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August 16, 2022

This Continuing Disclosure Annual Report is being provided by Front Porch Communities and Services (“Corporation”) 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 Annual Report

Front Porch’s Continuing Disclosure Annual Report (the “Annual Report”) is attached hereto and contains the audited consolidated financial statements of Front Porch and affiliates for the fiscal year 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 Annual Report are Front Porch Communities and Services (the Corporation).

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



Front Porch Consolidated Statements of Operations
(in thousands)

	<u>Twelve months ended March 31, 2022</u>
Revenues, Gains and Other Support Without Donor Restrictions	
Resident and patient service revenue	\$297,061
Amortization of entrance fees	38,121
Affordable housing fees and rents	29,746
Other	3,462
Net assets released from restriction used for operations	4,072
Total revenues, gains, and other support without donor restrictions	<u>372,462</u>
Expenses	
Medical services	78,035
Facility operating costs	40,257
Dietary services	54,462
Residential services	31,098
Administrative services	72,996
Depreciation	64,557
Amortization of deferred costs	272
Interest expense and other financing costs	14,725
Program expenses	3,528
Other	11,367
Total expenses	<u>371,297</u>
Operating Income Before Other Operating Activities	<u>1,165</u>
Other Operating Activities	
COVID-19-related income	1,700
COVID-19-related expenses	(3,453)
Amortization of acquired intangible assets and other	(15,866)
Total other operating activities	<u>(17,619)</u>
Operating Loss	(16,454)
Other Income (Expense)	
Investment return, net	28,172
Other components of net periodic benefit costs	1,667
Inherent contribution	651,738
Loss on extinguishment of debt	(5,617)
Total other income (expense)	<u>675,960</u>
Excess of Revenues Over Expenses	<u>659,506</u>
Net Assets Released from Restrictions on Acquisition	8,527
Change in Pension Benefit Obligation	2,965
Increase in Net Assets Without Donor Restrictions	<u><u>\$670,998</u></u>



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

	<u>Twelve months ended March 31, 2022</u>
Net Assets Without Donor Restrictions	
Excess of revenues over expenses	659,506
Net assets released from restrictions on acquisition	8,527
Change in pension benefit obligation	2,965
Increase in net assets without donor restrictions	<u>670,998</u>
Net Assets With Donor Restrictions	
Contributions received and investment return	6,558
Changes in split interest gift agreements	85
Change in beneficial interest in perpetual trusts and annuities	418
Inherent contribution	11,024
Net assets released from restrictions on acquisition	(8,527)
Net assets released from restrictions used for operations	(4,072)
Increase (Decrease) in net assets with donor restrictions	<u>5,486</u>
Change in Net Assets	676,484
Net Assets, Beginning of Year	349,488
Net Assets, End of Year	<u><u>1,025,972</u></u>



Front Porch Consolidated Balance Sheets
(in thousands)

	<u>As of March 31, 2022</u>
Assets	
Current Assets	
Cash and cash equivalents	\$58,539
Short-term investments	10,911
Assets limited as to use - required for current liabilities	21,047
Resident and patient accounts receivable	9,377
Prepaid expenses and other	11,801
Total current assets	<u>111,675</u>
Investments	
Assets limited as to use, net of current portion	52,885
Long-term investments	543,714
Total investments	<u>596,599</u>
Property and Equipment, Net	<u>1,168,465</u>
Other Assets	
Receivables from supporting organization	1,063
ROU assets - operating leases	9,941
Other receivables	1,588
Other assets	15,944
In-place leases	61,899
Net pension asset	3,373
Total other assets	<u>93,808</u>
Total assets	<u><u>\$1,970,547</u></u>
Liabilities and Net Assets	
Current Liabilities	
Current maturities of long-term debt	\$8,951
Current portion of operating lease liabilities	2,120
Accounts payable	20,422
Accrued payroll and related expenses	15,863
Accrued interest	7,332
Other accrued expenses	22,261
Total current liabilities	<u>76,949</u>
Other Liabilities	
Asset retirement obligations	1,948
Accrued workers' compensation	7,124
Operating lease liabilities	9,070
Other accrued liabilities	10,459
Refundable entrance fees	147,799
Deferred revenue from entrance fees	225,133
Long-term debt	466,093
Total liabilities	<u>944,575</u>
Net Assets	
Without donor restrictions	990,710
With donor restrictions	35,262
Total net assets	<u>1,025,972</u>
Total liabilities and net assets	<u><u>\$1,970,547</u></u>



Average Available Units / Beds by Community

Twelve months ended March 31, 2022

Community Name	Residential	Memory	Care
	Living	Care	Centers
Canterbury Woods	150	**	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	86	**	**
Kingsley Manor	209	**	51
San Francisco Towers	253	**	25
Spring Lake Village	350	13	70
St. Paul's Towers	216	12	43
Sunny View	92	23	48
Villa Gardens	191	19	54
Vista del Monte	168	24	**
Walnut Village	154	14	**
Webster House	38	**	93
Wesley Palms	293	22	**
Consolidated Total	3,301	166	674

