FISCAL YEAR ENDED:
03/ 31/ 14

ANNUAL REPORT CHECKLIST

RECEIVED
AUG 0 4 2014
CONTINUING CARE CONTRACTS BRANCH

PROVIDER(S): Front Porch Communities and Services

CCRC(S): Carlsbad by the Sea, Claremont Manor, Sunny View Manor, Villa Gardens, Vista del Monte, Walnut Village

PROVIDER CONTACT PERSON: Mary Miller

TELEPHONE NO.: (818) 254-4100 **EMAIL:** MMMILLER@frontporch.net

● ●

A complete annual report must consist of *3 copies* of all of the following:

- [x] Annual Report Checklist.

- [x] Annual Provider Fee in the amount of: $ 38,301.00
  - [ ] If applicable, late fee in the amount of: $________

- [x] Certification by the provider's ***Chief Executive Officer*** that:
  - [x] The reports are correct to the best of his/her knowledge.
  - [x] Each continuing care contract form in use or offered to new residents has been approved by the Department.
  - [x] The provider is maintaining the required *liquid* reserves and, *when applicable*, the required refund reserve.

- [x] Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.

- [x] Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.

- [x] Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon. (NOTE: Form 5-5 must be signed and have the required disclosures attached (H&SC section 1790(a)(2) and (3)).

- [x] "Continuing Care Retirement Community Disclosure Statement" for ***each*** community.

- [x] Form 7-1, "Report on CCRC Monthly Service Fees" for ***each*** community.

- [ ] Form 9-1, "Calculation of Refund Reserve Amount", *if applicable*.

- [ ] Key Indicators Report (signed by CEO or CFO (or by the authorized person who signed the provider's annual report)). The KIR may be submitted along with the annual report, but is not required until 30 days later.

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	193
[2]	Number at end of fiscal year	200
[3]	Total Lines 1 and 2	393
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	196.5
	All Residents	
[6]	Number at beginning of fiscal year	219
[7]	Number at end of fiscal year	223
[8]	Total Lines 6 and 7	442
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	221
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	0.89

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$14,885,188
[a]	Depreciation	$1,808,796	
[b]	Debt Service (Interest Only)	$1,325,171	
[2]	Subtotal (add Line 1a and 1b)		$3,133,967
[3]	Subtract Line 2 from Line 1 and enter result.		$11,751,221
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		89%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$10,448,484
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$10,448

PROVIDEF Front Porch
COMMUNI Carlsbad by the Sea

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	4
[2]	Number at end of fiscal year	3
[3]	Total Lines 1 and 2	7
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	3.5
	All Residents	
[6]	Number at beginning of fiscal year	277
[7]	Number at end of fiscal year	276
[8]	Total Lines 6 and 7	553
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	276.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	0.01

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$13,775,761
[a]	Depreciation	$559,393	
[b]	Debt Service (Interest Only)	$219,641	
[2]	Subtotal (add Line 1a and 1b)		$779,034
[3]	Subtract Line 2 from Line 1 and enter result.		$12,996,727
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		1%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$164,516
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$165

PROVIDER: Front Porch
COMMUNIT Claremont Manor

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	81
[2]	Number at end of fiscal year	80
[3]	Total Lines 1 and 2	161
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	80.5
	All Residents	
[6]	Number at beginning of fiscal year	164
[7]	Number at end of fiscal year	170
[8]	Total Lines 6 and 7	334
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	167
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	0.48

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$12,417,056
[a]	Depreciation	$1,242,878	
[b]	Debt Service (Interest Only)	$292,388	
[2]	Subtotal (add Line 1a and 1b)		$1,535,266
[3]	Subtract Line 2 from Line 1 and enter result.		$10,881,790
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		48%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$5,245,414 x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$5,245

PROVIDER: Front Porch
COMMUNIT Sunny View Manor

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	165
[2]	Number at end of fiscal year	158
[3]	Total Lines 1 and 2	323
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	161.5
	All Residents	
[6]	Number at beginning of fiscal year	264
[7]	Number at end of fiscal year	251
[8]	Total Lines 6 and 7	515
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	257.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	0.63

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$16,358,261
[a]	Depreciation	$1,696,644	
[b]	Debt Service (Interest Only)	$970,423	
[2]	Subtotal (add Line 1a and 1b)		$2,667,067
[3]	Subtract Line 2 from Line 1 and enter result.		$13,691,194
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		63%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$8,586,904
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$8,587

PROVIDER: Front Porch
COMMUNIT Villa Gardens

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	48
[2]	Number at end of fiscal year	56
[3]	Total Lines 1 and 2	104
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	52
	All Residents	
[6]	Number at beginning of fiscal year	227
[7]	Number at end of fiscal year	222
[8]	Total Lines 6 and 7	449
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	224.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	0.23

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$14,267,535
[a]	Depreciation	$1,750,043	
[b]	Debt Service (Interest Only)	$696,126	
[2]	Subtotal (add Line 1a and 1b)		$2,446,169
[3]	Subtract Line 2 from Line 1 and enter result.		$11,821,366
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		23%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$2,738,134
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$2,738

PROVIDEF Front Porch
COMMUNI Vista del Monte

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	154
[2]	Number at end of fiscal year	164
[3]	Total Lines 1 and 2	318
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	159
	All Residents	
[6]	Number at beginning of fiscal year	243
[7]	Number at end of fiscal year	256
[8]	Total Lines 6 and 7	499
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	249.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	0.64

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$25,958,369
[a]	Depreciation	$3,993,412	
[b]	Debt Service (Interest Only)	$4,695,991	
[2]	Subtotal (add Line 1a and 1b)		$8,689,403
[3]	Subtract Line 2 from Line 1 and enter result.		$17,268,966
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		64%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$11,005,073
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$11,005

PROVIDEF Front Porch
COMMUNI Walnut Village

800 north brand boulevard
19th floor
glendale, ca 91203
tel 818 254 4100
fax 818 254 4101
www.frontporch.net

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AUG 04 2014
CONTINUING CARE
CONTRACTS BRANCH

CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER

July 28, 2014

I hereby certify that I have reviewed the accompanying March 31, 2014 Financial Statements and Supplementary Information for Front Porch. I further certify that:

1. These reports are complete and accurate to the best of my knowledge and belief.
2. Each continuing care contract form is used for new residents and has been approved by the Department of Social Services.
3. As of this date, Front Porch is maintaining the required liquid reserve and refund reserve.

Gary Wheeler
CEO

GW:tlp

Encl.

ACORD®

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 04/05/2013

RECEIVED AUG 0 1 2013

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER
Marsh Risk & Insurance Services
Casualty Risk Management
777 South Figueroa Street
Los Angeles, CA 90017-5822
LosAngeles.CertRequest@marsh.com
896129--GAWUW-13-14

CONTACT NAME:
PHONE (A/C, No, Ext): FAX (A/C, No):
E-MAIL ADDRESS:

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A : Columbia Casualty Company	31127
INSURER B : National Fire Insurance Co Of Hartford	20478
INSURER C : Safety National Casualty Corp.	15105
INSURER D : Safety First Insurance Company	11123
INSURER E :	
INSURER F :	

INSURED
Front Porch Communities and Services
Attn: Joseph F. Butler, General Counsel
303 N. Glenoaks Boulevard, #1000
Burbank, CA 91502

COVERAGES

CERTIFICATE NUMBER: LOS-001399270-14 **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	GENERAL LIABILITY X COMMERCIAL GENERAL LIABILITY X CLAIMS-MADE ☐ OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: X POLICY ☐ PRO-JECT ☐ LOC			2067367678 Retroactive Date 3/31/03 Includes Prof. Liab.	03/31/2013	03/31/2014	EACH OCCURRENCE DAMAGE TO RENTED PREMISES (Ea occurrence) MED EXP (Any one person) PERSONAL & ADV INJURY GENERAL AGGREGATE PRODUCTS - COMP/OP AGG	$ 1,000,000 $ 50,000 $ 5,000 $ 1,000,000 $ 3,000,000 $ INCLUDED $
B	AUTOMOBILE LIABILITY X ANY AUTO ☐ ALL OWNED AUTOS ☐ SCHEDULED AUTOS ☐ HIRED AUTOS ☐ NON-OWNED AUTOS			2067367650	03/31/2013	03/31/2014	COMBINED SINGLE LIMIT (Ea accident) BODILY INJURY (Per person) BODILY INJURY (Per accident) PROPERTY DAMAGE (Per accident) COMP. / COLL. DED.	$ 1,000,000 $ $ $ $ 250 / 500
A A	UMBRELLA LIAB ☐ OCCUR X EXCESS LIAB X CLAIMS-MADE DED RETENTION $			2067367714 Excess GL/PL 2067367695 Excess Auto	03/31/2013 03/31/2013	03/31/2014 03/31/2014	EACH OCCURRENCE AGGREGATE	$ 5,000,000 $ 5,000,000 $
C	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? N (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N / A		SP 4045927 SIR $750,000 $25,000,000 WC Limit	03/31/2013	03/31/2014	WC STATU-TORY LIMITS X OTH-ER E.L. EACH ACCIDENT E.L. DISEASE - EA EMPLOYEE E.L. DISEASE - POLICY LIMIT	 $ 1,000,000 $ 1,000,000 $ 1,000,000
D	Workers Compensation for AZ, FL, & LA			FPP4048413	03/31/2013	09/30/2013		1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

CERTIFICATE HOLDER

For Evidence of Insurance
Reserve Report for DSS
Fidelity Bond Evidence
c/o Elsie at Front Porch
303 N. Glenoaks Blve., #1000
Burbank, CA 91502

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE
of Marsh USA Inc.
Angelica Chua

Angelica Chua

AGENCY CUSTOMER ID: 896129
LOC #: Los Angeles

ACORD®

ADDITIONAL REMARKS SCHEDULE

AGENCY Marsh Risk & Insurance Services		NAMED INSURED Front Porch Communities and Services Attn: Joseph F. Butler, General Counsel 303 N. Glenoaks Boulevard, #1000 Burbank, CA 91502
POLICY NUMBER		
CARRIER	NAIC CODE	EFFECTIVE DATE:

ADDITIONAL REMARKS

THIS ADDITIONAL REMARKS FORM IS A SCHEDULE TO ACORD FORM,
FORM NUMBER: 25 FORM TITLE: Certificate of Liability Insurance

Front Porch Communities and Services - List of Named Insureds:

Front Porch Communities and Services - List of Named Insureds:

California Lutheran Homes
California Lutheran Homes Auxiliary
California Lutheran Homes and Community Services
CLH Center for Spirituality in Aging
Carlsbad by the Sea
Carlsbad by the Sea Care Center
CARING Housing Ministries, Inc.
Casa De Manana
Cecil Pines
Center for Technology Innovation and Wellbeing
Claremont Manor
Claremont Manor Care Center
Claremont Manor Club, Inc.
Consultation and Research in Gerontology, Inc.
Cypress Knolls, LLC
England Oaks
FACT Foundation
FACT Retirement Services
Foundation to Assist California Teachers
Fredericka Club, Inc.
Fredericka Manor
Fredericka Manor Care Center
Front Porch
Front Porch Enterprises, Inc.
Front Porch Active Adult Communities, LLC
Front Porch Development Co., Inc.
Front Porch Gallery
Front Porch Homecare - Alhambra
Front Porch Homecare - Claremont
Front Porch Homecare - North County
Front Porch Homecare - San Diego
Front Porch Pharmacy
Kingsley Manor
Kingsley Manor Care Center
Kingsley Manor Club, Inc.
La Jolla Care Center
Pacific Homes
Pacific Homes Foundation
Sunny View Manor
Sunny View Retirement Community
Sunny View Care Center
Sunny View Manor Care Center
Sunny View West
Sunny View Lutheran Communities and Services

AGENCY CUSTOMER ID: 896129

LOC #: Los Angeles

ACORD®

ADDITIONAL REMARKS SCHEDULE

AGENCY Marsh Risk & Insurance Services	**NAMED INSURED** Front Porch Communities and Services Attn: Joseph F. Butler, General Counsel 303 N. Glenoaks Boulevard, #1000 Burbank, CA 91502
POLICY NUMBER	
CARRIER / **NAIC CODE**	**EFFECTIVE DATE:**

ADDITIONAL REMARKS

THIS ADDITIONAL REMARKS FORM IS A SCHEDULE TO ACORD FORM,

FORM NUMBER: 25 **FORM TITLE:** Certificate of Liability Insurance

Sunny View Lutheran Home
Sunny View Lutheran Home, Inc.
Sunny View Lutheran Home, Inc. DBA Sunny View
Lutheran Manor
Sunny View Lutheran Home, Inc. DBA Sunny View West
Sunny View Lutheran Home, Inc. DBA Sunny View
Senior Services
The Alhambra
The Internext Group
The Paragon Foundation
The Lutheran Health Facility of Alhambra
Villa Gardens
Villa Gardens Health Care Center
Vista Del Monte
Vista Del Monte Health Care Center
Walnut Manor
Walnut Manor Care Center
Walnut Village
Walnut Village Rehabilitation and Care Center
Southland Lutheran Homes
Wesley Palms
Front Porch Communities & Services - Fredericka Manor, LLC
Front Porch Communities & Services - Claremont Manor, LLC
Front Porch Communities & Services - Kingsley Manor, LLC
Front Porch Communities Operating Group, LLC

Front Porch Communities & Services

Auditor's Report and Consolidated Financial Statements

March 31, 2014 and 2013

BKD LLP
CPAs & Advisors

Front Porch Communities & Services
March 31, 2014 and 2013

Contents

BKD LLP
CPAs & Advisors

Two Warren Place // 6120 S. Yale Avenue, Suite 1400 // Tulsa, OK 74136-4223
918.584.2900 // fax 918.584.2931 // bkd.com

Independent Auditor's Report

Board of Directors
Front Porch Communities & Services
Glendale, California

We have audited the accompanying consolidated financial statements of Front Porch Communities & Services (the Corporation), which comprise the consolidated balance sheets as of March 31, 2014 and 2013, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Front Porch Communities & Services as of March 31, 2014 and 2013, and the results of its operations, the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 20* to the consolidated financial statements, in 2014, the Corporation adopted new accounting guidance for classification and recognition of revenue on refundable entrance fees in accordance with Accounting Standards Update 2012-01. Our opinion is not modified with respect to this matter.

Supplementary Information

Our 2014 audit was conducted for the purpose of forming an opinion on the 2014 consolidated financial statements taken as a whole. The accompanying supplementary consolidating information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the 2014 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2014 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2014 consolidated financial statements or to the 2014 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2014 consolidated financial statements as a whole.

BKD, LLP

Tulsa, Oklahoma
July 28, 2014

Front Porch Communities & Services

Consolidated Balance Sheets
March 31, 2014 and 2013
(In Thousands)

Assets

	2014	2013 (Restated – *Note 20*)
Current Assets		
Cash and cash equivalents	$ 20,645	$ 20,287
Short-term investments	11,438	-
Assets limited as to use – required for current liabilities	14,551	14,903
Patient accounts receivable, net of allowance; 2014 – $737, 2013 – $755	8,313	8,431
Prepaid expenses and other	2,953	4,257
Assets held for sale	-	3,713
Total current assets	57,900	51,591
Investments		
Assets limited as to use, net of current portion	18,700	26,193
Long-term investments	200,019	169,538
Derivative instruments	4,179	7,190
Total investments	222,898	202,921
Property and Equipment, Net	294,120	286,144
Other Assets		
Interest in net assets of Pacific Homes Foundation	10,886	9,877
Receivables from supporting organizations	11,097	10,437
Other receivables	1,906	1,818
Deferred costs, net of accumulated amortization of $10,010 in 2014 and $7,509 in 2013	9,098	8,927
Other assets	502	-
Total other assets	33,489	31,059
Total assets	$ 608,407	$ 571,715

See Notes to Consolidated Financial Statements

Liabilities and Net Assets

		2014		2013 (Restated – *Note 20*)
Current Liabilities				
Current maturities of long-term debt	$	5,889	$	5,879
Accounts payable		7,504		6,084
Accrued payroll and related expenses		11,048		11,666
Accrued interest		4,318		6,417
Other accrued expenses		5,172		4,488
Total current liabilities		33,931		34,534
Asset retirement obligations		2,776		2,751
Accrued workers' compensation		10,320		8,390
Other accrued liabilities		12,737		11,164
Deferred interest – forward sale agreements		3,707		6,926
Refundable entrance fees		48,414		40,769
Deferred revenue from entrance fees		42,345		40,018
Long-term debt		263,003		264,931
Total liabilities		417,233		409,483
Net Assets				
Unrestricted		169,866		142,495
Temporarily restricted		14,941		13,698
Permanently restricted		6,367		6,039
Total net assets		191,174		162,232
Total liabilities and net assets	$	608,407	$	571,715

Front Porch Communities & Services
Consolidated Statements of Operations
Years Ended March 31, 2014 and 2013
(In Thousands)

	2014	2013 (Restated – *Note 20*)
Unrestricted Revenues, Gains and Other Support		
Resident and patient service revenue (net of contractual discounts and allowances)	$ 167,169	$ 162,820
Provision for uncollectible accounts	(243)	(1,232)
Resident and net patient service revenue less provision for uncollectible accounts	166,926	161,588
Amortization of entrance fees	8,935	8,408
Other	451	434
Net assets released from restriction used for operations	678	630
Total unrestricted revenues, gains and other support	176,990	171,060
Expenses		
Medical services	42,584	40,596
Facility operating costs	17,614	16,644
Dietary services	26,297	24,733
Residential services	14,313	13,494
Administrative services	36,750	36,772
Depreciation	21,863	20,620
Amortization of deferred costs	1,193	1,163
Interest expense and other financing costs	11,435	11,972
Other	1,248	1,403
Total expenses	173,297	167,397
Operating Income Before Other Operating Charges	3,693	3,663
Other Operating Charges		
Asset impairment – Wesley Palms redevelopment	-	(2,968)
Operating Income	3,693	695
Other Income (Expense)		
Investment return	15,098	15,098
Loss on extinguishment of debt	(1,294)	(425)
Total other income (expense)	13,804	14,673
Excess of Revenues over Expenses Before Discontinued Operations	17,497	15,368
Gain (Loss) from Discontinued Operations	9,240	(2)
Excess of Revenues over Expenses	26,737	15,366
Net assets released from restriction for purchases of property and equipment	634	1,708
Increase in Unrestricted Net Assets	$ 27,371	$ 17,074

See Notes to Consolidated Financial Statements

Front Porch Communities & Services

Consolidated Statements of Changes in Net Assets
Years Ended March 31, 2014 and 2013
(In Thousands)

	2014	2013 (Restated – *Note 20*)
Unrestricted Net Assets		
Excess of revenues over expenses	$ 26,737	$ 15,366
Net assets released from restriction used for purchase of property and equipment	634	1,708
Increase in unrestricted net assets	27,371	17,074
Temporarily Restricted Net Assets		
Contributions received and investment income	1,582	996
Change in interest in net assets of Pacific Homes Foundation	973	1,328
Net assets released from restriction for operations	(678)	(630)
Net assets released from restriction used for purchase of property and equipment	(634)	(1,708)
Increase (decrease) in temporarily restricted net assets	1,243	(14)
Permanently Restricted Net Assets		
Contributions received	88	-
Change in value of trust	88	113
Change in interest in net assets of Pacific Homes Foundation	152	-
Increase in permanently restricted net assets	328	113
Change in Net Assets	28,942	17,173
Net Assets, Beginning of Year, as Previously Reported	162,232	147,320
Change in Accounting Principle (*Note 20*)	-	(2,261)
Net Assets, Beginning of Year, as Restated	162,232	145,059
Net Assets, End of Year	$ 191,174	$ 162,232

Front Porch Communities & Services

Consolidated Statements of Cash Flows
Years Ended March 31, 2014 and 2013
(In Thousands)

