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August 12, 2024

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, 2024. 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, 2024</u>
Revenues, Gains and Other Support Without Donor Restrictions	
Resident and patient service revenue	\$323,497
Amortization of entrance fees	41,438
Affordable housing fees and rents	32,039
Other	1,144
Net assets released from restriction used for operations	3,808
Total revenues, gains, and other support without donor restrictions	<u>401,926</u>
Expenses	
Medical services	81,004
Facility operating costs	48,002
Dietary services	60,093
Residential services	34,023
Administrative services	81,907
Depreciation	77,930
Amortization of deferred costs	351
Interest expense and other financing costs	13,042
Program expenses	2,261
Other	7,945
Total expenses	<u>406,558</u>
Operating Income (Loss) Before Other Operating Activities	<u>(4,632)</u>
Other Operating Activities	
Amortization of acquired intangible assets and other	(10,964)
Total other operating activities	<u>(10,964)</u>
Operating Loss	(15,596)
Other Income (Expense)	
Investment return, net	71,237
Other components of net periodic benefit costs	998
Asbestos settlement loss	(1,250)
Loss on impairment of predevelopment costs	(3,550)
Total other income (expense)	<u>67,435</u>
Excess (Deficiency) of Revenues Over Expenses	<u>51,839</u>
Net Assets Released from Restrictions Used for Purchase of Property and Equipment	160
Change in Pension Benefit Obligation	1,783
Increase (Decrease) in Net Assets Without Donor Restrictions	<u><u>\$53,782</u></u>



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

	<u>Twelve months ended March 31, 2024</u>
Net Assets Without Donor Restrictions	
Excess (deficiency) of revenues over expenses	51,839
Change in pension benefit obligation	1,783
Net assets released from restrictions used for purchase of property and equipment	160
Increase (decrease) in net assets without donor restrictions	<u>53,782</u>
Net Assets With Donor Restrictions	
Contributions received and investment return	6,797
Changes in split interest gift agreements	413
Change in beneficial interest in perpetual trusts and annuities	(364)
Net assets released from restrictions used for operations	(3,808)
Net assets released from restrictions used for purchase of property and equipment	(160)
Increase (Decrease) in net assets with donor restrictions	<u>2,878</u>
Change in Net Assets	56,660
Net Assets, Beginning of Year	969,186
Net Assets, End of Year	<u>1,025,846</u>



Front Porch Consolidated Balance Sheets
(in thousands)

	<u>As of March 31, 2024</u>
Assets	
Current Assets	
Cash and cash equivalents	\$80,527
Short-term investments	2,146
Assets limited as to use - required for current liabilities	15,436
Resident and patient accounts receivable	10,445
Prepaid expenses and other	17,755
Total current assets	<u>126,309</u>
Investments	
Assets limited as to use, net of current portion	67,156
Long-term investments	449,911
Total investments	<u>517,067</u>
Property and Equipment, Net	<u>1,244,987</u>
Other Assets	
Receivables from supporting organization	810
ROU assets - operating leases	7,763
Other receivables	1,178
Other assets	14,035
In-place leases	43,303
Net pension asset	6,813
Total other assets	<u>73,902</u>
Total assets	<u><u>\$1,962,265</u></u>
Liabilities and Net Assets	
Current Liabilities	
Current maturities of long-term debt	\$9,171
Current portion of operating lease liabilities	1,567
Accounts payable	37,543
Accrued payroll and related expenses	17,176
Accrued interest	6,646
Other accrued expenses	25,186
Total current liabilities	<u>97,289</u>
Other Liabilities	
Asset retirement obligations	1,642
Accrued workers' compensation	5,321
Operating lease liabilities	6,661
Other accrued liabilities	17,063
Refundable entrance fees	120,353
Deferred revenue from entrance fees	241,991
Long-term debt	446,099
Total liabilities	<u>936,419</u>
Net Assets	
Without donor restrictions	987,823
With donor restrictions	38,023
Total net assets	<u>1,025,846</u>
Total liabilities and net assets	<u><u>\$1,962,265</u></u>



Average Available Units / Beds by Community

Twelve Months Ended March 31, 2024

Community Name	Residential	Memory	Care
	Living	Care	Centers
Canterbury Woods	145	**	24
Carlsbad By The Sea	159	**	33
Casa de Manana	188	**	**
Cecil Pines	92	**	**
Claremont Manor	218	17	59
El Sombroso Oaks	22	**	**
England Oaks	182	**	**
Fredericka Manor	250	22	174
Friends House	86	**	**
Kingsley Manor	216	**	51
San Francisco Towers	252	12	27
Spring Lake Village	348	11	70
St. Paul's Towers	214	7	43
Sunny View	93	23	48
Villa Gardens	195	19	54
Vista del Monte	169	24	**
Walnut Village	156	14	**
Webster House	38	**	145
Wesley Palms	293	22	**
Consolidated Total	3,316	171	728