** Not applicable



Average Occupancy by Community

Twelve months ended March 31, 2022

Community Name	Residential	Memory	Care
	Living	Care	Centers
Canterbury Woods	84.1%	**	66.3%
Carlsbad By The Sea	95.8%	**	66.7%
Casa de Manana	94.6%	**	**
Cecil Pines	99.7%	**	**
Claremont Manor	78.6%	84.1%	71.4%
El Sombroso Oaks	90.9%	**	**
England Oaks	96.0%	**	**
Fredericka Manor	79.6%	94.5%	82.9%
Friends House	76.9%	**	**
Kingsley Manor	88.8%	**	64.3%
San Francisco Towers	95.2%	**	68.0%
Spring Lake Village	89.1%	62.3%	57.3%
St. Paul's Towers	90.3%	49.2%	49.1%
Sunny View	92.5%	95.7%	72.5%
Villa Gardens	93.0%	96.8%	75.0%
Vista del Monte	88.6%	97.5%	**
Walnut Village	88.9%	98.6%	**
Webster House	89.5%	**	74.3%
Wesley Palms	74.6%	95.0%	**
Consolidated Total	88.0%	88.9%	71.2%

** Not applicable



Care Center Payor Mix

Payor	Twelve months ended March 31, 2022
Private Pay	16.6%
Continuing Care Residents	12.8%
Medi-Cal	39.5%
Medicare	25.1%
Managed Care	5.9%
Total	100.0%



Debt Service Coverage Ratios
(in thousands)

Twelve months ended March 31, 2022

Excess of Revenues over Expenses	659,506
Additions:	
Depreciation	64,557
Amortization of Deferred Costs	272
Interest Expense	14,725
Entrance Fees Received	75,406
Unrealized Losses (Gains)	17,648
Amortization of acquired intangible assets and other	15,866
(Gain) Loss on Extinguishment of Debt	5,617
Deductions:	
Refunds of Entrance Fees	(22,064)
Amortization of Entrance Fees	(38,121)
Other components of net periodic benefit costs	(1,667)
Inherent contribution	(651,738)
Total Income Available for Debt Service	<hr/> 140,007
Debt Service Requirement	
Principal Payments of Long Term Debt	7,446
Interest Expense	14,637
Annual Debt Service	<hr/> 22,083
Debt Service Coverage ratios	6.34
MADS ⁽¹⁾	<hr/> 24,224
MADS Coverage Ratio	<hr/> 5.78 <hr/>

⁽¹⁾MADS (Maximum Annual Debt Service) is calculated per the Amended and Restated MTI, which smooths total debt (\$442.8M) over 30 years at Revenue Bond Index (3.55% as of 8/11/22)



Days Cash on Hand
(in thousands)

	<u>Twelve months ended March 31, 2022</u>
Cash and Cash Equivalents	58,539
Short Term Investments	10,911
Long Term Investments	543,714
	<hr/>
Total Unrestricted Cash & Investments	613,164
Operating Expenses before Other Operating Charges	371,297
Less: Depreciation	(64,557)
Less: Amortization of Deferred Cost	(272)
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Operating Expenses less Depreciation and Amortization of Deferred Cost	306,468
Divided Number of Days Per Year	365
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Daily Average Operating Expenses excluding Depreciation and Amortization	840
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Days Cash on Hand	730
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Cash to Debt
(in thousands)

Twelve months ended March 31, 2022

Cash and Cash Equivalents	58,539
Short Term Investments	10,911
Long Term Investments	543,714
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Total Unrestricted Cash & Investments	613,164
Long-Term Indebtedness	480,298
	<hr/>
Cash to Debt Ratio	1.28
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Management's Discussion

Results of Operations⁽¹⁾ – Consolidated: Fiscal Year 2022

Residential Living occupancy for the whole system achieved 88.0% occupancy for the fiscal year ended March 31, 2022. While pandemic challenges were still present during the fiscal year overall occupancy remained strong as fifteen out of nineteen campuses achieved above 80%. From those fifteen campuses nine achieved above 90%. The average capacity for the fiscal year ended March 31, 2022 was 3,301 units.

Summer House occupancy for the whole system achieved 88.9% occupancy for the fiscal year ended March 31, 2022. The memory care business continues to be strong and consistent. Seven out of nine campuses were above 80% with six of the nine above 90% occupancy. The average capacity for the fiscal year ended March 31, 2022 was 166 units.

Care Center occupancy for the whole system achieved 71.2% occupancy for the fiscal year ended March 31, 2022. The care center business continues to experience the biggest challenges. Ten out of eleven care centers were below 80% occupancy. The payor mix breakdown were as follows: Private Pay 16.6%, Continuing Care Residents 12.8%, Medi-Cal 39.5%, Medicare 25.1% and Managed Care 5.9%. The average available beds for the fiscal year ended March 31, 2022 was 674.

Total system revenues were \$372.5M for the fiscal year ended March 31, 2022. Resident and patient service revenue accounted for \$297.1M (80%), amortization revenue \$38.1M (10%) while Other and Net Assets made up the remaining \$37.3M (10%). Total expenses for the year were \$371.3M. The primary drivers consisted of Medical Services, Administration services and depreciation. Operating Income Before Other Operating Activities were \$1.2M for the fiscal year.

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

Balance sheet – Consolidated: March 31, 2022

Total assets for the whole system were \$1,970K at March 31, 2022. Cash and cash equivalents plus short-term investments were \$69.5M. Long-term investments and Property and Equipment, Net were \$543.7M and \$1,168.5K, respectively at March 31, 2022. On the liabilities side refundable entrance fees were \$147.8M and deferred revenue from entrance fees were \$225.1M. Long-term debt at March 31, 2022 was \$466.1M. Total change in Net Assets were an increase of \$676.5M 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. 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 fiscal year ended March 31, 2022, Front Porch incurred \$3,453K of COVID-related expenses while also recognizing \$1,700K in relief funds that have been previously reflected on the balance sheet. The COVID-related expenses are under Other Operating Activities on the financial statement.