	2014	2013 (Restated – *Note 20*)
Operating Activities		
Cash received from contract residents	$ 41,644	$ 40,953
Proceeds from entrance fees received	22,942	19,278
Cash received from and on behalf of noncontract residents	123,019	117,198
Reimbursement for services to nonresidents	2,974	3,501
Other receipts from operations	451	434
Unrestricted investment income received	5,597	5,503
Processing fees	169	302
Payments on forward sale agreements	(437)	(437)
Cash paid to suppliers, employees and others	(136,462)	(135,175)
Cash paid for interest on long-term debt, net of amounts capitalized	(13,179)	(11,920)
Net cash provided by operating activities	46,718	39,637
Investing Activities		
Capital expenditures	(28,684)	(24,038)
Proceeds from sale of trading investments	60,630	97,435
Purchase of trading investments	(88,918)	(96,560)
Purchase of assets limited as to use	(10,606)	(1,905)
Proceeds from sale of assets limited as to use	11,229	3,913
Proceeds from partial termination of derivative financial instrument	4,422	-
Investment in Brookmore Apartment Corporation	(200)	-
Deposit received related to sale of The Alhambra	1,115	655
Proceeds from sale of The Alhambra	12,515	-
Transaction costs paid related to sale of The Alhambra	(595)	(513)
Net cash used in investing activities	(39,092)	(21,013)
Financing Activities		
Refunds of entrance fees	(3,204)	(2,813)
Principal payments on long-term debt	(6,784)	(6,809)
Principal payments on refinancing of long-term debt	(79,705)	(37,000)
Proceeds from Series 2012 debt issuance, net of issuance costs	-	34,319
Proceeds from HUD-insured financing, net of issuance costs	81,944	-
Proceeds from restricted contributions	481	822
Net cash used in financing activities	(7,268)	(11,481)

See Notes to Consolidated Financial Statements

	2014	2013 (Restated – *Note 20*)
Net Increase in Cash and Cash Equivalents	$ 358	$ 7,143
Cash and Cash Equivalents, Beginning of Year	20,287	13,144
Cash and Cash Equivalents, End of Year	$ 20,645	$ 20,287
Supplemental Cash Flows Information		
Property and equipment purchases included in accounts payable	$ 3,823	$ 2,136
Entrance fees included in accounts receivable	$ 531	$ 1,076
Cash Flows from Operating Activities		
Change in net assets	$ 28,942	$ 17,173
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	21,863	20,620
Loss on disposal of assets	92	-
Gain on sale of The Alhambra	(9,200)	-
Amortization of deferred costs	1,193	1,163
Loss on debt refinancing	1,294	425
Accretion of asset retirement obligations	387	144
Impairment of construction project	-	2,968
Amortization of bond premium included in interest expense	(32)	(32)
Provision for uncollectible accounts	243	1,232
Entrance fees received	22,942	19,278
Amortization of entrance fees	(8,935)	(8,408)
Realized and unrealized gain on investments, net	(16,600)	(9,127)
Realized and unrealized gain (loss) on derivative financial instruments, net	5,998	(1,410)
Payments on forward sale	(437)	(437)
Change in interest in net assets of Pacific Homes Foundation	(1,009)	(856)
Change in receivables from supporting organizations	(660)	(182)
Contributions restricted by donor	(481)	(822)
Changes in operating assets and operating liabilities		
Accounts receivable, net	402	(1,060)
Prepaid expenses and other current assets	(308)	1,058
Accounts payable and accrued expenses	(1,631)	(870)
Other accrued liabilities	2,655	(1,220)
Net cash provided by operating activities	$ 46,718	$ 39,637

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Front Porch Communities & Services (the Corporation) is a California nonprofit public benefit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the Code). The Corporation is exempt from federal income taxes on related income pursuant to Section 501 of the Code and is also exempt from state franchise taxes under similar provisions for the state of California. The Corporation owns and operates continuing care retirement communities (CCRCs), other multilevel retirement communities and other operations providing services that enhance the quality of life for those served through independent retirement living, assisted living, memory care, skilled nursing, social services, affordable housing and contract management of subsidized housing.

Obligated Group

Certain operations of the Corporation, hereinafter referred to as the Obligated Group, are aggregated to facilitate long-term borrowings and include the following:

Facility	City	Type	Independent Living Units	Assisted Living Units	Memory Care Units	Skilled Nursing Units	Total Units
Owned Communities							
Carlsbad by the Sea	Carlsbad, CA	CCRC	142	15	N/A	33	190
Fredericka Manor	Chula Vista, CA	Rental	234	70	N/A	172	476
Sunny View Retirement Community	Cupertino, CA	CCRC	68	33	12	48	161
Villa Gardens	Pasadena, CA	CCRC	164	43	N/A	54	261
Vista del Monte	Santa Barbara, CA	CCRC	138	34	10	29	211
Walnut Village	Anaheim, CA	CCRC	155	-	14	94	263
Wesley Palms	San Diego, CA	Rental	202	65	22	N/A	289
Leased Communities							
Cecil Pines	Jacksonville, FL	Rental	92	N/A	N/A	N/A	92
England Oaks	Alexandria, LA	Rental	182	N/A	N/A	N/A	182
			1,377	260	58	430	2,125

The Alhambra has been excluded from the above table as its operations were discontinued in February 2011 (see *Note 19*).

Nonobligated Group

The following wholly owned subsidiaries of the Corporation are not members of the Obligated Group and are under "Other Entities" in the accompanying consolidated financial statements:

Front Porch Communities Operating Group, LLC

Front Porch Communities Operating Group, LLC (OpCo) is a California nonprofit limited liability company as described in Section 501(c)(3) of the Code. OpCo is exempt from federal income taxes on related income pursuant to Section 501 of the Code and is also exempt from state franchise taxes under similar provisions for the state of California. OpCo was formed in connection with the refinancing of certain Obligated Group debt as discussed in *Note 8* and operates exclusively to further the charitable purpose of its sole member, the Corporation.

OpCo currently leases property from the following entities and operates them in accordance with the Corporation's management philosophies, policies and procedures and with existing Corporation staff members.

Facility	City	Type	Independent Living Units	Assisted Living Units	Memory Care Units	Skilled Nursing Units	Total Units
Front Porch Communities & Services – Casa de Mañana, LLC	La Jolla, CA	Rental	159	30	N/A	N/A	189
Front Porch Communities & Services – Claremont Manor, LLC	Claremont, CA	Rental	167	37	6	59	269
Front Porch Communities & Services – Kingsley Manor, LLC	Los Angeles, CA	Rental	114	90	N/A	49	253

The Front Porch Communities & Services – Fredericka Manor, LLC is expected to be leased and operated consistent with the other leased communities, as noted above, following its refinancing, which is expected to be completed during fiscal year ending March 31, 2015.

There was no activity for OpCo for the year ended March 31, 2013.

Front Porch Communities & Services – Casa de Mañana, LLC; Front Porch Communities & Services – Claremont Manor, LLC; Front Porch Communities & Services – Fredericka Manor, LLC; Front Porch Communities & Services – Kingsley Manor, LLC

These four entities (collectively, the Real Estate LLCs) were formed in connection with the refinancing of certain Obligated Group debt. These entities, except for Front Porch Communities & Services – Fredericka Manor, LLC (Fredericka Manor), own the real estate associated with each of the specified campuses and each has a nonrecourse loan against its property discussed in *Note 8*. As noted above, these entities each lease their property to OpCo, which holds the license to operate and is responsible for all operations of these campuses post-refinancing. There was no activity for the above entities for the year ended March 31, 2013, and there was no activity for Fredericka Manor for the year ended March 31, 2014.

CARING Housing Ministries, Inc.

CARING Housing Ministries, Inc. (CARING) manages 23 HUD-subsidized and tax credit facilities, which provide housing to approximately 2,300 residents. CARING's managed facilities are located throughout California and in Glendale, Arizona. CARING's management fees received from clients are based on a percentage of its clients' operating revenues or are earned on a per-unit-per-month basis. CARING is a California nonprofit corporation, and the Corporation is the sole corporate member of CARING.

Sunny View Lutheran Home

Sunny View Lutheran Home (Sunny View) (formerly, Sunny View West), is a California nonprofit corporation that owns a 100-unit, HUD-subsidized senior living facility located in Cupertino, California. Sunny View does not own or operate Sunny View Retirement Community, which is owned and operated by the Corporation. The Corporation is the sole corporate member of Sunny View.

Related Parties

The following related parties are not consolidated into the Corporation:

Front Porch Enterprises, Inc.

Front Porch Enterprises, Inc. (FPE) was created as a California nonprofit corporation in July 2006. FPE was formed to provide support, financial and otherwise, to organizations engaged in housing, health and human services, education and research and sponsors affordable housing communities. FPE serves as the sole corporate member of Front Porch Active Adult Communities, LLC and the sole shareholder of Front Porch Development Company, Inc., described below. The Corporation and FPE are not affiliated, though there is overlap in the membership of the two boards. FPE is not included in the accompanying consolidated financial statements because the Corporation does not control FPE through majority ownership or control of the majority voting interest of the board.

Front Porch Active Adult Communities, LLC

Front Porch Active Adult Communities, LLC (Active Adult Communities) was created in January 2006 as a for-profit Delaware limited liability company that was created to own and operate active adult communities in Mexico and elsewhere. FPE is the sole member of Active Adult Communities.

Front Porch Development Company, Inc.

Front Porch Development Company, Inc. (Development Company) was created in February 2006 as a California for-profit corporation organized for the purpose of providing real estate development services to the Corporation, Active Adult Communities and other unrelated entities. Development Company is a wholly owned subsidiary of FPE.

The Boards of FPE, Active Adult Communities and Development Company agreed to dissolve these entities on July 8, 2014. The dissolutions will be effective upon filing of the appropriate legal documents.

Center for Technology Innovation and Wellbeing

Center for Technology Innovation and Wellbeing (CTIW) was formed in June 2008 as a nonprofit entity for the purpose of exploring innovative uses of technology to empower individuals to live well, especially in their later years. The CTIW bylaws provide that directors, officers and employees of the Corporation are precluded from constituting a majority of CTIW's directors. As a result, CTIW is not included in the accompanying consolidated financial statements of the Corporation because the Corporation does not control CTIW through majority ownership or control of the majority voting interest of the board.

Principles of Consolidation

The consolidated financial statements of the Corporation include the accounts of the Obligated Group, OpCo, the Real Estate LLCs, CARING and Sunny View. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Corporation considers all liquid investments with original maturities of three months or less to be cash equivalents. At March 31, 2014 and 2013, cash equivalents consisted primarily of money market mutual funds of approximately $11,076,000 and $19,786,000, respectively. These funds are not insured by the Federal Deposit Insurance Corporation (FDIC).

At March 31, 2014, the Corporation's cash accounts exceeded federally insured limits by approximately $9,389,000.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Guaranteed investment contracts are carried at amortized cost, which approximates fair value. Other investments are valued at the lower of cost (or fair value at the time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments. Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the accompanying consolidated statements of operations and changes in net assets as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Assets Limited as to Use

Assets limited as to use represent: (a) funds held by a trustee that are legally restricted for bond reserve accounts and construction projects; (b) deposit subscriptions held in trust; (c) accommodation fees refundable within the first 90 days of residency in accordance with state law; (d) assets restricted by the donor for specific purposes; (e) HUD facility reserves and tenant deposits held in accordance with regulatory agreements governing the operation of Sunny View requiring HUD approval prior to any withdrawals; and (f) assets held in escrow for payment of property taxes and insurance, debt service, owner repairs and reserves for replacements pursuant to the loan agreements insured by HUD for the Real Estate LLCs. Amounts required to meet certain current liabilities of the Corporation are classified as current assets.

Patient Accounts Receivable

As a part of its mission to serve the community, the Corporation provides care to residents even though they may participate in programs that do not pay full charges or they may lack adequate insurance or private means. The Corporation manages their private resources and/or collection risk by regularly reviewing their accounts and contracts and by providing appropriate allowances based upon a review of outstanding receivables, historical collection information and existing economic conditions.

For receivables associated with services provided to patients who have third-party coverage, the Corporation analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary.

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Corporation records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

As a service to the resident, the Corporation bills third-party payers directly and bills the resident when the resident's liability is determined. Accounts receivable are stated at net realizable value from third-party payers, residents and others. Accounts receivable are due in full when billed and are considered delinquent and subsequently written off as bad debts on individual credit evaluation and specific circumstances of the account.

Property and Equipment

Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful life of each asset. Assets under leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Land improvements	2–25 years
Building and leasehold improvements	5–40 years
Equipment	3–20 years

Donations of property and equipment are reported at fair value as an increase in unrestricted net assets unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in unrestricted net assets when the donated asset is placed in service.

Long-Lived Asset Impairment

The Corporation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

As discussed in *Note 4*, the Corporation recorded an asset impairment during fiscal year 2013. No asset impairment was recognized during fiscal year 2014.

Interest in Net Assets of and Receivables from Foundations

The Corporation recognizes its rights to assets held by a recipient organization in accordance with Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. Such rights are recognized as an asset, unless the donor has explicitly granted the recipient organization variance power, that is, the unilateral power to redirect the use of the assets. Those rights are either an interest in the net assets of the recipient organization, a beneficial interest in the recipient organization or a receivable. The Corporation accounts for its interest in the net assets of the Pacific Homes Foundation (Interest) in a manner similar to the equity method (see *Note 5*). Changes in the Interest are included in the accompanying consolidated statements of changes in net assets. Transfers of assets between the Pacific Homes Foundation and the Corporation are recognized as increases or decreases in the Interest.

Deferred Costs

Deferred costs include unamortized deferred financing costs of approximately $5,779,000 and $4,944,000 at March 31, 2014 and 2013, respectively, which are amortized using the effective-interest method over the terms of the bond issues. Deferred costs also include unamortized direct response advertising costs incurred in connection with acquiring initial continuing care contracts of approximately $3,319,000 and $3,983,000 at March 31, 2014 and 2013, respectively, which are amortized on a straight-line basis over the estimated remaining life expectancy of residents under the newly acquired continuing care contracts. Indirect advertising costs are expensed as incurred.

In conjunction with the partial redemption of the California Statewide Communities Development Authority 1999 Certificates of Participation as discussed in *Note 8*, the Corporation recorded a loss on extinguishment of debt in fiscal year 2014 of approximately $1,294,000 and a loss of approximately $425,000 in fiscal year 2013 reflecting the write-off of unamortized deferred financing costs proportional to the amount of debt refinanced.

Deferred Revenue from Entrance Fees

Fees paid by residents upon entering into a continuing care contract, net of the portion thereof that is refundable to the resident, are recorded as deferred revenue and are amortized into income using the straight-line method over the estimated remaining life expectancy of the resident.

Estimated Future Service Obligation

Annually, the Corporation calculates the present value of the net cost of future services and the use of facilities to be provided to current residents by contract type and compares those amounts with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (estimated future service obligation) with a corresponding charge to income. As of February 2006, while honoring previously issued contract types, the Corporation discontinued the use of all other contract types with the exception of Type B contracts. Type A contracts previously offered stipulated that the amount charged to the resident would not change when the resident's level of care changes; Type B contracts stipulate that the amount charged to the resident will change if the resident's level of care changes. The obligations for Type A and Type B contracts are discounted at 5.0% in 2014 and 2013 based on the Corporation's current borrowing rates. As of March 31, 2014 and 2013, there was no future service obligation related to Type A or Type B contracts.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are classified as such based on donor stipulations that they be used in a later period, for a specific purpose or both. Permanently restricted net assets have been restricted by donors to be maintained by the Corporation in perpetuity, the income from which is expendable as specified by the donor. Such net assets are to be used for future capital expenditures and to support the activities of the Corporation's retirement communities as specified by the donor.

Excess of Revenues over Expenses

The accompanying consolidated statements of operations include excess of revenues over expenses. Changes in unrestricted net assets, which are excluded from excess of revenues over expenses, consistent with industry practice, include net assets released from restrictions used for capital expenditures.

Resident and Net Patient Service Revenue

Resident and net patient service revenue includes monthly fees from residents and patient service revenue. Resident revenue consists of payments from residents for monthly service fees. Net patient service revenue is recognized as care is provided. Reimbursement for services provided to Medicare patients is based upon the Medicare Prospective Payment System (PPS) for long-term care providers. Under PPS, routine, ancillary and capital costs are pulled into a revised, single-payment stream. Reimbursement is made prospectively according to resident care classifications with each class assigned a fixed reimbursement rate.

Charity Care

The Corporation provides charity care to residents who are unable to pay for services or monthly service fees. The amount of charity care is included in net revenue and is not separately classified from the provision for uncollectible accounts.

Benefits to the Broader Community

The Corporation's retirement communities provide many benefits to the broader community. Most of these services are provided at no charge. Examples of these services include:

- Adult education classes
- Community centers used for other groups
- Retired Senior Volunteer Program
- Polling place for elections
- Adult literacy assistance services
- Meals-on-Wheels Program
- Training sites for various colleges, universities and regional occupational programs
- Alzheimer's support groups

Contributions

The Corporation reports donations of cash and other assets as either temporarily restricted support or permanently restricted support if they are received with donor stipulations that limit the use of the donated asset. In the case of temporarily restricted support, when a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated financial statements as net assets released from restrictions used for operations or capital expenditures. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying consolidated financial statements.

The Corporation reports gifts of property and equipment (or other long-lived assets) as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Professional Liability and Workers' Compensation Claims

The Corporation recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in *Note 6*. Workers' compensation claims are described more fully in *Note 7*.

Income Taxes

The Corporation is a nonprofit organization as described in Section 501(c)(3) of the Code and has been recognized as exempt from federal income and state franchise taxes on related income pursuant to Section 509(a)(2) of the Code and similar provisions of the California Franchise Tax Code. However, the Corporation is subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purposes for which it was granted exemption. For the fiscal years ended March 31, 2014 and 2013, no income tax provision has been recorded as the net income from any unrelated trade or business and, in the opinion of management, is not material to the accompanying consolidated financial statements taken as a whole.

The Corporation files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Corporation is no longer subject to U.S. federal examinations by tax authorities for years before 2011.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

Reclassifications

Certain reclassifications have been made to the 2013 consolidated financial statements to conform to the 2014 consolidated financial statement presentation. These reclassifications had no effect on the change in net assets.

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the consolidated financial statements were issued.

Note 2: Concentration of Credit Risk

The Corporation grants credit without collateral to its skilled nursing patients, most of whom are area residents and are insured under third-party payer agreements. The mix of net receivables related to skilled nursing patients from patients and third-party payers at March 31, 2014 and 2013, were:

	2014	2013
Medicare	31%	37%
Medi-Cal	32%	30%
PPO/HMO (other contracted payers)	25%	24%
Patients and other	12%	9%
	100%	100%

Note 3: Investments and Investment Return

Short-term investments at fair value consisted of the following at March 31 (in thousands):

	2014	2013
U.S. Treasury and U.S. agency securities	$ 574	$ -
Corporate bonds	10,864	-
	$ 11,438	$ -

Assets limited as to use at fair value consisted of the following at March 31 (in thousands):

	2014	2013
Cash	$ 9,460	$ 4,848
Certificates of deposit	1,911	1,710
Money market mutual funds	5,979	7,069
U.S. Treasury and U.S. agency securities	3,410	4,063
Corporate bonds and commercial paper	12,491	23,406
	33,251	41,096
Less amounts required to meet current obligations	14,551	14,903
	$ 18,700	$ 26,193

Assets limited as to use consist of amounts with restrictions for the following purposes as of March 31 (in thousands):

	2014	2013
Held by trustee under indenture agreements for bond fund and other reserves	$ 22,552	$ 35,163
HUD debt service	926	-
HUD facility reserves	2,502	1,090
HUD owner repairs	2,622	-
HUD property tax and insurance	494	-
Deposit subscriptions held in trust	1,291	579
90-day refundable accommodation fees	2,759	4,159
Restricted by donors for capital expenditures	82	82
Resident deposits held in trust	23	23
	$ 33,251	$ 41,096

Long-term investments at fair value consisted of the following at March 31 (in thousands):

	2014	2013
Commodity mutual funds	$ 13,852	$ 16,405
Other mutual funds	14,468	14,158
U.S. Treasury and U.S. agency securities	6,133	4,882
Equity securities – domestic	107,580	68,971
Equity securities – international	34,801	46,147
Corporate bonds	14,245	-
Guaranteed investment contracts	8,940	18,975
	$ 200,019	$ 169,538

The guaranteed investment contracts (GIC) represent investments administered by an independent professional investment corporation in a managed investment pool with a guaranteed specified rate of interest. Interest payments on the GICs are due to the Corporation semiannually. The assets of the pool are invested in U.S. government obligations, corporate securities, taxable municipal securities, mortgage-backed securities and mutual funds.

