343</b>	<b>\$11,588</b>	<b>\$14,304</b>	<b>\$8,123</b>	<b>\$6,480</b>	<b>\$11,134</b>
<b>Supplemental Cash Flows Information</b>						
Property and equipment purchases included in accounts payable and other accrued expenses	1,676	1,995	1,084	1,676	1,995	1,127
Entrance fees included in accounts receivable	3,114	2,490	1,581	3,114	2,490	1,581





**Average Available Units / Beds**  
**Quarter Ended September 30, 2020**

<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	158	**	33	191
Cecil Pines	Jacksonville, FL	Rental	92	**	**	92
England Oaks	Alexandria, LA	Rental	179	**	**	179
Sunny View	Cupertino, CA	CCRC	93	23	48	164
Villa Gardens	Pasadena, CA	CCRC	185	15	54	254
Vista del Monte	Santa Barbara, CA	CCRC	170	24	**	194
Walnut Village	Anaheim, CA	CCRC	156	14	67	237
Wesley Palms	San Diego, CA	Rental	293	22	**	315
<b>Subtotal</b>			<b>1,326</b>	<b>98</b>	<b>202</b>	<b>1,626</b>
<i><b>Non-Obligated Group Communities</b></i>						
Casa de Manana	La Jolla, CA	Rental	187	**	**	187
Claremont Manor	Claremont, CA	Rental	209	12	59	280
Fredericka Manor	Chula Vista, CA	Rental	257	22	174	453
Kingsley Manor	Los Angeles, CA	Rental	215	**	51	266
<b>Subtotal</b>			<b>868</b>	<b>34</b>	<b>284</b>	<b>1,186</b>
<b>Total All Communities</b>			<b>2,194</b>	<b>132</b>	<b>486</b>	<b>2,812</b>

\*\* Not applicable



**Average Available Units / Beds**  
**Six Months Ended September 30, 2020**

<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	179	**	**	179
Sunny View	Cupertino, CA	CCRC	93	23	48	164
Villa Gardens	Pasadena, CA	CCRC	186	15	54	255
Vista del Monte	Santa Barbara, CA	CCRC	170	24	**	194
Walnut Village	Anaheim, CA	CCRC	156	14	83	253
Wesley Palms	San Diego, CA	Rental	292	22	**	314
<b>Subtotal</b>			<b>1,326</b>	<b>98</b>	<b>218</b>	<b>1,642</b>
<i><b>Non-Obligated Group Communities</b></i>						
Casa de Manana	La Jolla, CA	Rental	186	**	**	186
Claremont Manor	Claremont, CA	Rental	209	11	59	279
Fredericka Manor	Chula Vista, CA	Rental	265	22	174	461
Kingsley Manor	Los Angeles, CA	Rental	216	**	51	267
<b>Subtotal</b>			<b>876</b>	<b>33</b>	<b>284</b>	<b>1,193</b>
<b>Total All Communities</b>			<b>2,202</b>	<b>131</b>	<b>502</b>	<b>2,835</b>

