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November 11, 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 September 30, 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 Communities and Services (the Corporation).

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)

**Three months ended September 30, 2022**  
(unaudited consolidated)

**Revenues, Gains and Other Support Without Donor Restrictions**

Resident and patient service revenue	\$78,015
Amortization of entrance fees	9,922
Affordable housing fees and rents	7,417
Other	709
Contributions	33
Net assets released from restriction used for operations	1,735
Total revenues, gains and other support without donor restrictions	97,831

**Expenses**

Medical services	21,959
Communities operating costs	11,699
Dietary services	14,366
Residential services	8,143
Administrative services	19,368
Program expenses	1,792
Depreciation	17,784
Amortization of deferred costs	54
Interest expense and other financing costs	3,440
Other	2,339
Total operating expenses	100,944

**Operating Income (Loss) Before Other Operating Charges**

(3,113)

**Other Operating Charges**

COVID-19 related expenses	(591)
Amortization of acquired intangibles	(4,077)
Release of board designated funds	(500)
Total other operating charges	(5,168)

**Operating Gain (Loss)**

(8,281)

**Nonoperating Items**

Investment return, net	(26,359)
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**Excess (Deficiency) of Revenues Over Expenses**

(34,640)

Net assets released from restrictions for capital expenditures	0
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**Increase (Decrease) in Net Assets Without Donor Restrictions**

**(\$34,640)**



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

**Three months ended September 30, 2022**  
(unaudited consolidated)

**Net Assets Without Donor Restrictions**

Excess (Deficiency) of revenues over expenses	(\$34,640)
Net assets released from restrictions for capital expenditures	0
Increase (Decrease) in net assets without donor restrictions	<u>(34,640)</u>

**Net Assets With Donor Restrictions**

Contributions received and investment return	795
Net assets released from restriction used for operations	(1,735)
Increase (Decrease) in net assets with donor restrictions	<u>(940)</u>

**Change in Net Assets** **(35,580)**

**Net Assets, Beginning of Quarter** **956,708**

**Net Assets, End of Quarter** **921,128**



**Front Porch Consolidated Balance Sheets**  
(in thousands)

As of September 30, 2022  
(unaudited consolidated)

**Assets**

**Current Assets**

Cash and cash equivalents	\$40,947
Short-term investments	20,183
Assets limited as to use - required for current liabilities	13,407
Resident and patient accounts receivable	16,352
Prepaid expenses and other	10,149
Other receivables	(1,822)
Total current assets	<u>99,216</u>

**Investments**

Assets limited as to use, net of current portion	56,929
Investments held in trust	453
Long-term investments	423,399
Total investments	<u>480,781</u>

**Property and Equipment, Net**

1,170,951

**Other Assets**

Receivables from supporting organizations	1,063
ROU assets - operating leases	9,232
Other receivables	1,588
Other assets	76,232
Total other assets	<u>88,115</u>

**Total assets**

\$1,839,063

**Liabilities and Net Assets**

**Current Liabilities**

Current maturities of long-term debt	\$8,758
Current portion of operating leases	2,121
Account payable	10,276
Accrued payroll and related expenses	14,580
Intercompany payables	(2,331)
Accrued interest	6,722
Other accrued expenses	14,173
Total current liabilities	<u>54,299</u>

Asset retirement obligation	1,942
Accrued workers compensation	7,123
Operating lease liabilities	8,229
Other accrued liabilities	3,771
Liabilities for payments to trust benefit	5,800
Refundable entrance fees	143,813
Deferred revenue from entrance fees	235,284
Long-term debt	457,674
Total liabilities	<u>917,935</u>

**Net Assets:**

Without donor restrictions	888,781
With donor restrictions	32,347
Total net assets	<u>921,128</u>