The Corporation invests in certain mutual funds that have required holding periods and varying redemption penalties if sold prior to the end of the holding period. However, at March 31, 2014, none of the mutual funds held by the Corporation are subject to any redemption provisions.

As discussed in *Note 9*, the Corporation entered into certain derivative instruments. The derivative instrument related to the Series 2007 forward delivery agreement is included in the accompanying consolidated balance sheets as a derivative instrument under investments.

Total investment return is comprised of the following for the years ended March 31 and is included in unrestricted net assets (in thousands):

	2014	2013
Interest and dividend income	$ 5,160	$ 5,066
Realized gains on sales of securities, net	7,041	9,612
Realized gains (losses) on derivative financial instruments, net	(2,254)	1,541
Unrealized gains (losses) on investments valued at fair value, net	8,820	(485)
Unrealized losses on derivative financial instruments, net	(3,744)	(131)
Investment fees	(1,100)	(942)
Amortization of deferred interest income	437	437
Other investment income	738	-
Investment return	$ 15,098	$ 15,098

The change in temporarily restricted net assets for the years ended March 31, 2014 and 2013, includes investment return of approximately $897,000 and $533,000, respectively.

Note 4: Property and Equipment

A summary of property and equipment at March 31, 2014 and 2013, follows (in thousands):

	2014	2013
Land and land improvements	$ 47,446	$ 46,597
Buildings	299,746	297,659
Building improvements	110,188	99,552
Leasehold improvements	10,697	5,881
Equipment	116,874	105,069
Construction in progress	6,263	8,013
	591,214	562,771
Less accumulated depreciation	297,094	276,627
	$ 294,120	$ 286,144

During 2013, the Corporation re-evaluated the redevelopment of the Wesley Palms facility and determined the most prudent course of action was to remodel and renovate the facility instead of a complete redevelopment. As part of this evaluation, the Corporation identified approximately $2,968,000 of capitalized costs related to the redevelopment of the Wesley Palms facility that would not be utilized in the renovation of the facility. Therefore, the Corporation recorded an asset impairment for those redevelopment costs in 2013.

Note 5: Interest in Net Assets of and Receivables from Supporting Organizations

Pacific Homes Foundation (PH Foundation), FACT Foundation, California Lutheran Homes (CLH) and Sunny View Lutheran Communities and Services (SVLCS) are not-for-profit corporations established for the charitable purpose of promoting and supporting the work of the Corporation and the retirement communities. The four organizations have separate boards of directors over which the Corporation does not exercise control.

Because PH Foundation was established to operate exclusively for the benefit of the Corporation, and upon dissolution, the net assets of PH Foundation are transferred to the Corporation to be used to benefit the residents of the former Pacific Homes communities, and since variance power from the donors does not exist, the Corporation records its interest in the net assets of PH Foundation. However, FACT Foundation, CLH and SVLCS are not organized solely for the benefit of the Corporation, and upon dissolution the net assets may be directed to other not-for-profit organizations. Consequently, the Corporation records a receivable from these three supporting organizations related only to those net assets restricted by the donor for the benefit of the Corporation.

As of March 31, 2014 and 2013, the interest in the net assets of PH Foundation and receivables from supporting organizations are as follows (in thousands):

	2014	2013
Interest in net assets of PH Foundation	$ 10,886	$ 9,877
Receivables from supporting organizations		
FACT Foundation	$ 8,655	$ 7,649
CLH	662	910
SVLCS	1,780	1,878
	$ 11,097	$ 10,437

Note 6: Professional Liability Claims

The Corporation purchases professional and general liability insurance under a claims-made policy. Under such a policy, only claims made and reported to the insurer during the policy term, regardless of when the incidents giving rise to the claims occurred, are covered. The Corporation also purchases excess umbrella liability coverage, which provides additional coverage above the basic policy limits up to the amount specified in the umbrella policy.

Based upon the Corporation's claims experience, an accrual had been made for the Corporation's portion of malpractice costs related to its deductible under its malpractice insurance policy, amounting to approximately $800,000 as of March 31, 2013. No such accrual was deemed necessary as of March 31, 2014. It is reasonably possible that this estimate could change materially in the near term.

Note 7: Workers' Compensation

Effective March 31, 2003, the Corporation became qualified to self-insure its workers' compensation claims in California. In addition, for the years ended March 31, 2014 and 2013, the Corporation had an excess workers' compensation policy in place for individual claims over $750,000. This policy had a maximum coverage limit of $25,000,000 for the years ended March 31, 2014 and 2013. Amounts accrued to cover potential workers' compensation claims, based on actuarial valuation, as of March 31, 2014 and 2013, are as follows (in thousands):

	2014	2013
Estimated amounts expected to be paid		
Within one year, included in accrued payroll and related expenses	$ 3,075	$ 2,131
In excess of one year, included in other accrued liabilities	10,320	8,390
	$ 13,395	$ 10,521

While the ultimate amount of claims to be incurred is dependent on future developments, the Corporation's management believes that the aggregate accrual is adequate to cover such amounts. However, by their nature, the amounts recorded are estimates and actual results could differ from the amounts recorded.

The liability for expected workers' compensation claims is presented excluding expected insurance recoveries. Estimated insurance recovery receivables of approximately $1,906,000 and $1,818,000 are included as other receivables in the accompanying consolidated balance sheets at March 31, 2014 and 2013, respectively.

Note 8: Long-Term Debt

The following is a summary of long-term debt at March 31, 2014 and 2013 (in thousands):

	2014	2013
California Statewide Communities Development Authority Series 2012 Bonds, variable interest at 65% of LIBOR plus applicable spread paid monthly (1.35% and 1.38% at March 31, 2014 and 2013, respectively), principal due in varying installments between 2014 and 2043, paid annually. Bonds were placed directly with one investor with an initial 5-year hold period and are secured by a first mortgage on the Walnut Village property. In 2017, the borrower and current investor can agree on new terms, the debt can be sold to a new investor or it must be redeemed and refinanced	$ 34,400	$ 35,000
California Statewide Communities Development Authority Series 2007A Certificates of Participation, interest at 5.125%, principal due in varying installments between 2031 and 2038, inclusive of unamortized premium of $649 and $681 at March 31, 2014 and 2013, respectively. During 2011, the Corporation repurchased $4,750 of these certificates which reduce the outstanding balance as of March 31, 2014 and 2013	68,899	68,931
California Statewide Communities Development Authority 1999 Certificates of Participation, interest at 5.375%, principal due in varying installments through 2031. During 2014, the Corporation used the proceeds received in conjunction with the HUD-insured loans obtained by the Real Estate LLCs to make partial prepayments on the outstanding 1999 Certificates of Participation in the amount of $79,705	76,095	160,420
California Health Facilities Financing Authority Series 1999A Insured Health Facility Revenue Bonds, interest at 4.6% to 5.1%, principal due in varying installments through 2024, collateralized by the gross revenues of Sunny View Retirement Community and a deed of trust on Sunny View Retirement Community	3,210	3,445
California Health Facilities Financing Authority Series 1997A Insured Health Facility Revenue Bonds, interest at 5.3% to 5.5%, principal due in varying installments through 2020, collateralized by the gross revenues of Sunny View Retirement Community and a deed of trust on Sunny View Retirement Community	1,440	1,695

		2014		2013
Mortgage payable to bank in monthly principal and interest installments of $56 (including interest at 2.8%) through 2040 plus monthly deposits of $12 for replacement reserves, collateralized by a deed of trust on substantially all of Kingsley Manor's real and personal property and insured by U.S. Department of Housing and Urban Development (HUD) under Section 232 of the *National Housing Act*	$	12,306	$	-
Mortgage payable to bank in monthly principal and interest installments of $165 (including interest at 2.73%) through 2046 plus monthly deposits of $23 for replacement reserves, collateralized by a deed of trust on substantially all of Claremont Manor's real and personal property and insured by HUD under Section 232 of the *National Housing Act*		41,762		-
Mortgage payable to bank in monthly principal and interest installments of $138 (including interest at 3.74%) through 2044 plus monthly deposits of $14 for replacement reserves, collateralized by a deed of trust on substantially all of Casa de Mañana's real and personal property and insured by HUD under Section 232 of the *National Housing Act*		29,630		-
Note payable to HUD in monthly principal and interest installments of $21 (including interest at 6.875%) through 2020 plus monthly deposits of $11 for replacement reserves, collateralized by the revenues of Sunny View and a deed of trust on substantially all of Sunny View's real and personal property		1,150		1,319
Total long-term debt		268,892		270,810
Less current portion		5,889		5,879
	$	263,003	$	264,931

Under the terms of the Series 1999 and 2007 Bond Indentures, the Corporation is required to place its project funds, funded interest and debt service reserve funds in restricted accounts for those purposes. The related debt agreements contain various restrictive covenants, which, among other things, require the maintenance of certain financial ratios, including a debt service coverage ratio of 1.25. The bonds are collateralized by the gross revenues of the Obligated Group.

Under the terms of the three HUD-insured mortgages, the Real Estate LLCs are required to maintain reserve accounts for replacements that are included in assets limited as to use on the accompanying consolidated balance sheets. The Real Estate LLCs are also subject to restrictions on acquisition, use and disposition of the mortgaged property and revenues derived therefrom.

Scheduled annual principal payments on long-term debt at March 31, 2014, are as follows (in thousands):

2015	$ 5,889
2016	6,203
2017	6,443
2018	6,695
2019	6,341
Thereafter	237,321
	$ 268,892

Note 9: Derivative Instruments

The Corporation accounts for its derivative instruments in accordance with ASC Topic 815, *Derivatives and Hedging*. ASC Topic 815 requires that all derivative instruments be recorded on the accompanying consolidated balance sheets at their respective fair values. Changes in the fair value of a derivative are recorded as a component of investment return.

The Corporation uses interest rate-related derivative instruments to manage its interest rate exposure on its tax-exempt debt. By using derivative financial instruments to hedge exposures to changes in interest rates, the Corporation exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

The Corporation primarily uses fixed-rate debt to finance its operations. The debt obligations prevent the Corporation from reducing interest costs in periods of declining interest rates. In July 2002, management entered into two forward sale agreements for proceeds of $13,325,000. In July 2004, the Corporation entered into a basis swap. Additionally, in July 2007, the Corporation entered into a forward delivery agreement and two investment agreements related to certain Series 2007 bond proceeds. Following is a summary of the Corporation's derivative instruments:

Forward Sale Agreements and Guaranteed Investment Contract – Series 1999

In July 2002, the Corporation entered into forward sale agreements as a means to receive an up-front payment in exchange for rights to the future interest earnings on the investments temporarily held in the Corporation's debt service (principal and interest) and reserve funds to pay the principal and interest payments on the 1999 Certificates of Participation. Proceeds from the forward sale agreements were received over the first 44 months of the forward sale agreements and are being amortized into interest income over the 332-month term of the forward sale agreements. As proceeds were received each month, they are deposited into a GIC as collateral for the forward sale agreement until expiration on April 1, 2030.

In conjunction with the partial prepayment on the 1999 Certificates of Participation as discussed in *Note 8*, the Corporation terminated a portion of the reserve funds and GIC in the amount of $6,180,008. As a result of the partial terminations, the Corporation incurred a loss of approximately $2,254,000 during the year ended March 31, 2014, which is included in investment return on the accompanying consolidated statements of operations. The Corporation received cash payments of $4,422,000 associated with the partial terminations, which are included in investing activities on the accompanying consolidated statements of cash flows. The notional amount of the GIC is $5,895,992 and $12,078,000 at March 31, 2014 and 2013, respectively, and allows for certain permitted withdrawals, as defined, that allow the Corporation to withdraw such funds to support debt service payments and operating expenses (including payroll) if funds from other sources are not available. As such, amounts deposited in the GIC, including mark-to-market adjustments, total approximately $7,977,000 and $17,823,000 as of March 31, 2014 and 2013, respectively, and are classified as unrestricted investments in the accompanying consolidated balance sheets. The Corporation recognized interest income totaling $437,000 in 2014 and 2013 related to the forward sale agreements.

Forward Delivery Agreements – Series 2007

In July 2007, the Corporation entered into a forward delivery agreement with a financial institution with a par amount of $3,741,000. In connection with this forward delivery agreement, the financial institution delivered qualifying securities to the Corporation to provide an agreed-upon fixed rate of return for the Series 2007A debt service reserve fund. The forward delivery agreement was scheduled to mature on April 1, 2037. On January 11, 2013, the Corporation entered into a termination agreement with the counterparty for which the Corporation was compensated with a cash payment of $1,541,000, which is included in investment return on the accompanying consolidated statements of operations. The Series 2007 debt service reserve fund has been invested in permitted securities with a professional management firm.

Basis Swap

Under a basis swap contract, the Corporation agrees to pay the counterparty the monthly Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index variable rate average while receiving 64% of the one-month London Interbank Offered Rate (LIBOR) plus a fixed spread. The basis swap notional amount is $196,600,000. The Corporation's largest exposure under this contract is a significant reduction in the U.S. federal tax rate on individuals. Under this contract, the Corporation recorded a reduction to interest expense of approximately $1,774,000 and $1,746,000 during the years ended March 31, 2014 and 2013, respectively.

Contained in the Corporation's master derivative agreement are provisions that allow the counterparty to the basis swap contract and the Corporation the right to request collateralization on the basis swap contract if either party's rating falls below a certain threshold. Neither the counterparty nor the Corporation have requested collateral be posted as of March 31, 2014.

The table below presents certain information regarding the Corporation's derivative financial instruments, none of which were hedging instruments, at March 31, 2014 and 2013 (in thousands):

		2014	2013
		Asset Derivatives	
Derivative Type	Balance Sheet Location	Fair Value	Fair Value
Basis swap agreement	Derivative instruments	$ 4,179	$ 7,190
		Liability Derivatives	
Forward delivery and sale agreements	Deferred interest – forward sale agreements	$ (3,707)	$ (6,926)
		Net Income on Derivative Instruments	
Location of gain on derivative instruments not deemed hedging instruments	Other income (expense) – investment return	$ (5,998)	$ 1,410

Note 10: Temporarily Restricted, Permanently Restricted and Designated Net Assets

Temporarily restricted net assets are available for the following purposes or periods at March 31, 2014 and 2013 (in thousands):

	2014	2013
Resident assistance and special projects	$ 7,691	$ 7,481
Purchase of property and equipment	102	245
Scholarships	301	259
Time-restricted	5,651	4,640
Other	1,196	1,073
	$ 14,941	$ 13,698

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified as follows (in thousands):

	2014	2013
Available for resident assistance and operations	$ 678	$ 630
Capital expenditures	$ 634	$ 1,708

Permanently restricted net assets of $6,367,000 and $6,039,000 at March 31, 2014 and 2013, respectively, consist of investments to be held in perpetuity, the income from which is expendable to support resident assistance, scholarships, operations and other purposes as specified by the donor.

During the fiscal year ended March 31, 2014, the Board designated $2,000,000 of unrestricted net assets to establish The Front Porch Center for Innovation and Wellbeing/Innovation Initiative Fund and $1,000,000 of unrestricted net assets to establish The Alhambra Affordable Housing Preservation and Development Fund. Designated net assets remain under the control of the Board of Directors, which may at its discretion later use these designated funds for other purposes. Designated funds are included with investments on the accompanying consolidated balance sheets. During the fiscal year ended March 31, 2014, the Board released $200,000 of funds originally designated for affordable housing to invest in Brookmore Apartment Corporation. The remaining $2,800,000 remains unreleased as of March 31, 2014.

Note 11: Uncompensated Community Benefits

Each year, the Corporation provides services to residents with limited means and benefits to the broader community. The approximate cost of such services for the years ended March 31, 2014 and 2013, totaled $1,575,000 and $2,355,000, respectively. Additionally, the Corporation accepts Medi-Cal patients for which it is reimbursed at amounts that do not cover the cost of health care services provided. The estimated cost, based on historical cost-to-revenue ratios by community, of providing such under-reimbursed care in excess of reimbursements received was $2,472,000 and $2,155,000 for the years ended March 31, 2014 and 2013, respectively.

Note 12: Functional Expenses

The Corporation provides services through independent retirement living, assisted living, memory care, skilled nursing and other services. Expenses related to providing these services, before other operating charges for the years ended March 31, 2014 and 2013, respectively, are as follows (in thousands):

	2014	2013
Patient and resident care services	$ 126,517	$ 122,615
General and administrative	46,780	44,782
	$ 173,297	$ 167,397

Note 13: Employee Benefit Plans

403(b) Defined Contribution Plan and Supplemental Retirement

The Corporation sponsors a 403(b) defined contribution plan for its employees. Under the current plan, all employees with at least one year of service are eligible to participate and the Corporation contributes an amount equal to 3% of each participant's compensation. Additionally, the Corporation provides an executive supplemental retirement plan and contributes 4.5% of each participant's compensation. Expense for all retirement plans, equal to the contributions, totaled approximately $2,137,000 and $2,164,000 for the years ended March 31, 2014 and 2013, respectively.

Deferred Compensation Plan

The Corporation offers a nonqualified deferred compensation plan to a select group of management that provides the opportunity to defer a specified percentage of their cash compensation. Participants may elect to defer up to 30% of their annual base salary. In addition, the Corporation offers an at-risk compensation plan that requires a mandatory 30% of any at-risk pay awarded to be held as deferred compensation. Participants may elect to defer the remaining 70% of their award. The Corporation's obligations under this plan are unfunded for tax purposes and for purposes of Title 1 of the *Employee Retirement Income Security Act of 1974* and are unsecured general obligations of the Corporation to pay in the future the value of the deferred compensation adjusted to reflect the performance, whether positive or negative, of selected investment measurement options chosen by each participant during the deferral period. As of March 31, 2014 and 2013, approximately $2,983,000 and $2,478,000, respectively, of deferred compensation is accrued and included in other accrued liabilities in the accompanying consolidated balance sheets.

Note 14: Related-Party Transactions

As discussed in *Note 1*, the Corporation has a relationship with both Front Porch Enterprises, Inc. (FPE) and Center for Technology Innovation and Wellbeing (CTIW). The Corporation does not have control over FPE or CTIW through majority ownership or control of the majority voting interests of the boards. The Corporation has elected not to consolidate FPE or CTIW in the accompanying consolidated financial statements. The unaudited financial position and results of operations of FPE and CTIW as of and for the years ended March 31, 2014 and 2013, are summarized below (in thousands):

	2014	2013
Total assets	$ 364	$ 1,355
Total liabilities	$ 260	$ 9,568
Total equity (deficit)	104	(8,213)
Total liabilities and equity	$ 364	$ 1,355
Revenues, including investment return	$ 1,301	$ 1,052
Increase (decrease) in unrestricted net assets	$ 8,327	$ (376)

Development Company

In April 2007, the Corporation entered into a service agreement with Development Company to secure project development and management services for the Corporation's development projects, which, in fiscal 2014 and 2013, included The Alhambra, Villa Gardens, Sunny View, Casa de Mañana and Wesley Palms. Services rendered to the Corporation totaled approximately $909,000 and $1,165,000 for the years ended March 31, 2014 and 2013, respectively. At March 31, 2014 and 2013, amounts payable to Development Company totaled approximately $0 and $25,000, respectively, for these services.