** Not applicable



Average Occupancy by Community

Twelve Months Ended March 31, 2024

Community Name	Residential	Memory	Care
	Living	Care	Centers
Canterbury Woods	80.3%	**	70.0%
Carlsbad By The Sea	99.3%	**	80.6%
Casa de Manana	92.4%	**	**
Cecil Pines	99.3%	**	**
Claremont Manor	79.5%	92.9%	70.5%
El Sombroso Oaks	100.0%	**	**
England Oaks	98.0%	**	**
Fredericka Manor	76.8%	86.4%	17.5%
Friends House	82.7%	**	**
Kingsley Manor	80.2%	**	27.1%
San Francisco Towers	91.1%	95.0%	62.6%
Spring Lake Village	89.6%	91.8%	60.0%
St. Paul's Towers	90.7%	82.9%	63.5%
Sunny View	94.4%	98.7%	64.2%
Villa Gardens	96.1%	98.9%	73.0%
Vista del Monte	96.0%	90.0%	**
Walnut Village	84.5%	92.9%	**
Webster House	82.9%	**	39.9%
Wesley Palms	80.5%	95.9%	**
Consolidated Total	88.1%	93.2%	47.2%

** Not applicable



Care Center Payor Mix

Payor	Twelve months ended March 31, 2023
Private Pay	32.3%
Medi-Cal	34.9%
Medicare	26.9%
Managed Care	5.9%
Total	100.0%



Debt Service Coverage Ratios - Obligated Group
(in thousands)

Twelve months ended March 31, 2024

Excess of Revenues over Expenses	42,963
Additions:	
Depreciation	72,094
Amortization of deferred costs	312
Interest expense	11,668
Entrance fees received	55,591
Unrealized losses (gains)	(41,205)
Amortization of acquired intangible assets and other	10,964
Asbestos settlement loss	1,250
Deductions:	
Refunds of entrance fees	(20,067)
Amortization of entrance fees	(41,438)
Other components of net periodic benefit costs	(998)
Total Income Available for Debt Service	<u>91,134</u>
Debt Service Requirement	
Principal Payments of Long Term Debt	8,560
Interest Expense	11,668
Annual Debt Service	<u>20,228</u>
Debt Service Coverage ratios	4.51
MADS ⁽¹⁾	<u>22,936</u>
MADS Coverage Ratio	<u>3.97</u>

⁽¹⁾MADS (Maximum Annual Debt Service) is calculated per the Amended and Restated MTI, which smooths total debt (\$386.7M) over 30 years at Revenue Bond Index (4.21% as of 7/18/24).



Days Cash on Hand
(in thousands)

	<u>Twelve months ended March 31, 2024</u>
Cash and Cash Equivalents	80,527
Short Term Investments	2,146
Long Term Investments	449,911
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Total Unrestricted Cash & Investments	532,584
Operating Expenses before Other Operating Charges	406,558
Less: Depreciation	(77,930)
Less: Amortization of Deferred Cost	(351)
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Operating Expenses less Depreciation and Amortization of Deferred Cost	328,277
Divided Number of Days Per Year	366
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Daily Average Operating Expenses excluding Depreciation and Amortization	897
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Days Cash on Hand	594
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Cash to Debt
(in thousands)

Twelve months ended March 31, 2024

Cash and Cash Equivalents	80,527
Short Term Investments	2,146
Long Term Investments	449,911
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Total Unrestricted Cash & Investments	532,584
Long-Term Indebtedness	455,270
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Cash to Debt Ratio	1.17
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Management's Discussion

Results of Operations⁽¹⁾ – Consolidated: Fiscal Year 2024

Residential Living occupancy achieved 88.1% for the fiscal year ended March 31, 2024. Seventeen out of nineteen communities were above 80% with 10 above 90%. The average capacity for the year was 3,316 units.

Summer House occupancy achieved 93.2% for the fiscal year. The demand for memory care continues to be consistent and strong. All ten communities were above 80%, with eight exceeding 90%. The average capacity for the year was 171 units.

Care Center occupancy was 47.2% for the fiscal year. The care center business continues to be challenged as options are weighed. Only one of eleven care centers were above 80% occupancy. The payor mix breakdown were as follows: Private Pay 32.3%, Medi-Cal 34.9%, Medicare 26.9%, and Managed Care 5.9%. The average available beds for the year was 728.

Resident and patient service revenue accounted for \$323.5M (80%), amortization revenue \$41.4M (10%), affordable housing revenue \$32.0M (8%), and other revenues \$5.0M (2%) of the total \$401.9M. Total expenses were \$406.6M. The largest contributors were Medical services and Administrative services. Operating Loss Before Other Operating Activities was \$4.6M.

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, 2024

Total assets were \$1,962.3M at March 31, 2024. Cash and cash equivalents plus short-term investments were \$82.7M. Long-term investments and Property and Equipment, net were \$449.9M and \$1,245.0M respectively. On the liabilities side, refundable entrance fees were \$120.4M and deferred revenue from entrance fees was \$242.0M. Long-term debt was \$446.1M. Total change in Net Assets Without Donor Restrictions was an increase of 53.8M for the fiscal year ended March 31, 2024.