**Total liabilities and net assets**

\$1,839,063



## Average Available Units / Beds by Community

Three Months Ended September 30, 2022

Community Name	Residential	Memory	Care
	Living	Care	Centers
Canterbury Woods	153	**	24
Carlsbad By The Sea	159	**	33
Casa de Manana	183	**	**
Cecil Pines	92	**	**
Claremont Manor	218	17	59
El Sombroso Oaks	22	**	**
England Oaks	182	**	**
Fredericka Manor	272	22	174
Friends House	86	**	**
Kingsley Manor	216	**	51
San Francisco Towers	253	12	23
Spring Lake Village	349	11	70
St. Paul's Towers	216	7	43
Sunny View	93	23	48
Villa Gardens	195	19	54
Vista del Monte	169	24	**
Walnut Village	156	14	**
Webster House	38	**	75
Wesley Palms	293	22	**
<b>Consolidated Total</b>	<b>3,345</b>	<b>171</b>	<b>654</b>

\*\* Not applicable



## Average Occupancy by Community

Three Months Ended September 30, 2022

Community Name	Residential	Memory	Care
	Living	Care	Centers
Canterbury Woods	77.1%	**	65.8%
Carlsbad By The Sea	94.8%	**	73.6%
Casa de Manana	94.3%	**	**
Cecil Pines	99.7%	**	**
Claremont Manor	71.1%	94.1%	68.3%
El Sombroso Oaks	90.9%	**	**
England Oaks	97.3%	**	**
Fredericka Manor	73.2%	89.5%	78.9%
Friends House	81.6%	**	**
Kingsley Manor	84.7%	**	51.6%
San Francisco Towers	95.9%	12.5%	73.5%
Spring Lake Village	89.1%	74.5%	65.9%
St. Paul's Towers	86.8%	88.6%	52.8%
Sunny View	91.7%	95.7%	68.1%
Villa Gardens	98.1%	98.4%	74.1%
Vista del Monte	92.1%	94.6%	**
Walnut Village	86.5%	85.7%	**
Webster House	76.3%	**	88.1%
Wesley Palms	82.3%	90.9%	**
<b>Consolidated Total</b>	<b>87.2%</b>	<b>86.0%</b>	<b>71.6%</b>

\*\* Not applicable



## Care Center Payor Mix

<b>Payor</b>	<b>Three Months Ended September 30, 2022</b>
Private Pay	13.5%
Continuing Care Residents	9.7%
Medi-Cal	39.8%
Medicare	27.6%
Managed Care	9.4%
<b>Total</b>	<b>100.0%</b>



## Management's Discussion

### Unaudited Results of Operations<sup>(1)</sup> – Consolidated Operations: Q2 FY23

Residential Living occupancy for the whole system achieved 87.2% occupancy for the quarter. Fifteen out of nineteen campuses exhibited strong occupancy with nine above 90% and six above 80%. The average current capacity for the quarter was 3,345 units.

Summer House occupancy for the whole system achieved 86.0% occupancy for the quarter. The demand for memory care continues to be strong and consistent. Eight out of ten campuses were above 80% with five of the nine above 90% occupancy. The average current capacity for the quarter was 171 units.

Care Center occupancy for the whole system achieved 71.6% occupancy for the quarter. The care center business continues to have challenges. Ten out of eleven care centers were below 80% occupancy for the quarter. The payor mix breakdown were as follows: Private Pay 13.5%, Continuing Care Residents 9.7%, Medi-Cal 39.8%, Medicare 27.6%, and Managed Care 9.4%. The average available beds for the quarter were 654.

Resident and patient service revenue accounted for \$78.0M (80%), amortization revenue \$9.9M (10%), and other revenues \$9.9M (10%) of the total \$97.8M in total revenues for the quarter. Total expenses for the quarter were \$100.9M. The primary drivers consisted of Medical Services, Administration services and depreciation. Operating Loss Before Other Operating Charges were \$3.1M 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.

### Unaudited Balance sheet – Consolidated Operations as of September 30, 2022

Total assets for the whole system were \$1,839.1M at September 30, 2022. Cash and cash equivalents plus short-term investments were \$61.1M. Long-term investments and Property and Equipment, net were \$423.4M and \$1,171.0M, respectively at September 30, 2022. On the liabilities side refundable entrance fees were \$143.8M and deferred revenue from entrance fees were \$235.3M. Long-term debt at September 30, 2022 was \$457.7M. Total change in Net Assets Without Donor Restrictions were a decrease of \$34.6M for the quarter ended September 30, 2022.