Note 15: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at March 31, 2014 and 2013 (in thousands):

	March 31, 2014			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Equities – domestic	$ 107,580	$ 107,580	$ -	$ -
Equities – international	$ 34,801	$ 32,369	$ 2,432	$ -
Money market mutual funds	$ 5,979	$ 5,979	$ -	$ -
Certificates of deposit	$ 1,911	$ -	$ 1,911	$ -
Commodity mutual funds	$ 13,852	$ 13,852	$ -	$ -
Other mutual funds	$ 14,468	$ 14,468	$ -	$ -
U.S. Treasury and U.S. agency securities	$ 10,117	$ 10,091	$ 26	$ -
Corporate bonds and commercial paper	$ 37,600	$ 24,091	$ 13,509	$ -
Derivative instruments	$ 4,179	$ -	$ 4,179	$ -
Guaranteed investment contracts	$ 8,940	$ -	$ 8,940	$ -
Receivables from supporting organizations	$ 11,097	$ -	$ -	$ 11,097
Financial liabilities				
Deferred interest – forward sale agreements	$ (3,707)	$ -	$ (3,707)	$ -

	March 31, 2013			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Equities – domestic	$ 68,971	$ 68,971	$ -	$ -
Equities – international	$ 46,147	$ 46,147	$ -	$ -
Money market mutual funds	$ 7,069	$ 7,069	$ -	$ -
Certificates of deposit	$ 1,710	$ -	$ 1,710	$ -
Commodity mutual funds	$ 16,405	$ 16,405	$ -	$ -
Other mutual funds	$ 14,158	$ 14,158	$ -	$ -
U.S. Treasury and U.S. agency securities	$ 8,945	$ 6,819	$ 2,126	$ -
Corporate bonds and commercial paper	$ 23,406	$ 1,871	$ 21,535	$ -
Derivative instruments	$ 7,190	$ -	$ 7,190	$ -
Guaranteed investment contracts	$ 18,975	$ -	$ 18,975	$ -
Receivables from supporting organizations	$ 10,437	$ -	$ -	$ 10,437
Financial liabilities				
Deferred interest – forward sale agreements	$ (6,926)	$ -	$ (6,926)	$ -

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended March 31, 2014. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. Level 1 investments include various mutual funds, certain corporate bonds and commercial paper, U.S. Treasury and U.S. agency securities and exchange-traded equity securities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of investments with similar characteristics or discounted cash flows. Level 2 investments include certain corporate bonds, commercial paper and certificates of deposit. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy.

Derivative Instruments and Guaranteed Investment Contracts

The fair value is estimated using forward looking interest rate curves and discounted cash flows that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

Receivables from Supporting Organizations

Fair value is estimated at the present value of the future distributions from the supporting organizations. Due to the nature of the valuation inputs, the receivables from supporting organizations are classified within Level 3 of the hierarchy.

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated balance sheets using significant unobservable (Level 3) inputs (in thousands):

	Receivables from Supporting Organizations
Balance, April 1, 2013	$ 10,437
Total realized and unrealized gains and losses included in change in net assets	660
Balance, March 31, 2014	$ 11,097
Total gains or losses for the period included in change in net assets attributable to the change in unrealized gains or losses related to assets and liabilities still held at the reporting date	$ 660

	Receivables from Supporting Organizations
Balance, April 1, 2012	$ 10,255
Total realized and unrealized gains and losses included in change in net assets	182
Balance, March 31, 2013	$ 10,437
Total gains or losses for the period included in change in net assets attributable to the change in unrealized gains or losses related to assets and liabilities still held at the reporting date	$ 182

Nonrecurring Measurements

At March 31, 2013, certain long-lived assets were valued at fair value due to an impairment recorded. The fair value of the remaining approximately $168,000 of capitalized costs related to redevelopment was estimated based on a review of capitalized costs that could be used in the revised plan. Therefore, the fair value measurements of these long-lived assets are classified within Level 3 of the valuation hierarchy.

Unobservable (Level 3) Inputs

At March 31, 2014 and 2013, the Corporation had one financial instrument, receivables from supporting organizations of $11,097,000 and $10,437,000, respectively, for which fair value was determined based on unobservable inputs. The primary valuation technique used is discounted cash flows of future distributions. The significant unobservable inputs used in this fair value measurement are probability of nonpayment and distribution rates. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement. Generally, changes in either of those inputs will not affect the other input.

Fair Value of Financial Instruments

The following tables present estimated fair values of the Corporation's financial instruments and the level within the fair value hierarchy in which the fair value measurements fall at March 31, 2014 and 2013 (in thousands):

	March 31, 2014			
		Fair Value Measurements Using		
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Cash and cash equivalents	$ 20,645	$ 20,645	$ -	$ -
Equities – domestic	$ 107,580	$ 107,580	$ -	$ -
Equities – international	$ 34,801	$ 32,369	$ 2,432	$ -
Money market mutual funds	$ 5,979	$ 5,979	$ -	$ -
Certificates of deposit	$ 1,911	$ -	$ 1,911	$ -
Commodity mutual funds	$ 13,852	$ 13,852	$ -	$ -
Other mutual funds	$ 14,468	$ 14,468	$ -	$ -
U.S. Treasury and U.S. agency securities	$ 10,117	$ 10,091	$ 26	$ -
Corporate bonds and commercial paper	$ 37,600	$ 24,091	$ 13,509	$ -
Derivative instruments	$ 4,179	$ -	$ 4,179	$ -
Guaranteed investment contracts	$ 8,940	$ -	$ 8,940	$ -
Interest in net assets of PH Foundation	$ 10,886	$ -	$ 10,886	$ -
Receivables from supporting organizations	$ 11,097	$ -	$ -	$ 11,097
Financial liabilities				
Deferred interest – forward sale agreements	$ 3,707	$ -	$ 3,707	$ -
Long-term debt	$ 268,892	$ -	$ 267,924	$ -

	March 31, 2013			
		Fair Value Measurements Using		
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Cash and cash equivalents	$ 20,287	$ 20,287	$ -	$ -
Equities – domestic	$ 68,971	$ 68,971	$ -	$ -
Equities – international	$ 46,147	$ 46,147	$ -	$ -
Money market mutual funds	$ 7,069	$ 7,069	$ -	$ -
Certificates of deposit	$ 1,710	$ -	$ 1,710	$ -
Commodity mutual funds	$ 16,405	$ 16,405	$ -	$ -
Other mutual funds	$ 14,158	$ 14,158	$ -	$ -
U.S. Treasury and U.S. agency securities	$ 8,945	$ 6,819	$ 2,126	$ -
Corporate bonds and commercial paper	$ 23,406	$ 1,871	$ 21,535	$ -
Derivative instruments	$ 7,190	$ -	$ 7,190	$ -
Guaranteed investment contracts	$ 18,975	$ -	$ 18,975	$ -
Interest in net assets of PH Foundation	$ 9,877	$ -	$ 9,877	$ -
Receivables from supporting organizations	$ 10,437	$ -	$ -	$ 10,437
Financial liabilities				
Deferred interest – forward sale agreements	$ 6,926	$ -	$ 6,926	$ -
Long-term debt	$ 270,810	$ -	$ 273,930	$ -

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated balance sheets at amounts other than fair value.

Cash and Cash Equivalents and Interest in Net Assets of PH Foundation

The carrying amount approximates fair value.

Long-Term Debt

Fair values of the Corporation's certificates of participation and revenue bonds are based on current traded values. The fair value of the Corporation's note and mortgage payable debt is estimated using discounted cash flow analysis based on the Corporation's current incremental borrowing rates for similar types of borrowing arrangements.

Note 16: Asset Retirement Obligations

ASC Topic 410, *Asset Retirement and Environmental Obligations*, requires that an asset retirement obligation (ARO) associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred or becomes determinable (as defined by the standard) even when the timing and/or method of settlement may be conditional on a future event.

The Corporation has AROs arising from regulatory requirements to perform asbestos abatement at the time certain property is disposed of. The liability, included in asset retirement obligation in the accompanying consolidated balance sheets, was initially measured at fair value based upon historical removal costs per square foot applied to assets identified requiring asbestos abatement and is subsequently adjusted for accretion expense and changes in the amount or timing of the estimated cash flows. The corresponding asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the asset's useful life. The following table presents the activity for the AROs for the years ended March 31, 2014 and 2013, (in thousands):

	2014	2013
Balance, beginning of year	$ 2,751	$ 2,675
Write-off of liability on sale of The Alhambra (see *Note 19*)	(314)	-
Change in estimate and accretion expense	339	76
Balance, end of year	$ 2,776	$ 2,751

Note 17: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in *Note 1*.

Investments

The Corporation invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated balance sheets.

Self-Insurance Claims

Estimates related to the accrual for self-insured workers' compensation claims are described in *Notes 1* and *7*.

Litigation

In the normal course of business, the Corporation is, from time to time, subject to allegations that may or do result in litigation. The Corporation evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel and, with respect to workers' compensation claims, an independent actuary, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Regulatory Matters

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements and reimbursement for patient services. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. In addition, changes to the regulatory environment could negatively impact the Corporation's financial position.

Asset Retirement Obligation

As discussed in *Note 16*, the Corporation has recorded a liability for its conditional asset retirement obligations related to asbestos abatement.

Labor Agreements

Approximately 10% of the Corporation's employees were covered by a collective bargaining agreement as of March 31, 2014. This agreement expires February 2015.

Note 18: Repayable and Amortized Entrance Fees and Deferred Revenue

Entrance fee arrangements apply to five of the Corporation's facilities as of March 31, 2014 and 2013. For the right to occupy a unit for life and to receive certain services at these facilities, residents are required to pay an up-front entrance fee. The entrance fee is based upon the type of unit rented and the monthly payment plan selected by the resident. In addition, residents are charged monthly service fees. Service fees are established at the inception of residency and may be increased by the Corporation, provided a 60-day advance notice is given to the resident.

The resident may voluntarily withdraw from the facility upon rendering proper notification. Upon voluntary withdrawal, a repayment of part or all of the entrance fees and monthly care fees may occur. The following is a summary of the withdrawal clauses:

- If the resident voluntarily withdraws within the first seven days, all amounts will be repaid.
- If voluntary withdrawal or death occurs within 90 days of the contract date, an amount equal to the entrance fee and the monthly care fee, less any amounts used to care for the resident during the time of the residency, will be repaid to the resident, estate, trust, heirs or representatives.
- For amortized contracts, if voluntary withdrawal occurs subsequent to the 90-day period, the amount repaid shall be equal to the entrance fee, less an amount amortized on a basis ranging from 60 to 67 months from the date of the agreement. If voluntary withdrawal occurs after the "amortization period," as defined in the resident contract, no repayment shall be awarded. If death occurs more than 90 days after the contract date, entrance fees are either retained by the Corporation or partially refunded based upon the individual facility's contracts.
- For repayable contracts, upon withdrawal of a resident for any reason subsequent to the 90-day period, the repayable percentage of the entrance fee will be repaid to the resident, estate, trust, heirs or representatives within 14 calendar days of the Corporation's receipt of a new entrance fee or, in certain circumstances, monthly fee contract for the unit.

The estimated amount of entrance fees expected to be repaid to current residents, net of amounts estimated to be repaid within one year amounted to approximately $3,764,000 and $2,963,000 at March 31, 2014 and 2013, respectively, and is included in other accrued liabilities in the accompanying consolidated balance sheets. Amounts estimated to be repaid within one year totaled $2,369,000 and $1,813,000 at March 31, 2014 and 2013, respectively, and are recorded as other current accrued expenses in the accompanying consolidated balance sheets. These estimates are based on the Corporation's historical repayment experience and the Corporation's repayment policy. At March 31, 2014 and 2013, approximately $73,484,000 and $63,507,000, respectively, are contractually repayable under these agreements, which represent the amount due to residents if all residents were to cancel their contracts at that date based on the repayment policies above. The contractually repayable amount, net of estimated repayable entrance fees described above is included in deferred revenue from entrance fees in the accompanying consolidated balance sheets.

Entrance fees subject to refund and actual refunds disbursed as of March 31, 2014, are as follows (in thousands):

	Entrance Fees Subject to Refund as of March 31	Actual Refunds Disbursed for Year Ended March 31
2014	$ 96,891	$ 3,107
2013	$ 82,302	$ 2,814
2012	$ 74,173	$ 2,764
2011	$ 70,215	$ 2,109
2010	$ 66,963	$ 2,453

Note 19: Discontinued Operations

In February 2011, the Corporation discontinued the operations of The Alhambra retirement community as it could no longer meet the needs of the broader Alhambra community with retirement housing and services, and the Corporation identified a buyer for the site who plans to develop the property into residential housing.

In April 2011, the Corporation entered into a Purchase Agreement and Joint Escrow Instructions (the Purchase Agreement) related to the sale of the land and facility in Alhambra, California, for $15,800,000. The purchase price of $15,800,000 was to be paid to the Corporation at various stages with the final payment to be made no later than October 2012, unless the Corporation elected to use a portion of the purchase price to provide financing to the project.

As the entitlements process progressed, it was necessary to reduce project density to obtain city approval. Accordingly, the Corporation agreed to reduce the purchase price by approximately $1,300,000 in exchange for a profit-sharing arrangement that will become effective once a specified level of return on the project is achieved. The Corporation also agreed to extend the closing date to August 1, 2013, in exchange for an amended and accelerated deposit structure. In June 2013, the buyer again requested a delay in the closing date. The Corporation agreed to extend the closing date until December 31, 2013, in exchange for payments from the buyer which covered the Corporation's holding and opportunity costs of delayed receipt of the remaining purchase price during the period from August 1 until December 31, 2013.

On December 31, 2013, sale of The Alhambra closed and the Corporation received final payment of approximately $12,515,000 which resulted in a gain on sale of approximately $9,200,000 which is included in the gain from discontinued operations on the accompanying consolidated statements of operations.

The financial results for The Alhambra for the years ended March 31, 2014 and 2013, were as follows (in thousands):

	2014	2013
Total revenue	$ 235	$ 194
Total operating expenses	(195)	(196)
Gain on sale of assets	9,200	-
Gain (loss) from discontinued operations	$ 9,240	$ (2)

Note 20: Change in Accounting Principle

On April 1, 2013, the Corporation elected to adopt Accounting Standards Update (ASU) No. 2012-01, *Health Care Entities (Topic 954)*, which changes the way continuing care retirement communities (CCRCs) account for refundable entrance fees. If there is no specific language in the resident contract limiting refunds to the proceeds from reoccupancy of the unit, all related revenue (the full refundable amount) should be recorded as a liability on the balance sheet. Comparative financial statements of prior years have been adjusted to apply the new method retrospectively.

The following financial statement line items for fiscal year 2013 were affected by the change in accounting principle (in thousands):

	As Originally Reported		As Adjusted		Effect of Change	
Balance Sheet						
Refundable entrance fees	$	-	$	40,769	$	40,769
Deferred revenue from entrance fees	$	77,526	$	40,018	$	(37,508)
Total liabilities	$	406,222	$	409,483	$	3,261
Unrestricted net assets	$	145,756	$	142,495	$	(3,261)
Total net assets	$	165,493	$	162,232	$	(3,261)
Statement of Operations						
Amortization of entrance fees	$	9,408	$	8,408	$	(1,000)
Total unrestricted revenues, gains and other support	$	172,060	$	171,060	$	(1,000)
Operating income before other operating charges	$	4,663	$	3,663	$	(1,000)
Operating income	$	1,695	$	695	$	(1,000)
Excess of revenues over expenses before discontinued operations	$	16,368	$	15,368	$	(1,000)
Excess of revenues over expenses	$	16,366	$	15,366	$	(1,000)
Increase in unrestricted net assets	$	18,074	$	17,074	$	(1,000)
Statement of Change in Net Assets						
Unrestricted net assets						
Excess of revenues over expenses	$	16,366	$	15,366	$	(1,000)
Increase in unrestricted net assets	$	18,074	$	17,074	$	(1,000)
Change in net assets	$	18,173	$	17,173	$	(1,000)
Net assets, beginning of year	$	147,320	$	145,059	$	(2,261)
Net assets, end of year	$	165,493	$	162,232	$	(3,261)
Statement of Cash Flows						
Change in net assets	$	18,173	$	17,173	$	(1,000)
Adjustments to reconcile change in net assets to net cash provided by operating activities						
Amortization of entrance fees	$	(9,408)	$	(8,408)	$	1,000

Supplementary Information

Front Porch Communities & Services
Consolidating Schedule – Balance Sheet Information
March 31, 2014
(In Thousands)

Assets

	Obligated Group	Other Entities	Eliminations	Consolidated
Current Assets				
Cash and cash equivalents	$ 15,025	$ 5,620	$ -	$ 20,645
Short-term investments	11,438	-	-	11,438
Assets limited as to use – required for current liabilities	10,485	4,066	-	14,551
Patient accounts receivable, net	6,315	1,998	-	8,313
Prepaid expenses and other	2,451	502	-	2,953
Intercompany receivables	5,520	1,650	(7,170)	-
Total current assets	51,234	13,836	(7,170)	57,900
Investments				
Assets limited as to use, net of current portion	16,189	2,511	-	18,700
Long-term investments	200,019	-	-	200,019
Derivative instruments	4,179	-	-	4,179
Total investments	220,387	2,511	-	222,898
Property and Equipment, Net	243,766	50,354	-	294,120
Other Assets				
Interest in net assets of Pacific Homes Foundation	10,886	-	-	10,886
Receivables from supporting organizations	11,097	-	-	11,097
Other receivables	1,906	-	-	1,906
Deferred costs, net	6,527	2,571	-	9,098
Other assets	200	302	-	502
Total other assets	30,616	2,873	-	33,489
Total assets	$ 546,003	$ 69,574	$ (7,170)	$ 608,407

Liabilities and Net Assets

	Obligated Group	Other Entities	Eliminations	Consolidated
Current Liabilities				
Current maturities of long-term debt	$ 3,960	$ 1,929	$ -	$ 5,889
Accounts payable	5,862	1,689	(47)	7,504
Accrued payroll and related expenses	9,837	1,211	-	11,048
Intercompany payables	2,704	4,419	(7,123)	-
Accrued interest	4,095	223	-	4,318
Other accrued expenses	5,057	115	-	5,172
Total current liabilities	31,515	9,586	(7,170)	33,931
Asset retirement obligations	1,543	1,233	-	2,776
Accrued workers' compensation	10,320	-	-	10,320
Other accrued liabilities	10,726	2,011	-	12,737
Deferred interest – forward sale agreements	3,707	-	-	3,707
Refundable entrance fees	48,414	-	-	48,414
Deferred revenue from entrance fees	41,700	645	-	42,345
Long-term debt	180,084	82,919	-	263,003
Total liabilities	328,009	96,394	(7,170)	417,233
Net Assets				
Unrestricted	196,686	(26,820)	-	169,866
Temporarily restricted	14,941	-	-	14,941
Permanently restricted	6,367	-	-	6,367
Total net assets	217,994	(26,820)	-	191,174
Total liabilities and net assets	$ 546,003	$ 69,574	$ (7,170)	$ 608,407

Front Porch Communities & Services

Consolidating Schedule – Statement of Operations Information

Year Ended March 31, 2014

(In Thousands)

	Obligated Group	Other Entities	Eliminations	Consolidated
Unrestricted Revenues, Gains and Other Support				
Resident and patient service revenue (net of contractual discounts and allowances)	$ 138,084	$ 29,352	$ (267)	$ 167,169
Provision for uncollectible accounts	(200)	(43)	-	(243)
Resident and net patient service revenue less provision for uncollectible accounts	137,884	29,309	(267)	166,926
Amortization of entrance fees	8,927	8	-	8,935
Other	2,063	-	(1,612)	451
Net assets released from restrictions used for operations	633	45	-	678
Total unrestricted revenues, gains and other support	149,507	29,362	(1,879)	176,990
Expenses				
Medical services	36,910	5,674	-	42,584
Facility operating costs	14,307	3,307	-	17,614
Dietary services	21,669	4,895	(267)	26,297
Residential services	11,901	2,412	-	14,313
Administrative services	31,986	6,376	(1,612)	36,750
Depreciation	18,443	3,420	-	21,863
Amortization of deferred costs	1,106	87	-	1,193
Interest expense and other financing costs	9,007	2,428	-	11,435
Other	822	426	-	1,248
Total expenses	146,151	29,025	(1,879)	173,297
Operating Income	3,356	337	-	3,693
Other Income (Expense)				
Investment return	15,090	8	-	15,098
Loss on extinguishment of debt	(1,294)	-	-	(1,294)
Total other income (expense)	13,796	8	-	13,804
Excess of Revenues over Expenses Before Discontinued Operations	17,152	345	-	17,497
Gain from Discontinued Operations	9,240	-	-	9,240
Excess of Revenues over Expenses	26,392	345	-	26,737
Contributions to affiliates	(471)	471	-	-
Net transfer of excess proceeds from HUD borrowings	29,213	(29,213)	-	-
Net assets released from restriction used for purchases of property and equipment	530	104	-	634
Increase (Decrease) in Unrestricted Net Assets	$ 55,664	$ (28,293)	$ -	$ 27,371