\*\* Not applicable



**Historical Average Occupancy**  
**Quarter Ended September 30**

Community Name	2018			2019			2020		
	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	96.9%	**	88.8%	97.1%	**	81.8%	91.8%	**	64.5%
Cecil Pines	99.7%	**	**	98.9%	**	**	99.7%	**	**
England Oaks	90.3%	**	**	87.9%	**	**	89.6%	**	**
Sunny View	98.9%	83.9%	82.7%	99.2%	98.7%	89.0%	97.1%	91.3%	74.4%
Villa Gardens	97.2%	97.9%	83.3%	98.2%	98.4%	84.6%	92.3%	83.0%	65.4%
Vista del Monte	88.0%	100.0%	**	91.1%	76.9%	**	88.4%	97.1%	**
Walnut Village	97.9%	100.0%	88.9%	96.3%	100.0%	89.2%	92.8%	97.9%	28.5%
Wesley Palms	81.8%	94.1%	**	83.7%	100.0%	**	75.9%	89.5%	**
<b>Subtotal</b>	<b>92.5%</b>	<b>93.9%</b>	<b>86.3%</b>	<b>92.7%</b>	<b>95.4%</b>	<b>87.1%</b>	<b>88.7%</b>	<b>92.0%</b>	<b>55.2%</b>
<i>Non-Obligated Group Communities</i>									
Casa de Manana	96.3%	**	**	98.6%	**	**	92.5%	**	**
Claremont Manor	91.3%	80.0%	81.9%	95.0%	83.0%	82.5%	93.0%	81.3%	69.0%
Fredericka Manor	83.0%	76.4%	92.7%	82.9%	95.5%	92.4%	81.7%	94.1%	79.9%
Kingsley Manor	99.0%	**	88.2%	96.9%	**	82.9%	92.6%	**	69.2%
<b>Subtotal</b>	<b>91.6%</b>	<b>77.9%</b>	<b>89.6%</b>	<b>92.3%</b>	<b>91.6%</b>	<b>88.6%</b>	<b>89.4%</b>	<b>89.5%</b>	<b>75.7%</b>
<b>All Communities</b>	<b>92.6%</b>	<b>91.4%</b>	<b>88.0%</b>	<b>92.6%</b>	<b>94.4%</b>	<b>87.9%</b>	<b>89.0%</b>	<b>91.3%</b>	<b>67.2%</b>

\*\* Not applicable



**Historical Average Occupancy  
Six Months Ended September 30**

Community Name	2018			2019			2020		
	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	96.7%	**	88.8%	96.4%	**	84.8%	92.7%	**	69.1%
Cecil Pines	99.7%	**	**	99.2%	**	**	99.1%	**	**
England Oaks	90.3%	**	**	88.6%	**	**	88.7%	**	**
Sunny View	97.8%	91.2%	82.7%	99.5%	99.1%	89.6%	97.5%	94.3%	75.4%
Villa Gardens	97.9%	97.3%	82.8%	98.2%	98.4%	84.8%	94.5%	90.8%	62.4%
Vista del Monte	87.6%	100.0%	**	92.4%	78.1%	**	88.3%	93.9%	**
Walnut Village	98.1%	100.0%	89.4%	97.4%	98.6%	88.2%	94.1%	98.6%	40.1%
Wesley Palms	82.4%	94.1%	**	81.8%	100.0%	**	77.2%	90.0%	**
<b>Subtotal</b>	<b>92.6%</b>	<b>95.6%</b>	<b>86.4%</b>	<b>92.7%</b>	<b>96.0%</b>	<b>87.2%</b>	<b>89.4%</b>	<b>93.3%</b>	<b>57.8%</b>
<i>Non-Obligated Group Communities</i>									
Casa de Manana	97.2%	**	**	98.3%	**	**	93.0%	**	**
Claremont Manor	91.7%	83.0%	80.5%	94.5%	92.0%	82.7%	95.1%	89.3%	69.5%
Fredericka Manor	85.0%	61.1%	92.6%	81.9%	91.8%	93.4%	81.8%	94.1%	77.5%
Kingsley Manor	99.1%	**	87.8%	98.2%	**	83.7%	93.9%	**	69.6%
<b>Subtotal</b>	<b>92.5%</b>	<b>72.3%</b>	<b>89.3%</b>	<b>92.2%</b>	<b>91.6%</b>	<b>89.4%</b>	<b>90.3%</b>	<b>92.5%</b>	<b>74.4%</b>
<b>All Communities</b>	<b>92.6%</b>	<b>91.4%</b>	<b>88.0%</b>	<b>92.5%</b>	<b>94.8%</b>	<b>88.4%</b>	<b>89.8%</b>	<b>93.1%</b>	<b>67.2%</b>

\*\* Not applicable



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

<u>Payor</u>	<u>Consolidated</u>			<u>Obligated Group</u>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Private Pay	23.6%	25.9%	27.1%	31.2%	35.7%	43.6%
Medi-Cal <sup>(1)</sup>	45.1%	47.3%	48.8%	35.0%	35.0%	29.9%
Medicare	22.3%	18.4%	17.1%	30.0%	24.6%	24.0%
Managed Care	9.0%	8.4%	7.0%	3.8%	4.7%	2.5%
<b>Total</b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Average beds available	518	518	486	234	234	202
Average occupancy	88.0%	87.9%	67.2%	86.3%	87.1%	55.2%

