



front porch

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May 12, 2023

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, 2023. 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 March 31, 2023
(unaudited consolidated)

Revenues, Gains and Other Support Without Donor Restrictions

Resident and patient service revenue	\$77,316
Amortization of entrance fees	8,901
Affordable housing fees and rents	8,589
Other	567
Contributions	167
Net assets released from restriction used for operations	480
Total revenues, gains and other support without donor restrictions	96,021

Expenses

Medical services	21,047
Communities operating costs	14,832
Dietary services	14,008
Residential services	8,196
Administrative services	21,237
Program expenses	546
Depreciation	11,751
Amortization of deferred costs	544
Interest expense and other financing costs	3,278
Other	1,275
Total operating expenses	96,714

Operating Income (Loss) Before Other Operating Charges

(693)

Other Operating Charges

COVID-19 related expenses	(37)
Amortization of acquired intangibles	(1,390)
Release of board designated funds	(500)
Total other operating charges	(1,927)

Operating Gain (Loss)

(2,620)

Nonoperating Items

Investment return, net	25,078
Nonoperating Gains (Loss)	5

Excess (Deficiency) of Revenues Over Expenses

22,464

Net assets released from restrictions for capital expenditures

0

Increase (Decrease) in Net Assets Without Donor Restrictions

\$22,464



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

Three months ended March 31, 2023
(unaudited consolidated)

Net Assets Without Donor Restrictions

Excess (Deficiency) of revenues over expenses	\$22,464
Net assets released from restrictions for capital expenditures	0
Increase (Decrease) in net assets without donor restrictions	<u>22,464</u>

Net Assets With Donor Restrictions

Contributions received and investment return	225
Net assets released from restriction used for operations	(480)
Increase (Decrease) in net assets with donor restrictions	<u>(255)</u>

Change in Net Assets **22,208**

Net Assets, Beginning of Quarter **955,253**

Net Assets, End of Quarter **977,461**



Front Porch Consolidated Balance Sheets (in thousands)

As of March 31, 2023
(unaudited consolidated)

Assets

Current Assets

Cash and cash equivalents	\$46,624
Short-term investments	22,858
Assets limited as to use - required for current liabilities	21,840
Resident and patient accounts receivable	15,229
Prepaid expenses and other	11,209
Other receivables	710
Total current assets	118,470

Investments

Assets limited as to use, net of current portion	59,353
Investments held in trust	479
Long-term investments	448,798
Total investments	508,630

Property and Equipment, Net

1,200,428

Other Assets

Receivables from supporting organizations	1,063
ROU assets - operating leases	9,003
Other receivables	1,218
Other assets	72,038
Total other assets	83,322

Total assets

\$1,910,850

Liabilities and Net Assets

Current Liabilities

Current maturities of long-term debt	\$8,561
Current portion of operating leases	2,121
Account payable	23,622
Accrued payroll and related expenses	15,144
Accrued interest	6,738
Other accrued expenses	24,306
Total current liabilities	80,492

Asset retirement obligation	1,707
Accrued workers compensation	6,115
Operating lease liabilities	7,934
Other accrued liabilities	14,386
Liabilities for payments to trust benefit	5,459
Refundable entrance fees	142,361
Deferred revenue from entrance fees	217,861
Long-term debt	457,074
Total liabilities	933,389

Net Assets:

Without donor restrictions	941,756
With donor restrictions	35,705
Total net assets	977,461

Total liabilities and net assets

\$1,910,850



Average Available Units / Beds by Community

Three Months Ended March 31, 2023

Community Name	Residential	Memory	Care
	Living	Care	Centers
Canterbury Woods	153	**	24
Carlsbad By The Sea	159	**	33
Casa de Manana	182	**	**
Cecil Pines	92	**	**
Claremont Manor	218	17	59
El Sombroso Oaks	22	**	**
England Oaks	182	**	**
Fredericka Manor	272	22	174
Friends House	92	**	**
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	**
Consolidated Total	3,350	171	654

** Not applicable



Average Occupancy by Community

Three Months Ended March 31, 2023

Community Name	Residential	Memory	Care
	Living	Care	Centers
Canterbury Woods	80.0%	**	77.5%
Carlsbad By The Sea	98.9%	**	81.8%
Casa de Manana	98.2%	**	**
Cecil Pines	99.7%	**	**
Claremont Manor	68.8%	84.1%	67.3%
El Sombroso Oaks	95.5%	**	**
England Oaks	97.1%	**	**
Fredericka Manor	71.4%	96.8%	52.3%
Friends House	77.6%	**	**
Kingsley Manor	82.1%	**	45.1%
San Francisco Towers	92.4%	90.0%	73.0%
Spring Lake Village	88.2%	80.9%	65.0%
St. Paul's Towers	91.4%	87.1%	60.2%
Sunny View	93.2%	85.7%	65.2%
Villa Gardens	96.3%	93.2%	70.4%
Vista del Monte	91.5%	98.8%	**
Walnut Village	90.6%	92.9%	**
Webster House	79.5%	**	84.0%
Wesley Palms	82.2%	96.8%	**
Consolidated Total	87.2%	91.7%	64.2%

** Not applicable



Care Center Payor Mix

Payor	Three Months Ended March 31, 2023
Private Pay	21.9%
Continuing Care Residents	11.8%
Medi-Cal	43.1%
Medicare	21.5%
Managed Care	1.7%
Total	100.0%



Management's Discussion

Unaudited Results of Operations⁽¹⁾ – Consolidated Operations: Q4 FY23

Residential Living occupancy achieved 87.2% occupancy for the quarter. Out of nineteen campuses fifteen were above 80% with eleven exceeding 90%. The average capacity for the quarter was 3,350 units.

Summer House occupancy achieved 91.7% occupancy for the quarter. The demand for memory care continues to be consistent and strong. All ten campuses were above 80% with six above 90% occupancy. The average current capacity for the quarter was 171 units.

Care Center occupancy was 64.2% occupancy for the quarter. The care center business continues to struggle. Only two out of eleven care centers were above 80% occupancy for the quarter. The payor mix breakdown were as follows: Private Pay 21.9%, Continuing Care Residents 11.8%, Medi-Cal 43.1%, Medicare 21.5%, and Managed Care 1.7%. The average available beds for the quarter were 654.

Resident and patient service revenue accounted for \$77.3M (81%), amortization revenue \$8.9M (9%), affordable housing revenue \$8.6M (9%), and other revenues \$1.2M (1%) of the total \$96.0M for the quarter. Total expenses for the quarter were \$96.7M. The largest contributors were Medical Services and Administrative services. Operating Loss Before Other Operating Charges were \$0.7M 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 March 31, 2023

Total assets were \$1,910.9B at March 31, 2023. Cash and cash equivalents plus short-term investments were \$69.5M. Long-term investments and Property and Equipment, net were \$448.8M and \$1,200.4M, respectively at March 31, 2023. On the liabilities side refundable entrance fees were \$142.4M and deferred revenue from entrance fees were \$217.9M. Long-term debt at March 31, 2023 was \$457.1M. Total change in Net Assets Without Donor Restrictions were an increase of 22.5M for the quarter ended March 31, 2023.