Front Porch Communities & Services

Consolidating Schedule – Statement of Cash Flows Information

Year Ended March 31, 2014

(In Thousands)

	Obligated Group	Other Entities	Eliminations	Consolidated
Operating Activities				
Cash received from contract residents	$ 41,435	$ 209	$ -	$ 41,644
Proceeds from entrance fees received	22,942	-	-	22,942
Cash received from and on behalf of noncontract residents	97,937	25,082	-	123,019
Reimbursement for services to nonresidents	1,190	1,784	-	2,974
Other receipts from operations	2,063	-	(1,612)	451
Unrestricted investment income received	5,597	-	-	5,597
Processing fees	169	-	-	169
Payments on forward sale agreements	(437)	-	-	(437)
Cash paid to suppliers, employees and others	(121,131)	(16,943)	1,612	(136,462)
Cash paid for interest on long-term debt, net of amounts capitalized	(11,110)	(2,069)	-	(13,179)
Net cash provided by operating activities	38,655	8,063	-	46,718
Investing Activities				
Capital expenditures	(23,607)	(5,077)	-	(28,684)
Proceeds from sale of trading investments	60,630	-	-	60,630
Purchase of trading investments	(88,918)	-	-	(88,918)
Purchase of assets limited as to use	(5,101)	(5,505)	-	(10,606)
Proceeds from sale of assets limited as to use	11,178	51	-	11,229
Proceeds from partial termination of derivative financial instrument	4,422	-	-	4,422
Investment in OpCo	(2,274)	2,274	-	-
Investment in Brookmore Apartment Corporation	(200)	-	-	(200)
Deposit received related to sale of The Alhambra	1,115	-	-	1,115
Proceeds from sale of The Alhambra	12,515	-	-	12,515
Transaction costs paid related to sale of The Alhambra	(595)	-	-	(595)
Purchase of capital assets from Obligated Group	-	(75,348)	75,348	-
Proceeds from sale of assets to Real Estate LLCs	75,348	-	(75,348)	-
Net cash provided by investing activities	44,513	(83,605)	-	(39,092)
Financing Activities				
Refunds of entrance fees	(3,204)	-	-	(3,204)
Principal payments on long-term debt	(5,710)	(1,074)	-	(6,784)
Principal payments on refinancing of long-term debt	(79,705)			(79,705)
Proceeds from HUD-insured financing, net of issuance costs	-	81,944	-	81,944
Proceeds from restricted contributions	351	130	-	481
Net cash provided by (used in) financing activities	(88,268)	81,000	-	(7,268)
Net Increase (Decrease) in Cash and Cash Equivalents	(5,100)	5,458	-	358
Cash and Cash Equivalents, Beginning of Year	20,125	162	-	20,287
Cash and Cash Equivalents, End of Year	$ 15,025	$ 5,620	$ -	$ 20,645

	Obligated Group	Other Entities	Eliminations	Consolidated
Supplemental Cash Flows Information				
Property and equipment purchases included in accounts payable	$ 2,858	$ 965	$ -	$ 3,823
Entrance fees included in accounts receivable	$ 531	$ -	$ -	$ 531
Cash Flows from Operating Activities				
Change in net assets	$ 57,235	$ (28,293)	$ -	$ 28,942
Adjustments to reconcile change in net assets to net cash provided by operating activities				
Depreciation	18,443	3,420	-	21,863
Loss on disposal of assets	92	-	-	92
Gain on sale of The Alhambra	(9,200)	-	-	(9,200)
Amortization of deferred costs	1,106	87	-	1,193
Loss on debt refinancing	1,294	-	-	1,294
Net transfer of excess proceeds from HUD borrowings	(29,213)	29,213	-	-
Accretion of asset retirement obligations	243	144	-	387
Amortization of bond premium included in interest expense	(32)	-	-	(32)
Provision for uncollectible accounts	200	43	-	243
Entrance fees received	22,942	-	-	22,942
Amortization of entrance fees	(8,927)	(8)	-	(8,935)
Realized and unrealized gain on investments, net	(16,600)	-	-	(16,600)
Realized and unrealized gain on derivative financial instruments, net	5,998	-	-	5,998
Payments on forward sale	(437)	-	-	(437)
Change in interest in net assets of Pacific Homes Foundation	(1,009)	-	-	(1,009)
Change in receivables from supporting organizations	(660)	-	-	(660)
Contributions restricted by donor	(351)	(130)	-	(481)
Changes in operating assets and operating liabilities				
Accounts receivable, net	2,412	(2,010)	-	402
Prepaid expenses and other current assets	(1,348)	1,040	-	(308)
Due to/from related parties	(542)	542	-	-
Accounts payable and accrued expenses	(3,650)	2,019	-	(1,631)
Other accrued liabilities	659	1,996	-	2,655
Net cash provided by operating activities	$ 38,655	$ 8,063	$ -	$ 46,718

Front Porch

March 31, 2014

Annual Reserve Report
(Multi-CCRC Provider)

Presented to:
The State of California
Department of Social Services

BKD LLP
CPAs & Advisors

Two Warren Place // 6120 S. Yale Avenue, Suite 1400 // Tulsa, OK 74136-4223
918.584.2900 // fax 918.584.2931 // bkd.com

Independent Auditor's Report on Supplementary Information

Board of Directors
Front Porch Communities & Services
Burbank, California

We have audited the consolidated financial statements of Front Porch Communities & Services (the Corporation) as of and for the year ended March 31, 2014, and have issued our report thereon dated July 28, 2014, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Forms 5-1 through 5-5 of the accompanying Annual Reserve Report (Multi-CCRC Provider) derived from the aforementioned consolidated financial statements is presented for purposes of additional analysis, and for compliance with the requirements of the State of California Health and Safety Code, Section 1792, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

This report is intended solely for the information and use of the Board of Directors and management of the Corporation and for filing with the State of California Department of Social Services and is not intended to be and should not be used for any other purpose or by anyone other than these specified parties.

BKD, LLP

Tulsa, Oklahoma
July 30, 2014

Front Porch
Reconciliation from Reserve Report to Financial Statements
March 31, 2014

Forms 1-2 & 5-4 (Line 1)	Alhambra	Carlsbad	Claremont	Sunny View	Villa Gardens	Vista del Monte	Walnut Village	Front Porch	Total Audited Financial
Operating Expenses from Consolidating Schedule-Statement of Operations Information	-	14,885,188	13,775,761	12,417,056	16,358,261	14,267,535	25,958,369	75,636,944	173,299,114
Depreciation from Consolidating Schedule-Statement of Operations Information	-	1,808,796	559,393	1,242,878	1,696,644	1,750,043	3,993,412	10,812,350	21,863,516
Amortization from Consolidating Schedule-Statement of Operations Information-Form 5-4 Line 2 (d)	-	51,536	8,805	-	37,742	27,080	878,814	189,345	1,193,322
Form 5-1									
b. Principal paid during the year (Per Cash Flows)	-	-	-	-	-		31,650	86,489,639	86,521,289
Principal payment Unamortized premium (See Note 8, Consolidated Financial Statements)		-		-			(31,650)	-	(31,650)
Repurchase of Certificates to reduce outstanding balance (See Note 8, Consolidated Financial Statements)									-
Principal paid per Statement of Cash Flows	-	-	-	-	-	-	-	86,489,639	86,489,639
Interest Expense per Consol. Financial Statements	-	1,325,171	260,933	325,940	970,423	696,126	4,695,991	3,160,223	11,434,807
Less Credit Enhancement				(25,051)					(25,051)
Less Accretion of Asset Retirement	-		(41,292)	(33,552)				(312,287)	(387,131)
Sub total - Cash paid for interest	-	1,325,171	219,641	267,337	970,423	696,126	4,695,991	2,847,936	11,022,625
Credit Enhancement				25,051					25,051
Other								3,904,775	3,904,775
c & d. Cash paid for interest	-	1,325,171	219,641	292,388	970,423	696,126	4,695,991	6,752,711	14,952,451
Morgan Stanley								(1,774,044)	(1,774,044)
	-	1,325,171	219,641	292,388	970,423	696,126	4,695,991	4,978,667	13,178,407
Cash received from non-contract residents per Statement of Cash Flows	**-**	**4,288,318**	**15,741,746**	**5,812,663**	**10,998,208**	**6,012,354**	**10,863,081**	**69,302,576**	**123,018,945**
Beauty /Barber Shop									-
Guest Rooms		327	19,814	13,396	47,220	29,530	20,046	179,771	310,105
Retail Space Rental		63,002	-					113,966	176,968
Guest Meals								35	35
Catering		55,536	4,916	269,437	40,736	357,018		287,043	1,014,687
Book Sales								-	-
Other	235,173			14,004				1,578,998	1,828,175
Change in AR		-	-	(108,000)	-	(51,344)		(196,169)	(355,513)
Total reimbursement for services to non-residents and other receipts from operations	**235,173**	**118,865**	**24,730**	**188,838**	**87,956**	**335,204**	**20,046**	**1,963,644**	**2,974,456**
2e. Revenues received during the fiscal year for services to residents who did not have a continuing care contract	235,173	4,407,183	15,766,476	6,001,501	11,086,164	6,347,558	- 10,883,127	71,266,220	125,993,401

Front Porch
Reconciliation from Reserve Report to Financial Statements
March 31, 2014

Form 5-4	Alhambra	Carlsbad	Claremont	Sunny View	Villa Gardens	Vista del Monte	Walnut Village	Front Porch	Total Audited Financial
Provider's Operating Expense Reserve Amount from Form 5-4 line 6	-	1,498,459	28,306	1,002,799	527,525	1,119,191	1,131,580	-	5,307,861
Exclude negative operating expense		-	-	-	-	-	-	-	-
Adjusted provider's operating expense reserve amount	-	1,498,459	28,306	1,002,799	527,525	1,119,191	1,131,580	-	5,307,861

Recap to Form 5-5 Operating Reserves

Cash and cash equivalents	20,645,342
Government Securites with a maturity date of five years or less	1,579,955
Total Cash and Cash Equivalents	22,225,297
Investment Securities-Short Term	-
Investment Securites	3,271,405
Mutual Funds	28,319,328
Equities securities	142,380,828
Less Government Securites with a maturity date of five years or less	(1,579,955)
Total investments	172,391,606
Short term and Long-term investments per audited financials	200,018,787
Less Government Securites with a maturity date of five years or less	(1,579,955)
Less Investment not available for Operations	(26,047,226)
Total investments	172,391,606
Difference (due to rounding)	-

Recap to Form 5-5 Debt Service Reserve

Assets whose use is limited or restricted, held by trustee under indenture agreements for bond fund and other reserves (per audited financials Note 3)	23,478,352
Less: Investments not available to service debt	(2,240,321)
Debt Service reserve per Form 5-5	21,238,031
Debt Service interest fund	3,616,421
Debt Service reserve fund	12,731,614
Debt Service principal fund	4,069,913
Debt Service revenue fund	820,082
Debt Service bond fund	
Debt Service reserve per form 5-5	21,238,031

FRONT PORCH AND AFFILIATES

Consolidating Schedule – Statement of Financial Position

March 31, 2014

(Dollars in thousands)

Assets	Alhambra	Carlsbad	Claremont	Sunny View Manor	Villa Gardens	Vista del Monte	Walnut Village	All other	Eliminations	Total
Current Assets										
Cash and cash equivalents	$ —	1	2,922	3	2	1	3	17,713	—	20,645
Short-term investments	—	—	—	—	—	—	—	11,438	—	11,438
Assets whose use is limited or restricted – required for current liabilities	—	—	—	—	—	—	—	14,551	—	14,551
Accounts receivable, net	—	938	3,108	525	585	569	1,383	1,205	—	8,313
Prepaid expenses and other current assets	—	25	7	77	19	6	47	2,772	—	2,953
Intercompany receivables	—	13,931	—	8,145	72,385	15,703	—	(10,197)	(99,967)	—
Total current assets	—	14,895	6,037	8,750	72,991	16,279	1,433	37,482	(99,967)	57,900
Investments										
Assets whose use is limited, net of current portion	—	—	—	—	—	—	—	18,700	—	18,700
Investments	—	—	—	—	—	—	—	200,019	—	200,019
Derivative financial instruments - swaption contracts	—	—	—	—	—	—	—	4,179	—	4,179
Investments in joint ventures	—	—	—	—	—	—	—	—	—	—
Total investments	—	—	—	—	—	—	—	222,898	—	222,898
Property and Equipment, net	—	32,336	—	13,198	27,661	16,466	101,824	102,635	—	294,120
Note receivable	—	—	—	—	—	—	—	—	—	—
Interest in net assets of Pacific Homes Foundation	—	—	—	—	—	—	—	10,886	—	10,886
Receivable from CLH and Fact Foundation	—	—	—	—	—	—	—	11,097	—	11,097
Other receivable	—	—	—	—	—	—	—	1,906	—	1,906
Deferred costs, net	—	—	—	—	—	—	3,762	5,336	—	9,098
Other assets			96					406		502
Total other assets	—	—	96	—	—	—	3,762	29,631	—	33,489
Total assets	$ —	47,231	6,133	21,948	100,652	32,745	107,019	392,646	(99,967)	608,407
Liabilities and Net Assets										
Current Liabilities										
Current portion of long-term debt	$ —	—	—	—	—	—	—	5,889	—	5,889
Accounts payable	—	309	2,490	357	320	281	614	3,133	—	7,504
Accrued payroll and related expenses	—	392	366	540	539	411	529	8,271	—	11,048
Intercompany payables	—	—	56	—	—	—	99,911	—	(99,967)	
Accrued interest	—	—	—	—	—	—	—	4,318	—	4,318
Other accrued expenses	—	985	12	76	1,138	125	587	2,249	—	5,172
Total current liabilities	—	1,686	2,924	973	1,997	817	101,641	23,860	(99,967)	33,931
Asset retirement obligations	—	—	—	213	—	—	—	2,563	—	2,776
Accrued workers' compensation	—	—	—	—	—	—	—	10,320	—	10,320
Other accrued liabilities	—	2,471	819	384	1,334	154	1,160	6,415	—	12,737
Deferred interest – forward sale agreements	—	—	—	—	—	—	—	3,707	—	3,707
Refundable entrance fees	—	1,288	—	—	15,538	—	31,594	(6)	—	48,414
Deferred revenue from entrance fees	—	20,290	645	3,012	9,185	2,498	6,715	—	—	42,345
Long-term debt	—	—	—	—	—	—	—	263,003	—	263,003
Total liabilities	—	25,735	4,388	4,582	28,054	3,469	141,110	309,862	(99,967)	417,233
Net Assets										
Unrestricted	—	21,496	1,745	17,366	72,598	29,276	(34,091)	61,476	—	169,866
Temporarily restricted	—	—	—	—	—	—	—	14,941	—	14,941
Permanently restricted	—	—	—	—	—	—	—	6,367	—	6,367
Total net assets	—	21,496	1,745	17,366	72,598	29,276	(34,091)	82,784	—	191,174
Total liabilities and net assets	$ —	47,231	6,133	21,948	100,652	32,745	107,019	392,646	(99,967)	608,407

FRONT PORCH AND AFFILIATES

Consolidating Schedule – Unrestricted Operating Revenue and Expenses Information

Year ended March 31, 2014

(Dollars in thousands)

	Alhambra	Carlsbad	Claremont	Sunny View Manor	Villa Gardens	Vista del Monte	Walnut Village	All other	Total
Unrestricted Revenues, Gains and Other Support									
Resident and net patient service revenue (net of contractual discounts and allowances)	$ —	12,834	16,460	13,563	18,295	17,363	17,151	71,503	167,169
Provisoin for uncollectible accounts	—	(30)	(5)	(11)	14	(25)	(19)	(167)	(243)
Resident and net patient service revenue less provision for uncollectible accounts	—	12,804	16,455	13,552	18,309	17,338	17,132	71,336	166,926
Amortization of entrance fees	—	4,082	11	679	2,685	263	1,215	—	8,935
Other	—	—	—	—	—	—	—	451	451
Net assets released from restriction used for operations	—	97	4	141	—	179	—	257	678
Total unrestricted revenues, gains and other support	—	16,983	16,470	14,372	20,994	17,780	18,347	72,044	176,990
Expenses									
Medical services	—	3,277	3,464	3,889	4,966	3,682	6,690	16,616	42,584
Facility operating costs	—	1,969	1,512	1,090	1,695	1,562	1,581	8,205	17,614
Dietary services	—	2,609	2,424	2,022	2,537	2,810	2,705	11,190	26,297
Residential services	—	1,302	1,202	1,465	1,649	1,233	1,862	5,600	14,313
Administrative services	—	2,338	2,277	2,225	2,573	2,405	3,309	21,623	36,750
Depreciation	—	1,809	559	1,243	1,697	1,750	3,993	10,812	21,863
Amortization of deferred costs	—	52	9	—	38	27	879	188	1,193
Interest expense	—	1,325	261	326	970	696	4,696	3,161	11,435
Other	—	205	2,066	157	233	103	243	(1,759)	1,248
Total expenses and losses before other operating charges	—	14,886	13,774	12,417	16,358	14,268	25,958	75,636	173,297
Operating Income	—	2,097	2,696	1,955	4,636	3,512	(7,611)	(3,592)	3,693
Other Income (Expense)									
Investment return	—	853	—	—	580	—	77	13,588	15,098
Loss on extinguishment of debt	—	—	—	—	—	—	—	(1,294)	(1,294)
Excess (Deficiency) of Revenues Over Expneses Before Discontinued Operations	—	2,950	2,696	1,955	5,216	3,512	(7,534)	8,702	17,497
Loss from discontinued operations	—	—	—	—	—	—	—	9,240	9,240
Excess (Deficiency) of Revenue Over Expenses	—	2,950	2,696	1,955	5,216	3,512	(7,534)	17,942	26,737
Net assets released from restriction for capital expenditures	—	—	—	—	—	—	—	634	634
Gain on refinancing transactions	—	—	(160)	—	—	—	—	160	—
Increase (Decrease) in Unrestricted Net Assets	$ —	2,950	2,536	1,955	5,216	3,512	(7,534)	18,736	27,371

FRONT PORCH AND AFFILIATES

Consolidating Statements of Cash Flows - Direct

Years ended March 31, 2014

(Dollars in thousands)