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



**Care Center Payor Mix and Occupancy**  
**Six Months Ended September 30**

<b>Payor</b>	<b>Consolidated</b>			<b>Obligated Group</b>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Private Pay	24.3%	25.2%	27.8%	32.2%	33.9%	42.1%
Medi-Cal <sup>(1)</sup>	43.6%	46.5%	49.9%	34.2%	34.6%	32.6%
Medicare	22.8%	19.8%	15.7%	29.2%	26.4%	22.4%
Managed Care	9.3%	8.5%	6.6%	4.4%	5.1%	2.9%
<b>Total</b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Average beds available	518	518	502	234	234	218
Average occupancy	88.0%	88.4%	67.2%	86.4%	87.2%	57.8%

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



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

**Unaudited Results of Operations <sup>(1)</sup> – Consolidated:** Q2 FY21 compared with Q2 FY20

Residential Living occupancy decreased from 92.6% for Q2 FY20 to 89.0% for Q2 FY21. The COVID-19 pandemic negatively affected Q2 occupancy and continues to present challenges. Steps and measures have been taken to safely admit and open up communities as per health guidelines and recommendations.

Summer House<sup>®</sup> occupancy decreased from 94.4% for Q2 FY20 to 91.3% for Q2 FY21. The COVID-19 pandemic has also affected the memory care business as well. Our one bright spot has been the improved occupancy at Vista del Monte from Q2 FY20 to Q2 FY21 because of additional capacity.

Care Center occupancy decreased from 87.9% for Q2 FY20 to 67.2% for Q2 FY21. The skilled nursing occupancy has been the most affected by the COVID-19 pandemic. Additionally, the closure of the Walnut Village Care Center on September 30, 2020 hurt occupancy. The Care Center payor mix experienced an increase in Private Pay and Medi-Cal while Medicare and Managed Care declined. The average available beds declined from 518 in Q2 FY20 to 486 in Q2 FY21 due to the closure of the Walnut Village Care Center effective September 30, 2020.

Resident and patient service revenue decreased by 6.6% from \$51.4M for Q2 FY20 to \$48.0M for Q2 FY21. Amortization of entrance fees increased slightly from \$2.6M for Q2 FY20 to \$2.7M for Q2 FY21. Total revenues, gains and other support without donor restriction decreased by 8.3% from \$55.5M for Q2 FY20 to \$50.9M for Q2 FY21. Total operating expenses decreased by 0.8% from \$53.3M for Q2 FY20 to \$52.9M for Q2 FY21. Operating income decreased from a gain of \$2.2M for Q2 FY20 to a loss of \$5.9M for Q2 FY21. Note: these results do include the COVID-19 related expenses in our results.



**Management's Discussion  
Six Months Ended September 30**

**Unaudited Results of Operations <sup>(1)</sup> – Consolidated: Six Months Ended September 30, 2020  
Compared to Six Months Ended September 30, 2019**

Residential Living occupancy decreased from 92.5% for FY20 Sept YTD to 89.8% for FY21 Sept YTD. The COVID-19 pandemic negatively affected occupancy and continues to present challenges. Steps and measures have been taken to safely admit and open up communities as per health guidelines and recommendations.

Summer House<sup>®</sup> occupancy decreased from 94.8% for FY20 Sept YTD to 93.1% for FY21 Sept YTD. The COVID-19 pandemic has also affected the memory care business as well. Vista del Monte and Fredericka Manor occupancy improved from FY20 Sept YTD to FY21 Sept YTD both benefitting from additional capacity.

