



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

May 12, 2022

This Continuing Disclosure Quarterly Report is being provided by Front Porch Communities and Services (“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
- \$305,565,000 California Statewide Communities Development Authority Revenue Bonds (Front Porch Communities and Services), Series 2021A and Series 2021B

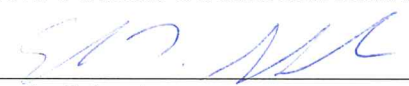
### **Continuing Disclosure Quarterly Report**

Front Porch’s Continuing Disclosure Quarterly Report (the “Quarterly Report”) is attached hereto and contains the unaudited consolidated financial statements of Front Porch and affiliates for the fiscal quarter ended March 31, 2022. As required by the continuing disclosure certificates for the Bonds, the “obligated persons” (as defined in the Rule) as of the date of this Quarterly Report are Front Porch and Covia Communities.

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 quarter 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



**Front Porch Consolidated Statements of Operations**  
(in thousands)

	<b>Three months ended March 31, 2022</b> <b>(unaudited consolidated)<sup>(1)</sup></b>
<b>Revenues, Gains and Other Support Without Donor Restrictions</b>	
Resident and patient service revenue	\$74,379
Amortization of entrance fees	10,267
Other	11,085
Net assets released from restriction used for operations	1,561
Total revenues, gains and other support without donor restrictions	<u>97,292</u>
<b>Expenses</b>	
Medical services	19,961
Communities operating costs	10,662
Dietary services	13,662
Residential services	7,882
Administrative services	15,887
Program expenses	2,724
Depreciation	17,323
Amortization of deferred costs	(389)
Interest expense and other financing costs	4,096
Other	6,198
Total operating expenses	<u>98,006</u>
<b>Operating Income (Loss) Before Other Operating Charges</b>	<u>(714)</u>
<b>Other Operating Charges</b>	
Other	2,117
COVID-19 related income	303
COVID-19 related expenses	(1,082)
Total other operating charges	<u>1,338</u>
<b>Operating Gain (Loss)</b>	624
<b>Investment Return, net</b>	(28,598)
Gain on extinguished debt	0
<b>Excess (Deficiency) of Revenues Over Expenses</b>	<u>(27,974)</u>
<b>Net Assets Released from Restrictions for Capital Expenditures</b>	
Contributions from affiliates	926
Extraordinary Items	(926)
Change in Pension Benefit	2,965
<b>Increase (Decrease) in Net Assets Without Donor Restrictions</b>	<u><u><u>(\$25,009)</u></u></u>

(1) Does not include the fair value adjustments related to the affiliation with Covia.



**Front Porch Consolidated Statements of Changes in Net Assets**  
(in thousands)

**Three months ended March 31, 2022**  
(unaudited consolidated)

**Net Assets Without Donor Restrictions**

Excess (Deficiency) of revenues over expenses	(\$27,974)
Contribution from Affiliates	\$926
Extraordinary Items	(\$926)
Change in Pension Benefit	\$2,965
Net assets released from restrictions for capital expenditures	0

Increase (Decrease) in net assets without donor restrictions	(25,009)
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**Net Assets With Donor Restrictions**

Contributions received and investment return	635
Net assets released from restriction used for operations	(1,561)
Net assets released from restrictions for capital expenditures	0

Increase (Decrease) in net assets with donor restrictions	(926)
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<b>Change in Net Assets</b>	<b>(25,935)</b>
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<b>Net Assets, Beginning of the Quarter</b>	<b>578,894</b>
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<b>Net Assets, End of Year</b>	<b>552,959</b>
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**Front Porch Consolidated Balance Sheets**  
(in thousands)

As of March 31, 2022  
(unaudited consolidated)<sup>(1)</sup>

**Assets**

**Current Assets**

Cash and cash equivalents	\$58,455
Short-term investments	178,831
Assets limited as to use - required for current liabilities	30,397
Resident and patient accounts receivable	10,393
Prepaid expenses and other	10,409
Other receivables	489
Total current assets	<u>288,974</u>

**Investments**

Assets limited as to use, net of current portion	42,585
Investments held in trust	9,195
Long-term investments	365,920
Derivative instrument	0
Total investments	<u>417,700</u>

**Property and Equipment, Net**

756,382

**Other Assets**

Receivables from supporting organizations	1,123
ROU assets - operating leases	10,144
Other receivables	1,618
Other assets	19,602
Total other assets	<u>32,487</u>

**Total assets**

\$1,495,543

**Liabilities and Net Assets**

**Current Liabilities**

Current maturities of long-term debt	\$8,560
Current portion of operating leases	2,121
Account payable	18,210
Accrued payroll and related expenses	13,265
Intercompany payables	0
Accrued interest	7,331
Other accrued expenses	15,871
Total current liabilities	<u>65,358</u>

Asset retirement obligation	1,948
Accrued workers compensation	3,816
Operating lease liabilities	9,338
Other accrued liabilities	43,461
Other	1,725
Refundable entrance fees	124,077
Deferred revenue from entrance fees	225,725
Long-term debt	467,136
Total liabilities	<u>942,584</u>

**Net Assets:**

Without donor restrictions	518,017
With donor restrictions	34,942
Total net assets	<u>552,959</u>

**Total liabilities and net assets** \$1,495,543

(1) Does not include the fair value adjustments related to the affiliation with Covia.