		Carlsbad	Claremont	Sunny View Manor	Villa Gardens	Vista del Monte	Walnut Village	All Other	Total
Operating Activities									
Cash received from contract residents	$	8,685	518	7,530	7,332	10,616	6,963	—	41,644
Proceeds from emtrance fees received		6,934	—	1,006	6,482	2,303	6,217	—	22,942
Cash received from and on behalf of noncontract residents		4,288	15,742	5,813	10,998	6,012	10,863	69,303	123,019
Reimbursement for services to nonresidents		119	25	189	88	335	20	2,198	2,974
Other receipts from operations		—	—	—	—	—	—	451	451
Unrestricted contributions received		97	4	141	—	179	—	(421)	—
Unrestricted investment income received		853	—	—	580	—	77	4,087	5,597
Processing fees		8	—	18	12	118	13	—	169
Payments on forward sale agreements		—	—	—	—	—	—	(437)	(437)
Cash paid to suppliers, employees, and others		(11,665)	(13,237)	(10,748)	(13,964)	(11,600)	(15,783)	(59,465)	(136,462)
Cash paid for interest on long-term debt, net of amounts capitalized		(1,325)	(235)	(292)	(970)	(696)	(4,696)	(4,965)	(13,179)
Net cash provided by operating activities		7,994	2,817	3,657	10,558	7,267	3,674	10,751	46,718
Investing Activities									
Capital expenditures		(1,310)	(404)	(1,664)	(4,410)	(691)	(479)	(19,726)	(28,684)
Proceeds from sale of assets to Real Estate LLCs		—	(160)	—	—	—	—	160	—
Proceeds from sale of trading investments		—	—	—	—	—	—	60,630	60,630
Purchases of trading investments		—	—	—	—	—	—	(88,918)	(88,918)
Purchase of assets whose use is limited		—	—	—	—	—	—	(10,606)	(10,606)
Proceeds from sale of assets whose use is limited		—	—	—	—	—	—	11,229	11,229
Proceeds from partial termination of derivative financial instrument		—	—	—	—	—	—	4,422	4,422
Investment in Brookmore Apartment Corporation		—	—	—	—	—	—	(200)	(200)
Deposit received related to sale of community		—	—	—	—	—	—	1,115	1,115
Proceeds from sale of The Alhambra		—	—	—	—	—	—	12,515	12,515
Transaction costs related to sale of community		—	—	—	—	—	—	(595)	(595)
Net cash used in investing activities		(1,310)	(564)	(1,664)	(4,410)	(691)	(479)	(29,974)	(39,092)
Financing Activities									
Refunds of entrance fees		(1,313)	—	(293)	(257)	—	(1,341)	—	(3,204)
Change in due to/due from		(5,371)	665	(1,700)	(5,891)	(6,576)	(1,854)	20,727	—
Principal payments of long-term debt		—	—	—	—	—	—	(6,784)	(6,784)
Principal payments on refinancing of long-term debt		—	—	—	—	—	—	(79,705)	(79,705)
Proceeds from HUD-insured financing, net of issuance costs		—	—	—	—	—	—	81,944	81,944
Proceeds from restricted contributions		—	—	—	—	—	—	481	481
Net cash used in financing activities		(6,684)	665	(1,993)	(6,148)	(6,576)	(3,195)	16,663	(7,268)
Net increase (decrease) in cash and cash equivalents		—	2,918	—	—	—	—	(2,560)	358
Cash and cash equivalents, beginning of year		1	4	3	2	1	3	20,273	20,287
Cash and cash equivalents, end of year	$	1	2,922	3	2	1	3	17,713	20,645

Part 5

Liquid Reserves

Health and Safety Code Section 1792

Long Term Debt Incurred in a Prior Fiscal Year – (Form 5-1)
Long Term Debt Incurred During the Fiscal Year – (Form 5-2)
Calculation of Long-Term Debt Reserve Amount (Form 5-3)
Calculation of Net Operating Expenses (Form 5-4)
Annual Reserve Certification Form (5-5)*

*** Note: New Requirement for Reporting Reserves**

FORM 5-1
LONG-TERM DEBT INCURRED
IN A PRIOR FISCAL YEAR
(Including Balloon Debt)

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	03/01/99	$4,620,000	$8,140,441		$12,760,441
2	09/01/97	$255,000	$89,528	$8,200	$352,728
3	02/25/99	$235,000	$177,810	$16,851	$429,661
4	06/01/05	$169,480	$84,483		$253,963
5	04/01/07-a		$3,741,250		$3,741,250
6	06/28/12	$600,000	$476,825	$22,000	$1,098,825
7					$0
8					$0
		TOTAL:	$12,710,337	$47,051	$18,636,868

(Transfer this amount to Form 5-3, Line 1)

NOTE: For column (b), do not include voluntary payments made to pay down principal.

PROVIDER: Front Porch

FORM 5-2
LONG-TERM DEBT INCURRED DURING FISCAL YEAR
(Including Balloon Debt)

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1	07/11/13	$830,857	$165,105	12	$1,981,260
2					$0
3					$0
4					$0
5					$0
6					$0
7					$0
8					$0
	TOTAL:	$830,857	$165,105	12	$1,981,260

(Transfer this amount to Form 5-3, Line 2)

NOTE: For column (b), do not include voluntary payments made to pay down principal.

NOTE: non-CCRC HUD debt is excluded from this schedule; refer to 'Reconciliation from Forms 5-1 and 5-2 to Financial Statements' following this schedule

PROVIDER: Front Porch

FORM 5-3

CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	$18,636,868
2	Total from Form 5-2 bottom of Column (e)	$1,981,260
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	$1,293,264
4	**TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:**	$21,911,392

PROVIDER: Front Porch

Front Porch
Reconciliation from Forms 5-1 and 5-2 to Financial Statements
March 31, 2014

Principal paid during the year	86,521,290
Premium Reduction on Series 07b Bonds	(31,650)
Voluntary Debt Paydown on Series 99 Bonds	(79,705,000)
New CCRC HUD debt - principal paid during the year	(486,245)
Excluded non-CCRC HUD debt - principal paid during the year	(418,915)
Total Principal Paid on Form 5-1	5,879,480

Cash paid for interest	14,952,282
Premiums paid on new CCRC HUD debt	(302,114)
Excluded non-CCRC HUD debt - interest and premiums paid during the year	(1,061,923)
Total Interest Paid on Forms 5-1 & 5-2	13,588,245

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$14,885,188
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$1,325,171	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)		
	c.	Depreciation	$1,808,796	
	d.	Amortization	$51,536	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$4,407,183	
	f.	Extraordinary expenses approved by the Department		
3		Total Deductions		$7,592,686
4		Net Operating Expenses		$7,292,502
5		Divide Line 4 by 365 and enter the result.		$19,979
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$1,498,459

PROVIDER: Front Porch
COMMUNITY: Carlsbad by the Sea

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$13,775,761
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)		
	b.	Credit enhancement premiums paid for long-term debt (see instructions)		
	c.	Depreciation		
	d.	Amortization		
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract		
	f.	Extraordinary expenses approved by the Department	$13,638,003	
3		Total Deductions		$13,638,003
4		Net Operating Expenses		$137,758
5		Divide Line 4 by 365 and enter the result.		$377
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$28,306

PROVIDER: Front Porch
COMMUNITY: Claremont Manor

Front Porch
Reconciliation of Claremont Manor Form 5-4 to Financial Statements
March 31, 2014

Total Operating Expenses (Form 1-2, line 1)	13,775,761
Subtract 1% continuing care residents allocation (Form 1-1, line 11)	(137,758)
Total Extraordinary Expenses Deduction approved by the Department (Form 5-4, line 2-f)	13,638,003

per Allison Nakatomi at DSS - for Form 5-4, do not enter amounts on lines 2.a-2.e due to having a small number of continuing care residents, the Department has approved this simplified calculation of net operating expenses and reserve

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$12,417,056
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$267,337	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$25,051	
	c.	Depreciation	$1,242,878	
	d.	Amortization	$0	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$6,001,501	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total Deductions		$7,536,767
4		Net Operating Expenses		$4,880,289
5		Divide Line 4 by 365 and enter the result.		$13,371
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$1,002,799

PROVIDER: Front Porch
COMMUNITY: Sunny View Manor

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$16,358,261
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$970,423	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$0	
	c.	Depreciation	$1,696,644	
	d.	Amortization	$37,742	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$11,086,164	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total Deductions		$13,790,973
4		Net Operating Expenses		$2,567,288
5		Divide Line 4 by 365 and enter the result.		$7,034
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$527,525

PROVIDER: Front Porch
COMMUNITY: Villa Gardens

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$14,267,535
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$696,126	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$0	
	c.	Depreciation	$1,750,043	
	d.	Amortization	$27,080	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$6,347,558	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total Deductions		$8,820,807
4		Net Operating Expenses		$5,446,728
5		Divide Line 4 by 365 and enter the result.		$14,923
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$1,119,191

PROVIDER: Front Porch
COMMUNITY: Vista del Monte

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		$25,958,369
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	$4,695,991	
	b. Credit enhancement premiums paid for long-term debt (see instructions)		
	c. Depreciation	$3,993,412	
	d. Amortization	$878,814	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$10,883,127	
	f. Extraordinary expenses approved by the Department	$0	
3	Total Deductions		$20,451,344
4	Net Operating Expenses		$5,507,025
5	Divide Line 4 by 365 and enter the result.		$15,088
6	**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$1,131,580

PROVIDER: Front Porch
COMMUNITY: Walnut Village

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: Front Porch
Fiscal Year Ended: March 31, 2014

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 3/31/2014 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year are as follows:

		Amount
[1]	Debt Service Reserve Amount	$21,911,392
[2]	Operating Expense Reserve Amount	$5,307,861
[3]	**Total Liquid Reserve Amount:**	$27,219,253

Qualifying assets sufficient to fulfill the above requirements are held as follows:

	Qualifying Asset Description		Amount (market value at end of quarter) Debt Service Reserve		Operating Reserve
[4]	Cash and Cash Equivalents		$1,000,000		$21,225,297
[5]	Investment Securities				$1,691,450
[6]	Equity Securities				$170,700,156
[7]	Unused/Available Lines of Credit				
[8]	Unused/Available Letters of Credit				
[9]	Debt Service Reserve		$21,238,031		(not applicable)
[10]	Other: (describe qualifying asset)				
	Total Amount of Qualifying Assets Listed for Reserve Obligation:	[11]	$22,238,031	[12]	$193,616,903
	Reserve Obligation Amount:	[13]	$21,911,392	[14]	$5,307,861
	Surplus/(Deficiency):	[15]	$326,639	[16]	$188,309,042

Signature:
Mary Miller
(Authorized Representative)

Date: 7/30/2014

Chief Financial Officer
(Title)

Annual Reserve Certification Form
Front Porch
Fiscal Year End 3/31/14

DSS - Reserve Report - Part of Form 5-5
Description of Reserves - Per H & SC Section 1790(a)(2)(3)

	Amount
Investment per audited Financials	200,018,787
Less Govt Securites with a maturity date of five years or less	(1,579,955)
Less investment not available for reserves	(26,047,226)
Total Unrestricted Funds	172,391,606

As per March 31, 2014 audit, the assets listed above are liquid and available for use as needed.
Additionally, there are no restrictions on the funds listed above.

Bank of New York	$ 21,238,031

Per Capita Cost of Operations		Alhambra	Carlsbad	Claremont	Sunny View	Villa Gardens	Vista del Monte	Walnut Village
Operating Expenses (Form 5-4 line #1)		-	14,885,188	13,775,761	12,417,056	16,358,261	14,267,535	25,958,369
Mean # of CCRC Residents (Form 1-1 line 10)	Closed 9/1/12		221	276.5	167	257.5	224.5	249.5
Per Capita Cost of Operations			**67,354**	**49,822**	**74,354**	**63,527**	**63,552**	**104,042**

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	**3095-5890**	**3955-7986**	**292-474/day**
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	**3.75%**	**4.25%**	**4.50%**

☐ Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

[3] Indicate the date the fee increase was implemented: April 1, 2013
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

☒ Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.

☒ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

☒ At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.

☒ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.

☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

PROVIDER: Front Porch
COMMUNITY: Carlsbad by the Sea

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	**2600-6520**	**3140-8226**	**262-364/day**
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	**3. 75%**	**4.25%**	**4.50%**

☐ Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

[3] Indicate the date the fee increase was implemented: April 1, 2013.
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

☒ Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.

☒ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

☒ At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.

☒ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.

☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

PROVIDER: Front Porch
COMMUNITY: Claremont Manor

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	1968-6700	5325-7900	339-389/day
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3.75%	4.25%	4.50%

☐ Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

[3] Indicate the date the fee increase was implemented: April 1, 2013.
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

☒ Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.

☒ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

☒ At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.

☒ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.

☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

PROVIDER: Front Porch
COMMUNITY: Sunny View Manor

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	**2485-9870**	**6090-9015**	**303-431/day**
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	**3.75%**	**4.25%**	**4.50%**

☐ Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

[3] Indicate the date the fee increase was implemented: April 1, 2013

(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

☒ Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.

☒ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

☒ At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.

☒ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.

☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

PROVIDER: Front Porch
COMMUNITY: Villa Gardens

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	2250-8425	5870-6980	304-346/day
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3.75%	4.25%	4.50%

☐ Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

[3] Indicate the date the fee increase was implemented: April 1, 2013
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

☒ Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.

☒ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

☒ At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.

☒ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.

☒ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

☒ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

PROVIDER: **Front Porch**
COMMUNITY: **Vista del Monte**

FRONT PORCH

2014 Reserve Report

Basis of Monthly Care Fee Adjustments

Front Porch's annual increase in monthly service fees is effective each April 1st. Rates were increased 3.75% in Residential, 4.25% in Assisted Living and 4.50% in the Skilled Nursing on April 1, 2013.

The rate increase is determined in our annual budget process, during which we estimate the cost of providing services for our residents. In addition to the normal cost increases for the products and services we use in providing care for our residents, several cost categories experienced exceptional increases. Those categories were health insurance benefits, electric and gas utilities.

Once the expected costs have been determined, attention is turned to budgeting for occupancy levels, investment income, turnover of living units, capital needs, bond indenture requirements and any other areas of anticipated financial impact.

The resident rate increase is then determined based on the revenue requirement that will allow Front Porch to meet all its fiduciary responsibilities.

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 6/25/14

FACILITY NAME: Carlsbad By The Sea

ADDRESS: 2855 Carlsbad Blvd, Carlsbad, CA ZIP CODE: 92008 PHONE: (760) 720-4580

PROVIDER NAME: Front Porch FACILITY OPERATOR: Front Porch

RELATED FACILITIES: 11 RELIGIOUS AFFILIATION: None

YEAR OPENED: 1998 # OF ACRES: 3.8 ☐ SINGLE STORY ☐ MULTI-STORY ☒ OTHER: Both MILES TO SHOPPING CTR: 1 MILES TO HOSPITAL: 5

* *

NUMBER OF UNITS:

RESIDENTIAL LIVING		**HEALTH CARE**	
APARTMENTS – STUDIO:	6	ASSISTED LIVING:	14
APARTMENTS – 1 BDRM:	41	SKILLED NURSING:	33 beds
APARTMENTS – 2 BDRM:	99	SPECIAL CARE:	0
COTTAGES/HOUSES:	0	DESCRIPTION: >	N/A
RLU OCCUPANCY (%) AT YEAR END:	99%	>	

* *

TYPE OF OWNERSHIP: ☒ NOT-FOR-PROFIT ☐ FOR- PROFIT ACCREDITED?: ☒ YES ☐ NO BY: CCAC

FORM OF CONTRACT: *(Check all that apply)* ☒ CONTINUING CARE ☐ LIFE CARE ☐ ENTRANCE FEE ☒ FEE FOR SERVICE ☐ ASSIGNMENT OF ASSETS ☐ EQUITY ☐ MEMBERSHIP ☐ RENTAL

REFUND PROVISIONS: *(Check all that apply)* ☒ 90% ☐ 75% ☒ 50% ☒ FULLY AMORTIZED ☐ OTHER: ____

RANGE OF ENTRANCE FEES: $ 92,000 - $ 658,000 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ☒ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: No

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: No OTHER: None

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > Resident representation to the Front Porch of Directors > is accomplished through the seating of one resident representative elected from each of the 10 FP communities who serve on the Board without vote.

* *

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	☒	☒	HOUSEKEEPING (____ TIMES/MONTH)	4	☐
BILLIARD ROOM	☒	☐	MEALS (____/DAY)	1	2
BOWLING GREEN	☐	☐	SPECIAL DIETS AVAILABLE	☒	☐
CARD ROOMS	☒	☐			
CHAPEL	☒	☐	24-HOUR EMERGENCY RESPONSE	☒	☐
COFFEE SHOP	☐	☐	ACTIVITIES PROGRAM	☒	☒
CRAFT ROOMS	☒	☐	ALL UTILITIES EXCEPT PHONE	☒	☐
EXERCISE ROOM	☒	☐	APARTMENT MAINTENANCE	☒	☐
GOLF COURSE ACCESS	☐	☐	CABLE TV	☒	☐
LIBRARY	☒	☐	LINENS FURNISHED	☐	☐
PUTTING GREEN	☐	☐	LINENS LAUNDERED	☒	☒
SHUFFLEBOARD	☐	☐	MEDICATION MANAGEMENT	☒	☒
SPA	☒	☐	NURSING/WELLNESS CLINIC	☒	☒
SWIMMING POOL-INDOOR	☒	☐	PERSONAL HOME CARE	☒	☒
SWIMMING POOL-OUTDOOR	☒	☐	TRANSPORTATION-PERSONAL	☐	☒
TENNIS COURT	☐	☐	TRANSPORTATION-PREARRANGED	☒	☒
WORKSHOP	☒	☐	OTHER WiFi	☒	☐
OTHER Personal Trainer	☒	☒			

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: FRONT PORCH

OTHER CCRCs	LOCATION (City, State)	PHONE (with area code)
Carlsbad By The Sea	Carlsbad, CA	(760) 720-4580
Claremont Manor	Claremont, CA	(909) 626-1227
Sunny View Manor	Cupertino, CA	(408) 454-5600
Villa Gardens	Pasadena, CA	(626) 796-8162
Vista del Monte	Santa Barbara, CA	(805) 687-0793
Walnut Village	Anaheim, CA	(714) 776-7150

MULTI-LEVEL RETIREMENT COMMUNITIES	LOCATION (City, State)	PHONE (with area code)
Casa de Manana	La Jolla, CA	(858) 454-2151
Fredericka Manor	Chula Vista, CA	(619) 422-9271
Kingsley Manor	Los Angeles, CA	(323) 661-1128
Wesley Palms	San Diego, CA	(858) 274-4110

FREE-STANDING SKILLED NURSING	LOCATION (City, State)	PHONE (with area code)

SUBSIDIZED SENIOR HOUSING	LOCATION (City, State)	PHONE (with area code)

NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.

