



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

August 2, 2023

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, 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 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, 2023</u>
Revenues, Gains and Other Support Without Donor Restrictions	
Resident and patient service revenue	\$312,007
Amortization of entrance fees	37,371
Affordable housing fees and rents	31,053
Other	2,496
Net assets released from restriction used for operations	3,204
Total revenues, gains, and other support without donor restrictions	<u>386,131</u>
Expenses	
Medical services	85,204
Facility operating costs	47,962
Dietary services	57,110
Residential services	32,585
Administrative services	79,031
Depreciation	70,829
Amortization of deferred costs	272
Interest expense and other financing costs	13,377
Program expenses	3,422
Other	8,914
Total expenses	<u>398,706</u>
Operating Income (Loss) Before Other Operating Activities	<u>(12,575)</u>
Other Operating Activities	
COVID-19-related expenses	(1,548)
Amortization of acquired intangible assets and other	(10,401)
Total other operating activities	<u>(11,949)</u>
Operating Loss	<u>(24,524)</u>
Other Income (Expense)	
Investment return, net	(32,977)
Other components of net periodic benefit costs	1,910
Total other income (expense)	<u>(31,067)</u>
Excess (Deficiency) of Revenues Over Expenses	<u>(55,591)</u>
Change in Pension Benefit Obligation	<u>(1,380)</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	<u><u><u>(\$56,971)</u></u></u>



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

	<u>Twelve months ended March 31, 2023</u>
Net Assets Without Donor Restrictions	
Excess (deficiency) of revenues over expenses	(55,591)
Change in pension benefit obligation	(1,380)
Increase (decrease) in net assets without donor restrictions	<u>(56,971)</u>
Net Assets With Donor Restrictions	
Contributions received and investment return	3,824
Changes in split interest gift agreements	(131)
Change in beneficial interest in perpetual trusts and annuities	(283)
Net assets released from restrictions used for operations	(3,204)
Increase (Decrease) in net assets with donor restrictions	<u>206</u>
Change in Net Assets	(56,765)
Net Assets, Beginning of Year	1,025,972
Net Assets, End of Year	<u>969,207</u>



Front Porch Consolidated Balance Sheets
(in thousands)

	<u>As of March 31, 2023</u>
Assets	
Current Assets	
Cash and cash equivalents	\$54,383
Short-term investments	7,701
Assets limited as to use - required for current liabilities	15,404
Resident and patient accounts receivable	14,782
Prepaid expenses and other	12,109
Total current assets	<u>104,379</u>
Investments	
Assets limited as to use, net of current portion	58,177
Long-term investments	464,576
Total investments	<u>522,753</u>
Property and Equipment, Net	<u>1,193,981</u>
Other Assets	
Receivables from supporting organization	850
ROU assets - operating leases	8,811
Other receivables	1,219
Other assets	15,882
In-place leases	52,376
Net pension asset	4,031
Total other assets	<u>83,169</u>
Total assets	<u><u>\$1,904,282</u></u>
Liabilities and Net Assets	
Current Liabilities	
Current maturities of long-term debt	\$8,966
Current portion of operating lease liabilities	1,964
Accounts payable	23,874
Accrued payroll and related expenses	16,419
Accrued interest	6,645
Other accrued expenses	25,076
Total current liabilities	<u>82,944</u>
Other Liabilities	
Asset retirement obligations	1,707
Accrued workers' compensation	6,114
Operating lease liabilities	7,828
Other accrued liabilities	19,957
Refundable entrance fees	120,687
Deferred revenue from entrance fees	239,011
Long-term debt	456,827
Total liabilities	<u>935,075</u>
Net Assets	
Without donor restrictions	933,739
With donor restrictions	35,468
Total net assets	<u>969,207</u>
Total liabilities and net assets	<u><u>\$1,904,282</u></u>



Average Available Units / Beds by Community

Twelve 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

Twelve Months Ended March 31, 2023

Community Name	Residential	Memory	Care
	Living	Care	Centers
Canterbury Woods	78.5%	**	71.3%
Carlsbad By The Sea	96.0%	**	69.7%
Casa de Manana	96.3%	**	**
Cecil Pines	99.8%	**	**
Claremont Manor	70.0%	90.0%	68.3%
El Sombroso Oaks	94.5%	**	**
England Oaks	96.9%	**	**
Fredericka Manor	74.6%	94.5%	71.7%
Friends House	78.1%	**	**
Kingsley Manor	84.2%	**	50.2%
San Francisco Towers	94.2%	44.2%	72.2%
Spring Lake Village	88.9%	79.1%	65.0%
St. Paul's Towers	90.9%	88.6%	57.4%
Sunny View	92.2%	92.6%	67.1%
Villa Gardens	96.5%	96.3%	70.7%
Vista del Monte	91.4%	97.1%	**
Walnut Village	87.9%	89.3%	**
Webster House	77.6%	**	86.8%
Wesley Palms	81.5%	94.5%	**
Consolidated Total	87.3%	89.2%	69.3%