## Average Available Units / Beds by Community

Three Months Ended March 31, 2022

Community Name	Residential	Memory	Care
	Living	Care	Centers
Canterbury Woods	147	**	24
Carlsbad By The Sea	157	**	33
Casa de Manana	186	**	**
Cecil Pines	92	**	**
Claremont Manor	213	17	59
El Sombroso Oaks	22	**	**
England Oaks	180	**	**
Fredericka Manor	251	22	174
Friends House	92	**	**
Kingsley Manor	209	**	51
San Francisco Towers	253	**	26
Spring Lake Village	351	15	70
St. Paul's Towers	216	17	43
Sunny View	92	23	48
Villa Gardens	191	19	54
Vista del Monte	168	24	**
Walnut Village	154	14	**
Webster House	38	**	95
Wesley Palms	293	22	**
<b>Consolidated Total</b>	<b>3,305</b>	<b>173</b>	<b>677</b>

\*\* Not applicable



## Average Occupancy by Community

Three Months Ended March 31, 2022

Community Name	Residential	Memory	Care
	Living	Care	Centers
Canterbury Woods	84.9%	**	61.3%
Carlsbad By The Sea	97.9%	**	54.5%
Casa de Manana	94.1%	**	**
Cecil Pines	99.2%	**	**
Claremont Manor	74.4%	78.2%	67.3%
El Sombroso Oaks	100.0%	**	**
England Oaks	97.6%	**	**
Fredericka Manor	79.7%	86.4%	87.9%
Friends House	77.4%	**	**
Kingsley Manor	88.2%	**	59.4%
San Francisco Towers	99.0%	**	84.2%
Spring Lake Village	91.1%	62.0%	41.9%
St. Paul's Towers	91.8%	22.4%	44.7%
Sunny View	94.1%	92.6%	67.3%
Villa Gardens	96.0%	98.4%	63.0%
Vista del Monte	89.1%	100.0%	**
Walnut Village	90.5%	100.0%	**
Webster House	81.1%	**	63.7%
Wesley Palms	78.4%	95.5%	**
<b>Consolidated Total</b>	<b>89.1%</b>	<b>83.5%</b>	<b>66.9%</b>

\*\* Not applicable



## Care Center Payor Mix

<b>Payor</b>	<b>Three Months Ended March 31, 2022</b>
Private Pay	15.2%
Continuing Care Residents	15.3%
Medi-Cal	39.6%
Medicare	24.8%
Managed Care	5.1%
<b>Total</b>	<b>100.0%</b>



## Management's Discussion

### Unaudited Results of Operations<sup>(1)</sup> – Consolidated Operations: Q4 FY22

Residential Living occupancy for the whole system achieved 89.1% occupancy for the quarter. The COVID-19 pandemic is still impacting occupancy. Fifteen out of nineteen campuses exhibited strong occupancy with eleven above 90% and four above 80%. Precautionary measures continue to be taken to ensure resident safety and wellbeing. Activity and tours continue to increase as those vaccinated increase.

Summer House occupancy for the whole system achieved 83.5% occupancy for the quarter. The memory care business continued to be strong and consistent. Six out of nine campuses operated above 85% occupancy.

Care Center occupancy for the whole system achieved 66.9% occupancy for the quarter. The care center business continues to be the most impacted by the COVID-19 pandemic. Nine out of eleven care centers were below 80% occupancy for the quarter. The payor mix breakdown were as follows for the quarter: Private Pay 15.2%, Continuing Care Residents 15.3%, Medi-Cal 39.6%, Medicare 24.8%, Managed Care 5.1%. The average available beds for the quarter were 677.

Resident and patient service revenue accounted for \$74.4M (76%) of the \$97.3M in total revenues for the quarter. Amortization revenue accounted for \$10.3M (11%) while Other and Net Assets made up the remaining \$12.6M (13%). Total expenses for the quarter were \$98.0M. Medical Services, Administration services and depreciation were the primary drivers. Operating Income Before Other Operating Charges was a loss of \$714K for the quarter.

#### 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.





## Management's Discussion

### **Unaudited Balance sheet – Consolidated Operations as of March 31, 2022**

Total assets for the whole system were \$1,495.5M at March 31, 2022. Cash and cash equivalents plus short-term investments were \$237.3M. Long-term investments and Property and Equipment, net were \$365.9M and \$756.4M, respectively at March 31, 2022. On the liabilities side refundable entrance fees were \$124.1M and deferred revenue from entrance fees were \$225.7M. Long-term debt at March 31, 2022 was \$467.1M. Total change in Net Assets were a decrease of \$25.9M at March 31, 2022.

### **COVID-19**

COVID-19 had a negative financial impact beginning in March 2020 with revenue declines due to a reduction in occupancy across all levels of care, disruptions of new move-ins and entrance fees for residential living. Management with the support of the Board of Directors deferred the annual rate increase effective April 1, 2020 for 90 days, which negatively impacted revenues. Additional expenditures were incurred for supplies, emergency response efforts along with appreciation pay to recognize extraordinary efforts by our employees.

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. For the quarter ended March 31, 2022, Front Porch incurred \$1,082K of COVID-related expenses while also recognizing \$303K in relief funds that have been previously reflected on the balance sheet. The COVID-related expenses are under Other Operating Charges on the financial statement.