PROVIDER NAME: FRONT PORCH

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	159,267	164,510	172,060	176,990
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	123,422	129,067	133,661	138,806
NET INCOME FROM OPERATIONS	40,580	41,705	44,089	44,347
LESS INTEREST EXPENSE	(12,417)	(12,020)	(11,972)	(11,435)
PLUS CONTRIBUTIONS	0	0	0	0
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	710	(1,589)	(1,243)	8,580
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	28,873	28,096	30,874	41,492
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	12,210	11,680	16,465	19,738

* *

DESCRIPTION OF SECURED DEBT *(as of most recent fiscal year end)*

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
*CSCDA	76,095,000	4%-5.6%	03/01/99	2030	April 1
*CHFFA	1,440,000	3.9%-5.5%	09/17/97	2019	Sept 1
*CHFFA	3,210,000	3.5%-5.1%	02/25/99	2024	Feb 1
*HUD	1,150,200	6.875%	1979	2019	Aug 1
*CSCDA	68,250,000	5.125%	04/01/07	2037	April 1
*CSCDA	34,400,000	Variable	06/28/12	2042	April 1
*HUD	41,761,755	2.73%	07/11/13	2045	Sept 1
*HUD	12,305,536	2.80%	07/12/13	2039	Sept 1
*HUD	29,630,149	3.74%	09/26/13	2043	Nov 1

*Denotes Issuer

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile *(optional)*	2012	2013	2014
DEBT TO ASSET RATIO		49.3%	46.3%	43.2%
OPERATING RATIO		90.8%	89.5%	89.4%
DEBT SERVICE COVERAGE RATIO		2.53	3.46	3.64
DAYS CASH ON HAND RATIO		448.8	475.8	563.9

* *

HISTORICAL MONTHLY SERVICE FEES – CARLSBAD BY THE SEA (Average Fee and Change Percentage)

	2011	%	2012	%	2013	%	2014
STUDIO	2765	3.50	2865	3.95	2980	3.75	3095
ONE BEDROOM	2960-4060	3.50	3065-4205	3.95	3190-4375	3.75	3310-4540
TWO BEDROOM	3355-5270	3.50	3475-5455	3.95	3615-5675	3.75	3755-5890
COTTAGE/HOUSE	4855	3.50	5025	3.95	5225	3.75	5425
ASSISTED LIVING	4190-7065	3.80	4350-7330	4.45	4545-7660	4.25	3955-7986
SKILLED NURSING	256-416/day	4.00	266-433/day	4.95	279-454/day	4.50	292-474/day
SPECIAL CARE	N/A		N/A		N/A		N/A

* *

COMMENTS FROM PROVIDER: > IL second person monthly fee is $1,200

>

>

PROVIDER NAME: FRONT PORCH

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

OPERATING RATIO

$$\frac{\begin{array}{c}\text{Total Operating Expenses}\\ -\ \text{Depreciation Expense}\\ -\ \text{Amortization Expense}\end{array}}{\text{Total Operating Revenues} - \text{Amortization of Deferred Revenue}}$$

DEBT SERVICE COVERAGE RATIO

$$\frac{\begin{array}{c}\text{Total Excess of Revenues over Expenses}\\ +\ \text{Interest, Depreciation, and Amortization Expenses}\\ \text{Amortization of Deferred Revenue} + \text{Net Proceeds from Entrance Fees}\end{array}}{\text{Annual Debt Service}}$$

DAYS CASH ON HAND RATIO

$$\frac{\begin{array}{c}\text{Unrestricted Current Cash \& Investments}\\ +\ \text{Unrestricted Non-Current Cash \& Investments}\end{array}}{(\text{Operating Expenses} - \text{Depreciation} - \text{Amortization})/365}$$

NOTE: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 6/25/14

FACILITY NAME: Claremont Manor

ADDRESS: 650 W. Harrison Blvd, Claremont, CA ZIP CODE: 91711 PHONE: (909) 626-1227

PROVIDER NAME: Front Porch FACILITY OPERATOR: Front Porch

RELATED FACILITIES: 11 RELIGIOUS AFFILIATION: None

YEAR OPENED: 1949 # OF ACRES: 15 ☐ SINGLE STORY ☐ MULTI-STORY ☒ OTHER: Both MILES TO SHOPPING CTR: ¾ MILES TO HOSPITAL: 4

* *

NUMBER OF UNITS:

RESIDENTIAL LIVING		HEALTH CARE	
APARTMENTS – STUDIO:	22	ASSISTED LIVING:	37
APARTMENTS – 1 BDRM:	79	SKILLED NURSING:	59 beds
APARTMENTS – 2 BDRM:	25	SPECIAL CARE:	6
COTTAGES/HOUSES:	69	DESCRIPTION: >	Memory Support
RLU OCCUPANCY (%) AT YEAR END:	92%	>	

* *

TYPE OF OWNERSHIP: ☒ NOT-FOR-PROFIT ☐ FOR-PROFIT ACCREDITED?: ☒ YES ☐ NO BY: CCAC

FORM OF CONTRACT: *(Check all that apply)* ☒ CONTINUING CARE ☐ LIFE CARE ☐ ENTRANCE FEE ☒ FEE FOR SERVICE ☐ ASSIGNMENT OF ASSETS ☐ EQUITY ☐ MEMBERSHIP ☐ RENTAL

REFUND PROVISIONS: *(Check all that apply)* ☒ 90% ☐ 75% ☒ 50% ☐ FULLY AMORTIZED ☐ OTHER: ____________

RANGE OF ENTRANCE FEES: $ 0 - $ 0 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ☒ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Access Only, Subject to Availability

ENTRY REQUIREMENTS: MIN. AGE: 65 PRIOR PROFESSION: No OTHER: None

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > Resident representation to the Front Porch of Directors
> is accomplished through the seating of one resident representative elected from each of the 10 FP communities who serve on the Board without vote.

* *

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE
BEAUTY/BARBER SHOP	☒	☒
BILLIARD ROOM	☒	☐
BOWLING GREEN	☐	☐
CARD ROOMS	☒	☐
CHAPEL	☒	☐
COFFEE SHOP	☒	☐
CRAFT ROOMS	☒	☐
EXERCISE ROOM	☒	☐
GOLF COURSE ACCESS	☐	☐
LIBRARY	☒	☐
PUTTING GREEN	☐	☐
SHUFFLEBOARD	☒	☐
SPA	☒	☐
SWIMMING POOL-INDOOR	☐	☐
SWIMMING POOL-OUTDOOR	☒	☐
TENNIS COURT	☐	☐
WORKSHOP	☒	☐
OTHER ____________	☐	☐

SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING (____ TIMES/MONTH)	2	☐
MEALS (____/DAY)	1	2
SPECIAL DIETS AVAILABLE	☒	☐
24-HOUR EMERGENCY RESPONSE	☒	☐
ACTIVITIES PROGRAM	☒	☐
ALL UTILITIES EXCEPT PHONE	☒	☐
APARTMENT MAINTENANCE	☒	☐
CABLE TV	☐	☒
LINENS FURNISHED	☒	☐
LINENS LAUNDERED	☒	☒
MEDICATION MANAGEMENT	☐	☒
NURSING/WELLNESS CLINIC	☒	☒
PERSONAL HOME CARE	☒	☒
TRANSPORTATION-PERSONAL	☐	☒
TRANSPORTATION-PREARRANGED	☒	☐
OTHER ____________	☐	☐

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PROVIDER NAME: FRONT PORCH

OTHER CCRCs	LOCATION (City, State)	PHONE (with area code)
Carlsbad By The Sea	Carlsbad, CA	(760) 720-4580
Claremont Manor	Claremont, CA	(909) 626-1227
Sunny View Manor	Cupertino, CA	(408) 454-5600
Villa Gardens	Pasadena, CA	(626) 796-8162
Vista del Monte	Santa Barbara, CA	(805) 687-0793
Walnut Village	Anaheim, CA	(714) 776-7150

MULTI-LEVEL RETIREMENT COMMUNITIES	LOCATION (City, State)	PHONE (with area code)
Casa de Manana	La Jolla, CA	(858) 454-2151
Fredericka Manor	Chula Vista, CA	(619) 422-9271
Kingsley Manor	Los Angeles, CA	(323) 661-1128
Wesley Palms	San Diego, CA	(858) 274-4110

FREE-STANDING SKILLED NURSING	LOCATION (City, State)	PHONE (with area code)

SUBSIDIZED SENIOR HOUSING	LOCATION (City, State)	PHONE (with area code)

NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.

PROVIDER NAME: FRONT PORCH

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS **OPERATING INCOME** (Excluding amortization of entrance fee income)	159,267	164,510	172,060	176,990
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	123,422	129,067	133,661	138,806
NET INCOME FROM OPERATIONS	40,580	41,705	44,089	44,347
LESS INTEREST EXPENSE	(12,417)	(12,020)	(11,972)	(11,435)
PLUS CONTRIBUTIONS	0	0	0	0
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	710	(1,589)	(1,243)	8,580
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	28,873	28,096	30,874	41,492
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	12,210	11,680	16,465	19,738

* *

DESCRIPTION OF SECURED DEBT *(as of most recent fiscal year end)*

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
*CSCDA	76,095,000	4%-5.6%	03/01/99	2030	April 1
*CHFFA	1,440,000	3.9%-5.5%	09/17/97	2019	Sept 1
*CHFFA	3,210,000	3.5%-5.1%	02/25/99	2024	Feb 1
*HUD	1,150,200	6.875%	1979	2019	Aug 1
*CSCDA	68,250,000	5.125%	04/01/07	2037	April 1
*CSCDA	34,400,000	Variable	06/28/12	2042	April 1
*HUD	41,761,755	2.73%	07/11/13	2045	Sept 1
*HUD	12,305,536	2.80%	07/12/13	2039	Sept 1
*HUD	29,630,149	3.74%	09/26/13	2043	Nov 1

*Denotes Issuer

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile *(optional)*	2012	2013	2014
DEBT TO ASSET RATIO		49.3%	46.3%	43.2%
OPERATING RATIO		90.8%	89.5%	89.4%
DEBT SERVICE COVERAGE RATIO		2.53	3.46	3.64
DAYS CASH ON HAND RATIO		448.8	475.8	563.9

* *

HISTORICAL MONTHLY SERVICE FEES – CLAREMONT MANOR (Average Fee and Change Percentage)

	2011	%	2012	%	2013	%	2014
STUDIO	2400-3230	3.50	2500-3500	3.95	2860-3360	3.75	2600-3780
ONE BEDROOM	3200-5645	3.50	3200-4845	3.95	3950	3.75	4390-5230
TWO BEDROOM	3020-3500	3.50	3800-6445	3.95	5085-5670	3.75	4105-6520
COTTAGE/HOUSE	3500-7215	3.50	3500-7215	3.95	3640-4370	3.75	3890-5700
ASSISTED LIVING	2880-9015	3.80	2880-8583	4.45	3010-7887	4.25	3140-8226
SKILLED NURSING	264-332/day	4.00	240-335/day	4.95	251-348/day	4.50	262-364/day
SPECIAL CARE				4.45	5630	4.25	5870

* *

COMMENTS FROM PROVIDER: > Assisted Living fees are the base rate for the unit plus the level of care fee.

> Additional fees range from $450.00 to $1,686.00. There is also an additional resident fee of $1,140.00 per month.

> IL – Additional Resident Fee $1,025.00 per month.

PROVIDER NAME: **FRONT PORCH**

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

OPERATING RATIO

$$\frac{\text{Total Operating Expenses} - \text{Depreciation Expense} - \text{Amortization Expense}}{\text{Total Operating Revenues} - \text{Amortization of Deferred Revenue}}$$

DEBT SERVICE COVERAGE RATIO

$$\frac{\text{Total Excess of Revenues over Expenses} + \text{Interest, Depreciation, and Amortization Expenses} - \text{Amortization of Deferred Revenue} + \text{Net Proceeds from Entrance Fees}}{\text{Annual Debt Service}}$$

DAYS CASH ON HAND RATIO

$$\frac{\text{Unrestricted Current Cash \& Investments} + \text{Unrestricted Non-Current Cash \& Investments}}{(\text{Operating Expenses} - \text{Depreciation} - \text{Amortization})/365}$$

NOTE: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 6/25/14

FACILITY NAME: Sunny View Manor

ADDRESS: 22445 Cupertino Road, Cupertino, CA ZIP CODE: 95014 PHONE: (408) 454-5600

PROVIDER NAME: Front Porch FACILITY OPERATOR: Front Porch

RELATED FACILITIES: 11 RELIGIOUS AFFILIATION: Lutheran

YEAR OPENED: 1963 # OF ACRES: 12 ☐ SINGLE STORY ☐ MULTI-STORY ☒ OTHER: Both MILES TO SHOPPING CTR: 1.5 MILES TO HOSPITAL: 3.6

* *

NUMBER OF UNITS:

RESIDENTIAL LIVING

APARTMENTS – STUDIO: 31
APARTMENTS – 1 BDRM: 20
APARTMENTS – 2 BDRM: 16
COTTAGES/HOUSES: 0
RLU OCCUPANCY (%) AT YEAR END: 97%

HEALTH CARE

ASSISTED LIVING: 28
SKILLED NURSING: 47 beds
SPECIAL CARE: 23 apartments
DESCRIPTION: > Memory Support
>

* *

TYPE OF OWNERSHIP: ☒ NOT-FOR-PROFIT ☐ FOR-PROFIT ACCREDITED?: ☒ YES ☐ NO BY: WINNERS CIRCLE

FORM OF CONTRACT: *(Check all that apply)* ☒ CONTINUING CARE ☐ LIFE CARE ☐ ENTRANCE FEE ☒ FEE FOR SERVICE ☐ ASSIGNMENT OF ASSETS ☐ EQUITY ☐ MEMBERSHIP ☒ RENTAL (month to month)

REFUND PROVISIONS: *(Check all that apply)* ☐ 90% ☐ 75% ☐ 50% ☒ FULLY AMORTIZED ☐ OTHER:

RANGE OF ENTRANCE FEES: $ 33,000 - $ 293,000 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ☒ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: No

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: No OTHER: None

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > Resident representation to the Front Porch of Directors
> is accomplished through the seating of one resident representative elected from each of the 10 FP communities who serve on the Board without vote.

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FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE
BEAUTY/BARBER SHOP	☐	☒
BILLIARD ROOM	☒	☐
BOWLING GREEN	☐	☐
CARD ROOMS	☒	☐
CHAPEL	☒	☐
COFFEE SHOP	☒	☐
CRAFT ROOMS	☒	☐
EXERCISE ROOM	☒	☐
GOLF COURSE ACCESS	☐	☒
LIBRARY	☒	☐
PUTTING GREEN	☐	☐
SHUFFLEBOARD	☒	☐
SPA	☐	☒
SWIMMING POOL-INDOOR	☐	☒
SWIMMING POOL-OUTDOOR	☐	☐
TENNIS COURT	☐	☐
WORKSHOP	☐	☐
OTHER Therapy Center	☒	☒

SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING (___ TIMES/MONTH)	4	☐
MEALS (___/DAY)	3	☐
SPECIAL DIETS AVAILABLE	☒	☐
24-HOUR EMERGENCY RESPONSE	☒	☐
ACTIVITIES PROGRAM	☒	☐
ALL UTILITIES EXCEPT PHONE	☒	☐
APARTMENT MAINTENANCE	☒	☐
CABLE TV	☒	☐
LINENS FURNISHED	☒	☐
LINENS LAUNDERED	☒	☒
MEDICATION MANAGEMENT	☒	☒
NURSING/WELLNESS CLINIC	☐	☒
PERSONAL HOME CARE	☐	☒
TRANSPORTATION-PERSONAL	☐	☐
TRANSPORTATION-PREARRANGED	☒	☐
OTHER	☐	☐

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: FRONT PORCH

OTHER CCRCs	LOCATION (City, State)	PHONE (with area code)
Carlsbad By The Sea	Carlsbad, CA	(760) 720-4580
Claremont Manor	Claremont, CA	(909) 626-1227
Sunny View Manor	Cupertino, CA	(408) 454-5600
Villa Gardens	Pasadena, CA	(626) 796-8162
Vista del Monte	Santa Barbara, CA	(805) 687-0793
Walnut Village	Anaheim, CA	(714) 776-7150

MULTI-LEVEL RETIREMENT COMMUNITIES	LOCATION (City, State)	PHONE (with area code)
Casa de Manana	La Jolla, CA	(858) 454-2151
Fredericka Manor	Chula Vista, CA	(619) 422-9271
Kingsley Manor	Los Angeles, CA	(323) 661-1128
Wesley Palms	San Diego, CA	(858) 274-4110

FREE-STANDING SKILLED NURSING	LOCATION (City, State)	PHONE (with area code)

SUBSIDIZED SENIOR HOUSING	LOCATION (City, State)	PHONE (with area code)

NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.

PROVIDER NAME: FRONT PORCH

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS **OPERATING INCOME** (Excluding amortization of entrance fee income)	159,267	164,510	172,060	176,990
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	123,422	129,067	133,661	138,806
NET INCOME FROM OPERATIONS	40,580	41,705	44,089	44,347
LESS INTEREST EXPENSE	(12,417)	(12,020)	(11,972)	(11,435)
PLUS CONTRIBUTIONS	0	0	0	0
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	710	(1,589)	(1,243)	8,580
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	28,873	28,096	30,874	41,492
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	12,210	11,680	16,465	19,738

* *

DESCRIPTION OF SECURED DEBT *(as of most recent fiscal year end)*

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
*CSCDA	76,095,000	4%-5.6%	03/01/99	2030	April 1
*CHFFA	1,440,000	3.9%-5.5%	09/17/97	2019	Sept 1
*CHFFA	3,210,000	3.5%-5.1%	02/25/99	2024	Feb 1
*HUD	1,150,200	6.875%	1979	2019	Aug 1
*CSCDA	68,250,000	5.125%	04/01/07	2037	April 1
*CSCDA	34,400,000	Variable	06/28/12	2042	April 1
*HUD	41,761,755	2.73%	07/11/13	2045	Sept 1
*HUD	12,305,536	2.80%	07/12/13	2039	Sept 1
*HUD	29,630,149	3.74%	09/26/13	2043	Nov 1

*Denotes Issuer

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile *(optional)*	2012	2013	2014
DEBT TO ASSET RATIO		49.3%	46.3%	43.2%
OPERATING RATIO		90.8%	89.5%	89.4%
DEBT SERVICE COVERAGE RATIO		2.53	3.46	3.64
DAYS CASH ON HAND RATIO		448.8	475.8	563.9

* *

HISTORICAL MONTHLY SERVICE FEES - SUNNY VIEW MANOR (Average Fee and Change Percentage)

	2011	%	2012	%	2013	%	2014
STUDIO	3300-3790	3.50	1825-3790	3.95	1897-3940	3.75	1968-4088
ONE BEDROOM	4760-6110	3.50	3370-6110	3.95	3503-5941	3.75	3634-5500
TWO BEDROOM	6605	3.50	5085-6605	3.95	5286-6866	3.75	5484-6700
COTTAGE/HOUSE	N/A		N/A		N/A		N/A
ASSISTED LIVING	5200-7430	3.80	4890-7430	4.45	5108-7197	4.25	5325-7900
SKILLED NURSING	319-409/day	4.00	319-409/day	4.95	324-372/day	4.50	339-389/day
SPECIAL CARE	7470-7888	3.80	7145-7885	4.45	4000-7855	4.25	4170-8760

* *

COMMENTS FROM PROVIDER: > Assisted Living fees are the base rate for the unit plus the level of care fee.

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PROVIDER NAME: FRONT PORCH

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

OPERATING RATIO

$$\frac{\begin{array}{c}\text{Total Operating Expenses}\\ -\ \text{Depreciation Expense}\\ -\ \text{Amortization Expense}\end{array}}{\text{Total Operating Revenues} - \text{Amortization of Deferred Revenue}}$$

DEBT SERVICE COVERAGE RATIO

$$\frac{\begin{array}{c}\text{Total Excess of Revenues over Expenses}\\ +\ \text{Interest, Depreciation, and Amortization Expenses}\\ \text{Amortization of Deferred Revenue} + \text{Net Proceeds from Entrance Fees}\end{array}}{\text{Annual Debt Service}}$$

DAYS CASH ON HAND RATIO

$$\frac{\begin{array}{c}\text{Unrestricted Current Cash \& Investments}\\ +\ \text{Unrestricted Non-Current Cash \& Investments}\end{array}}{(\text{Operating Expenses} - \text{Depreciation} - \text{Amortization})/365}$$

NOTE: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 6/25/14

RECEIVED
AUG 04 2014
CONTINUING CARE
CONTRACTS BRANCH

FACILITY NAME: Villa Gardens

ADDRESS: 842 E. Villa St, Pasadena, CA   ZIP CODE: 91101   PHONE: (626) 796-8162

PROVIDER NAME: Front Porch   FACILITY OPERATOR: Front Porch

RELATED FACILITIES: 11   RELIGIOUS AFFILIATION: None

YEAR OPENED: 1933   # OF ACRES: 4   ☐ SINGLE STORY   ☒ MULTI-STORY   ☐ OTHER: ______

MILES TO SHOPPING CTR: 1   MILES TO HOSPITAL: 2

* *

NUMBER OF UNITS:

RESIDENTIAL LIVING		HEALTH CARE	
APARTMENTS – STUDIO:	8	ASSISTED LIVING:	19
APARTMENTS – 1 BDRM:	78	SKILLED NURSING:	54 beds
APARTMENTS – 2 BDRM:	85	SPECIAL CARE:	18 apartments
COTTAGES/HOUSES:	0	DESCRIPTION: >	Secured perimeter
RLU OCCUPANCY (%) AT YEAR END:	90%	>	

* *

TYPE OF OWNERSHIP: ☒ NOT-FOR-PROFIT ☐ FOR- PROFIT   ACCREDITED?: ☒ YES ☐ NO   BY: CCAC

FORM OF CONTRACT: *(Check all that apply)*
☒ CONTINUING CARE ☐ LIFE CARE ☐ ENTRANCE FEE ☒ FEE FOR SERVICE
☐ ASSIGNMENT OF ASSETS ☐ EQUITY ☐ MEMBERSHIP ☐ RENTAL

REFUND PROVISIONS: *(Check all that apply)* ☒ 90% ☐ 75% ☐ 50% ☒ FULLY AMORTIZED ☐ OTHER: ______

RANGE OF ENTRANCE FEES: $ 151,500 - $ 1,000,000   **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ☒ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Yes

ENTRY REQUIREMENTS: MIN. AGE: 62   PRIOR PROFESSION: No   OTHER: None

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > Resident representation to the Front Porch of Directors
> is accomplished through the seating of one resident representative elected from each of the 10 FP communities who serve on the Board without vote.