** Not applicable



Care Center Payor Mix

Payor	Twelve months ended March 31, 2023
Private Pay	28.7%
Medi-Cal	43.7%
Medicare	20.5%
Managed Care	7.1%
Total	100.0%



Debt Service Coverage Ratios - Obligated Group
(in thousands)

Twelve months ended March 31, 2023

Excess of Revenues over Expenses	(58,532)
Additions:	
Depreciation	64,699
Amortization of Deferred Costs	243
Interest Expense	11,979
Entrance Fees Received	56,878
Unrealized Losses (Gains)	58,865
Amortization of acquired intangible assets and other	10,401
Deductions:	
Refunds of Entrance Fees	(20,460)
Amortization of Entrance Fees	(37,371)
Other components of net periodic benefit costs	(1,910)
Total Income Available for Debt Service	<hr/> 84,792
Debt Service Requirement	
Principal Payments of Long Term Debt	7,875
Interest Expense	11,979
Annual Debt Service	<hr/> 19,854
Debt Service Coverage ratios	4.27
MADS ⁽¹⁾	<hr/> 21,996
MADS Coverage Ratio	<hr/> 3.85 <hr/>

⁽¹⁾MADS (Maximum Annual Debt Service) is calculated per the Amended and Restated MTI, which smooths total debt (\$387.4M) over 30 years at Revenue Bond Index (3.85% as of 7/20/23).



Days Cash on Hand
(in thousands)

	<u>Twelve months ended March 31, 2023</u>
Cash and Cash Equivalents	54,383
Short Term Investments	7,701
Long Term Investments	464,576
	<hr/>
Total Unrestricted Cash & Investments	526,660
Operating Expenses before Other Operating Charges	398,706
Less: Depreciation	(70,829)
Less: Amortization of Deferred Cost	(272)
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Operating Expenses less Depreciation and Amortization of Deferred Cost	327,605
Divided Number of Days Per Year	365
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Daily Average Operating Expenses excluding Depreciation and Amortization	898
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Days Cash on Hand	587
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Cash to Debt
(in thousands)

Twelve months ended March 31, 2023

Cash and Cash Equivalents	54,383
Short Term Investments	7,701
Long Term Investments	464,576
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Total Unrestricted Cash & Investments	526,660
	<hr/>
Long-Term Indebtedness	
Long-Term Debt (per balance sheet/audit report)	456,827
Add: Current Maturities of Long-Term Debt	8,966
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Long-Term Indebtedness	465,793
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Cash to Debt Ratio	1.13
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Management's Discussion

Results of Operations⁽¹⁾ – Consolidated: Fiscal Year 2023

Residential Living occupancy achieved 87.3% for the fiscal year ended March 31, 2023. Out of nineteen communities, fourteen were above 80% with ten exceeding 90%. The average capacity for the year was 3,350 units.

Summer House occupancy achieved 89.2% for the fiscal year ended March 31, 2023. The demand for memory care continues to be consistent and strong. Eight of ten communities were above 80% with six exceeding 90%. The average capacity for the year was 171 units.

Care Center occupancy was 69.3% for the fiscal year ended March 31, 2023. The care center business continues to struggle. Only one of eleven care centers were above 80% occupancy for the year. The payor mix breakdown were as follows: Private Pay 28.7%, Medi-Cal 43.7%, Medicare 20.5%, and Managed Care 7.1%. The average available beds for the year were 654.

Resident and patient service revenue accounted for \$312M (81%), amortization revenue \$37.4M (10%), affordable housing revenue \$31.1M (8%), and other revenues \$5.7M (1%) of the total \$386.1M. Total expenses were \$398.7M. The largest contributors were Medical services and Administrative services. Operating Loss Before Other Operating Activities was \$12.6M.

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.

Balance sheet – Consolidated: March 31, 2023

Total assets were \$1,904.3M at March 31, 2023. Cash and cash equivalents plus short-term investments were \$62.1M. Long-term investments and Property and Equipment, net were \$464.6M and \$1,194.0M, respectively. On the liabilities side refundable entrance fees were \$120.7M and deferred revenue from entrance fees were \$239.0M. Long-term debt was \$456.8M. Total change in Net Assets Without Donor Restrictions were a decrease of 57.0M for the fiscal year ended March 31, 2023.