Care Center occupancy decreased from 88.4% for FY20 Sept YTD to 67.2% for FY21 Sept YTD. The skilled nursing occupancy has been the most affected by the COVID-19 pandemic. Additionally, the closure of the Walnut Village Care Center on September 30, 2020 hurt occupancy. The Care Center payor mix experienced an increase in Private Pay and Medi-Cal while Medicare and Managed Care declined. The average available beds declined from 518 in FY20 Sept YTD to 502 in FY21 Sept YTD due to the closure of the Walnut Village Care Center effective September 30, 2020.

Resident and patient service revenue decreased from \$103.0M for FY20 Sept YTD to \$95.3M for FY21 Sept YTD, a 7.5% decrease. Amortization of entrance fees increased slightly from \$5.2M for FY20 Sept YTD to \$5.3M for FY21 Sept YTD, a 2.3% increase. Total revenues, gains and other support without donor restriction improved from \$109.8M for FY20 Sept YTD to \$101.1M for FY21 Sept YTD, a 7.9% decrease. Total operating expenses decreased from \$106.2M for FY20 Sept YTD to \$104.1M for FY21 Sept YTD, a 2.0% decrease. Operating income declined from a profit of \$3.6M for FY20 Sept YTD to a loss of \$6.8M for FY21 Sept YTD. Note: these results do include the COVID-19 related expenses in our results.

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<sup>®</sup>.” Skilled-nursing beds are collectively referred to as “Care Center” beds.





## Management's Discussion Six Months Ended September 30

### **Balance sheet and cash flow – Consolidated: September 30, 2020 Compared to September 30, 2019**

Total assets increased from \$746.4M at September 30, 2019 to \$766.8M at September 30, 2020. Cash and cash equivalents plus short-term investments increased from \$16.7M at September 30, 2019 to \$16.9M at September 30, 2020. Long-term investments increased from \$305.1M at September 30, 2019 to \$324.8M at September 30, 2020. Property and Equipment, Net increased from \$369.5M at September 30, 2019 to \$370.2M at September 30, 2020 reflecting continued capital investment at our communities. Long-term debt decreased from \$284.6M at September 30, 2019 to \$282.8M at September 30, 2020 due to overall principal payments exceeding the additional debt draw down from the \$21.5M Series 2017B debt. As of September 30, 2020, \$19.0M had been drawn down from the 2017B debt. Net assets increased from \$275.8M at September 30, 2019 to \$288.8M at September 30, 2020.

Cash provided by operating activities decreased from \$31.0M at September 30, 2019 to \$18.6M at September 30, 2020. Capital expenditures decreased from \$24.8M at September 30, 2019 to \$15.4M at September 30, 2020. Capital spending and construction has been slowed in 2020 due to the COVID-19 pandemic. Proceeds from entrance fees, net decreased from \$6.8M at September 30, 2019 to a negative \$2.4M at September 30, 2020. Cash and cash equivalents increased from \$11.6M at September 30, 2019 to \$14.3M at September 30, 2020.

### **COVID-19**

In general, COVID-19 has had a negative financial impact beginning in March 2020 with revenue declines from reduction in skilled nursing occupancy, as well as disruptions of new move-ins and the related entrance fees for residential living. Management with the support of the Board of Directors agreed to the deferral of the annual rate increase scheduled for March 1, 2020 for 90 days, which will negatively impact revenues as well. Additional expenditures are being incurred for supplies, emergency response efforts along with appreciation pay to recognize extraordinary efforts by our employees. It is anticipated that these negative financial impacts will increase during the second quarter of 2020.

Management has taken actions to address the challenges created by the COVID-19 pandemic, including accessing opportunities under the CARES Act and other emergency funds. Front Porch has determined it is not eligible for PPP funding, as under affiliation rules it is not considered a small business. As of quarter end September 30, 2020, Front Porch has received COVID relief funds of approximately \$5.1M from the CARES Act while incurring \$3.9M of COVID-related expenses. Currently, the relief funds are reflected on the balance sheet and have yet to be recognized as income on the financial statements. The COVID-related expenses are reflected under Other Operating Charges on the financial statement.

Some Front Porch residents and employees have tested positive for COVID-19 including some related deaths. Management's evaluation of the effects of these events is ongoing, the extent of the impact will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions. We will continue to monitor local, state and federal reports, and share information as it becomes available.