* *

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	☒	☒	HOUSEKEEPING (____ TIMES/MONTH)	4	☐
BILLIARD ROOM	☒	☐	MEALS (____/DAY)	1	2
BOWLING GREEN	☐	☐	SPECIAL DIETS AVAILABLE	☒	☐
CARD ROOMS	☒	☐			
CHAPEL	☐	☐	24-HOUR EMERGENCY RESPONSE	☒	☐
COFFEE SHOP	☐	☐	ACTIVITIES PROGRAM	☒	☐
CRAFT ROOMS	☒	☐	ALL UTILITIES EXCEPT PHONE	☒	☐
EXERCISE ROOM	☒	☐	APARTMENT MAINTENANCE	☒	☐
GOLF COURSE ACCESS	☐	☐	CABLE TV	☐	☒
LIBRARY	☒	☐	LINENS FURNISHED	☒	☐
PUTTING GREEN	☒	☐	LINENS LAUNDERED	☒	☐
SHUFFLEBOARD	☐	☐	MEDICATION MANAGEMENT	☐	☒
SPA	☒	☒	NURSING/WELLNESS CLINIC	☒	☐
SWIMMING POOL-INDOOR	☐	☐	PERSONAL HOME CARE	☒	☒
SWIMMING POOL-OUTDOOR	☒	☐	TRANSPORTATION-PERSONAL	☐	☒
TENNIS COURT	☐	☐	TRANSPORTATION-PREARRANGED	☒	☐
WORKSHOP	☒	☐	OTHER Personal Trainer	☒	☒
OTHER Personal Trainer	☒	☐			

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: FRONT PORCH

OTHER CCRCs	LOCATION (City, State)	PHONE (with area code)
Carlsbad By The Sea	Carlsbad, CA	(760) 720-4580
Claremont Manor	Claremont, CA	(909) 626-1227
Sunny View Manor	Cupertino, CA	(408) 454-5600
Villa Gardens	Pasadena, CA	(626) 796-8162
Vista del Monte	Santa Barbara, CA	(805) 687-0793
Walnut Village	Anaheim, CA	(714) 776-7150

MULTI-LEVEL RETIREMENT COMMUNITIES	LOCATION (City, State)	PHONE (with area code)
Casa de Manana	La Jolla, CA	(858) 454-2151
Fredericka Manor	Chula Vista, CA	(619) 422-9271
Kingsley Manor	Los Angeles, CA	(323) 661-1128
Wesley Palms	San Diego, CA	(858) 274-4110

FREE-STANDING SKILLED NURSING	LOCATION (City, State)	PHONE (with area code)

SUBSIDIZED SENIOR HOUSING	LOCATION (City, State)	PHONE (with area code)

NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.

PROVIDER NAME: FRONT PORCH

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS **OPERATING INCOME** (Excluding amortization of entrance fee income)	159,267	164,510	172,060	176,990
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	123,422	129,067	133,661	138,806
NET INCOME FROM OPERATIONS	40,580	41,705	44,089	44,347
LESS INTEREST EXPENSE	(12,417)	(12,020)	(11,972)	(11,435)
PLUS CONTRIBUTIONS	0	0	0	0
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	710	(1,589)	(1,243)	8,580
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	28,873	28,096	30,874	41,492
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	12,210	11,680	16,465	19,738

* *

DESCRIPTION OF SECURED DEBT *(as of most recent fiscal year end)*

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
*CSCDA	76,095,000	4%-5.6%	03/01/99	2030	April 1
*CHFFA	1,440,000	3.9%-5.5%	09/17/97	2019	Sept 1
*CHFFA	3,210,000	3.5%-5.1%	02/25/99	2024	Feb 1
*HUD	1,150,200	6.875%	1979	2019	Aug 1
*CSCDA	68,250,000	5.125%	04/01/07	2037	April 1
*CSCDA	34,400,000	Variable	06/28/12	2042	April 1
*HUD	41,761,755	2.73%	07/11/13	2045	Sept 1
*HUD	12,305,536	2.80%	07/12/13	2039	Sept 1
*HUD	29,630,149	3.74%	09/26/13	2043	Nov 1

*Denotes Issuer

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile *(optional)*	2012	2013	2014
DEBT TO ASSET RATIO		49.3%	46.3%	43.2%
OPERATING RATIO		90.8%	89.5%	89.4%
DEBT SERVICE COVERAGE RATIO		2.53	3.46	3.64
DAYS CASH ON HAND RATIO		448.8	475.8	563.9

* *

HISTORICAL MONTHLY SERVICE FEES – VILLA GARDENS (Average Fee and Change Percentage)

	2011	%	2012	%	2013	%	2014
STUDIO	2220-3580	3.50	2300-3705	3.95	2395-3855	3.75	2485-4000
ONE BEDROOM	2710-7530	3.50	3110-6445	3.95	2920-8105	3.75	3030-8410
TWO BEDROOM	3200-8835	3.50	3320-9145	3.95	3445-9510	3.75	3585-9870
THREE BEDROOM	5807-6225	3.50	4545-6971	3.95	4725-6700	3.75	4905-6955
ASSISTED LIVING	5385-7910	3.80	5590-7175	4.45	5840-8659	4.25	6090-9015
SKILLED NURSING	265-378/day	4.00	276-393/day	4.95	290-412/day	4.50	303-431/day
SPECIAL CARE	N/A		N/A		N/A		N/A

* *

COMMENTS FROM PROVIDER: > Assisted Living Fees are the base rate for the unit plus level of care fee

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PROVIDER NAME: FRONT PORCH

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS OPERATING INCOME (Excluding amortization of entrance fee income)	159,267	164,510	172,060	176,990
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	123,422	129,067	133,661	138,806
NET INCOME FROM OPERATIONS	40,580	41,705	44,089	44,347
LESS INTEREST EXPENSE	(12,417)	(12,020)	(11,972)	(11,435)
PLUS CONTRIBUTIONS	0	0	0	0
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	710	(1,589)	(1,243)	8,580
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	28,873	28,096	30,874	41,492
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	12,210	11,680	16,465	19,738

* *

DESCRIPTION OF SECURED DEBT *(as of most recent fiscal year end)*

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
*CSCDA	76,095,000	4%-5.6%	03/01/99	2030	April 1
*CHFFA	1,440,000	3.9%-5.5%	09/17/97	2019	Sept 1
*CHFFA	3,210,000	3.5%-5.1%	02/25/99	2024	Feb 1
*HUD	1,150,200	6.875%	1979	2019	Aug 1
*CSCDA	68,250,000	5.125%	04/01/07	2037	April 1
*CSCDA	34,400,000	Variable	06/28/12	2042	April 1
*HUD	41,761,755	2.73%	07/11/13	2045	Sept 1
*HUD	12,305,536	2.80%	07/12/13	2039	Sept 1
*HUD	29,630,149	3.74%	09/26/13	2043	Nov 1

*Denotes Issuer

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile *(optional)*	2012	2013	2014
DEBT TO ASSET RATIO		49.3%	46.3%	43.2%
OPERATING RATIO		90.8%	89.5%	89.4%
DEBT SERVICE COVERAGE RATIO		2.53	3.46	3.64
DAYS CASH ON HAND RATIO		448.8	475.8	563.9

* *

HISTORICAL MONTHLY SERVICE FEES – VISTA DEL MONTE (Average Fee and Change Percentage)

	2011	%	2012	%	2013	%	2014
STUDIO	3300	3.50	3300	3.95	2250-3435	3.75	2250-3565
ONE BEDROOM	3835-6235	3.50	3835-6235	3.95	2310-6485	3.75	2310-6730
TWO BEDROOM	6275-7810	3.50	6275-7565	3.95	3525-8120	3.75	3525-8425
COTTAGE/HOUSE	N/A		N/A		N/A		N/A
ASSISTED LIVING	5390-6405	3.80	5390-6405	4.45	5630-6695	4.25	5870-6980
SKILLED NURSING	277-315/day	4.00	277-315/day	4.95	291-331/day	4.50	304-346/day
SPECIAL CARE	7490	3.80	7490	4.45	7825	4.25	8160

* *

COMMENTS FROM PROVIDER: > 15% reduction for higher levels of care with entrance fee contract

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PROVIDER NAME: FRONT PORCH

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

OPERATING RATIO

$$\frac{\text{Total Operating Expenses} - \text{Depreciation Expense} - \text{Amortization Expense}}{\text{Total Operating Revenues} - \text{Amortization of Deferred Revenue}}$$

DEBT SERVICE COVERAGE RATIO

$$\frac{\text{Total Excess of Revenues over Expenses} + \text{Interest, Depreciation, and Amortization Expenses} - \text{Amortization of Deferred Revenue} + \text{Net Proceeds from Entrance Fees}}{\text{Annual Debt Service}}$$

DAYS CASH ON HAND RATIO

$$\frac{\text{Unrestricted Current Cash \& Investments} + \text{Unrestricted Non-Current Cash \& Investments}}{(\text{Operating Expenses} - \text{Depreciation} - \text{Amortization})/365}$$

NOTE: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 6/25/14

FACILITY NAME: Walnut Village

ADDRESS: 891 S. Walnut Street, Anaheim, CA ZIP CODE: 92802 PHONE: (714) 776-7150

PROVIDER NAME: Front Porch FACILITY OPERATOR: Front Porch

RELATED FACILITIES: 11 RELIGIOUS AFFILIATION: None

YEAR OPENED: 1938 # OF ACRES: 10.3 ☐ SINGLE STORY ☐ MULTI-STORY ☒ OTHER: Both MILES TO SHOPPING CTR: 3 MILES TO HOSPITAL: 2

NUMBER OF UNITS:

RESIDENTIAL LIVING		HEALTH CARE	
APARTMENTS – STUDIO:	3	ASSISTED LIVING:	*All IL can be AL
APARTMENTS – 1 BDRM:	49	SKILLED NURSING:	99 beds
APARTMENTS – 2 BDRM:	95	SPECIAL CARE:	14
COTTAGES/HOUSES:	9	DESCRIPTION:	Memory Support
RLU OCCUPANCY (%) AT YEAR END:	77%		

TYPE OF OWNERSHIP: ☒ NOT-FOR-PROFIT ☐ FOR- PROFIT ACCREDITED?: ☒ YES ☐ NO BY: CCAC

FORM OF CONTRACT: *(Check all that apply)* ☒ CONTINUING CARE ☐ LIFE CARE ☐ ENTRANCE FEE ☒ FEE FOR SERVICE ☐ ASSIGNMENT OF ASSETS ☐ EQUITY ☐ MEMBERSHIP ☐ RENTAL

REFUND PROVISIONS: *(Check all that apply)* ☒ 90% ☐ 75% ☒ 50% ☒ FULLY AMORTIZED ☐ OTHER:

RANGE OF ENTRANCE FEES: $ 138,442 - $ 595,900 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ☒ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: No

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: No OTHER: None

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > Resident representation to the Front Porch of Directors > is accomplished through the seating of one resident representative elected from each of the 10 FP communities who serve on the Board without vote.

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE
BEAUTY/BARBER SHOP	☒	☒
BILLIARD ROOM	☒	☐
BOWLING GREEN	☐	☐
CARD ROOMS	☒	☐
CHAPEL	☒	☐
COFFEE SHOP	☒	☐
CRAFT ROOMS	☒	☐
EXERCISE ROOM	☒	☐
GOLF COURSE ACCESS	☐	☐
LIBRARY	☒	☐
PUTTING GREEN	☒	☐
SHUFFLEBOARD	☐	☐
SPA	☒	☐
SWIMMING POOL-INDOOR	☒	☐
SWIMMING POOL-OUTDOOR	☐	☐
TENNIS COURT	☐	☐
WORKSHOP	☒	☐
OTHER Sundry/Gift Shop	☒	☐

SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING (____ TIMES/MONTH)	4	☐
MEALS (____/DAY)	1	☒
SPECIAL DIETS AVAILABLE	☒	☐
24-HOUR EMERGENCY RESPONSE	☒	☐
ACTIVITIES PROGRAM	☒	☐
ALL UTILITIES EXCEPT PHONE	☒	☐
APARTMENT MAINTENANCE	☒	☐
CABLE TV	☒	☒
LINENS FURNISHED	☐	☐
LINENS LAUNDERED	☒	☐
MEDICATION MANAGEMENT	☐	☒
NURSING/WELLNESS CLINIC	☒	☐
PERSONAL HOME CARE	☐	☒
TRANSPORTATION-PERSONAL	☐	☒
TRANSPORTATION-PREARRANGED	☒	☒
OTHER ________	☐	☐

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: FRONT PORCH

OTHER CCRCs	LOCATION (City, State)	PHONE (with area code)
Carlsbad By The Sea	Carlsbad, CA	(760) 720-4580
Claremont Manor	Claremont, CA	(909) 626-1227
Sunny View Manor	Cupertino, CA	(408) 454-5600
Villa Gardens	Pasadena, CA	(626) 796-8162
Vista del Monte	Santa Barbara, CA	(805) 687-0793
Walnut Village	Anaheim, CA	(714) 776-7150

MULTI-LEVEL RETIREMENT COMMUNITIES	LOCATION (City, State)	PHONE (with area code)
Casa de Manana	La Jolla, CA	(858) 454-2151
Fredericka Manor	Chula Vista, CA	(619) 422-9271
Kingsley Manor	Los Angeles, CA	(323) 661-1128
Wesley Palms	San Diego, CA	(858) 274-4110

FREE-STANDING SKILLED NURSING	LOCATION (City, State)	PHONE (with area code)

SUBSIDIZED SENIOR HOUSING	LOCATION (City, State)	PHONE (with area code)

NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.

PROVIDER NAME: FRONT PORCH

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS **OPERATING INCOME** (Excluding amortization of entrance fee income)	159,267	164,510	172,060	176,990
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	123,422	129,067	133,661	138,806
NET INCOME FROM OPERATIONS	40,580	41,705	44,089	44,347
LESS INTEREST EXPENSE	(12,417)	(12,020)	(11,972)	(11,435)
PLUS CONTRIBUTIONS	0	0	0	0
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	710	(1,589)	(1,243)	8,580
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	28,873	28,096	30,874	41,492
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	12,210	11,680	16,465	19,738

* *

DESCRIPTION OF SECURED DEBT *(as of most recent fiscal year end)*

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
*CSCDA	76,095,000	4%-5.6%	03/01/99	2030	April 1
*CHFFA	1,440,000	3.9%-5.5%	09/17/97	2019	Sept 1
*CHFFA	3,210,000	3.5%-5.1%	02/25/99	2024	Feb 1
*HUD	1,150,200	6.875%	1979	2019	Aug 1
*CSCDA	68,250,000	5.125%	04/01/07	2037	April 1
*CSCDA	34,400,000	Variable	06/28/12	2042	April 1
*HUD	41,761,755	2.73%	07/11/13	2045	Sept 1
*HUD	12,305,536	2.80%	07/12/13	2039	Sept 1
*HUD	29,630,149	3.74%	09/26/13	2043	Nov 1

*Denotes Issuer

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile *(optional)*	2012	2013	2014
DEBT TO ASSET RATIO		49.3%	46.3%	43.2%
OPERATING RATIO		90.8%	89.5%	89.4%
DEBT SERVICE COVERAGE RATIO		2.53	3.46	3.64
DAYS CASH ON HAND RATIO		448.8	475.8	563.9

* *

HISTORICAL MONTHLY SERVICE FEES – WALNUT VILLAGE (Average Fee and Change Percentage)

	2011	%	2012	%	2013	%	2014
STUDIO	N/A		N/A		N/A		N/A
ONE BEDROOM	2975-3150	3.50	2975-3265	3.95	3095-3395	3.75	3215-3525
TWO BEDROOM	3455-4005	3.50	3580-4235	3.95	3725-4405	3.75	3865-4575
COTTAGE/HOUSE	4090	3.50	5380	3.95	5595	3.75	5805
ASSISTED LIVING	5082	3.80		4.45		4.25	
SKILLED NURSING	259-365/day	4.00	269-380/day	4.95	282-399/day	4.50	295-417/day
SPECIAL CARE	4090-5762		4245-5980		4435-6250		4625-6520

* *

COMMENTS FROM PROVIDER: > IL second person monthly fee is $1,155

>

>

PROVIDER NAME: FRONT PORCH

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

OPERATING RATIO

$$\frac{\text{Total Operating Expenses} - \text{Depreciation Expense} - \text{Amortization Expense}}{\text{Total Operating Revenues} - \text{Amortization of Deferred Revenue}}$$

DEBT SERVICE COVERAGE RATIO

$$\frac{\text{Total Excess of Revenues over Expenses} + \text{Interest, Depreciation, and Amortization Expenses} - \text{Amortization of Deferred Revenue} + \text{Net Proceeds from Entrance Fees}}{\text{Annual Debt Service}}$$

DAYS CASH ON HAND RATIO

$$\frac{\text{Unrestricted Current Cash \& Investments} + \text{Unrestricted Non-Current Cash \& Investments}}{(\text{Operating Expenses} - \text{Depreciation} - \text{Amortization})/365}$$

NOTE: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

KEY INDICATORS REPORT

Front Porch - Form 8-1

Chief Executive Officer Signature

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CONTINUING CARE CONTRACTS BRANCH

	2008	2009	2010	2011	2012	2013	2014	Forecast 2015	2016	2017	2018	Preferred Trend Indicator
OPERATIONAL STATISTICS												
1. Average Annual Occupancy by Site (%)				See attachment.								N/A
MARGIN (PROFITABILITY) INDICATORS												
2. Net Operating Margin (%)	19.10%	18.85%	16.47%	17.48%	16.45%	17.39%	14.71%	16.00%	16.00%	15.00%	15.00%	↑
3. Net Operating Margin - Adjusted (%)	24.71%	23.84%	28.61%	23.83%	22.45%	25.16%	25.39%	26.00%	25.00%	24.00%	24.00%	↑
LIQUIDITY INDICATORS												
4. Unrestricted Cash and Investments ($000)	$120,028	$95,994	$117,096	$164,582	$170,894	$189,663	$215,044	$200,000	$190,000	$180,000	$170,000	↑
5. Days Cash on Hand (Unrestricted)	353.99	266	318	446	449	476	564	475	450	400	400	↓
CAPITAL STRUCTURE INDICATORS												
6. Deferred Revenue from Entrance Fees ($000)	$42,750	$42,773	$61,679	$68,198	$71,590	$80,787	$90,759	$93,000	$97,000	$97,000	$100,000	N/A
7. Net Annual E/F proceeds ($000)	$10,703	$9,633	$25,023	$12,210	$11,681	$16,465	$19,738	$17,000	$14,000	$14,000	$13,000	N/A
8. Unrestricted Net Assets ($000)	$78,305	$56,797	$92,657	$110,477	$126,033	$144,283	$196,686	$185,000	$175,000	$165,000	$155,000	N/A
* 9. Annual Capital Asset Expenditure ($000)	$28,532	$51,120	$56,956	$18,493	$17,972	$24,038	$28,684	$31,000	$30,000	$30,000	$30,000	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	1.53	1.12	1.55	1.41	2.29	2.33	3.20	2.50	2.00	1.50	1.50	↑
11. Annual Debt Service Coverage (x)	2.08	1.61	3.00	2.66	2.53	3.46	3.64	3.00	2.50	2.00	2.00	↑
12. Annual Debt Service/Revenue (%)	12.03%	28.45%	6.99%	8.36%	8.81%	8.07%	7.64%	7.50%	8.00%	9.00%	10.00%	↑
13. Average Annual Effective Interest Rate (%)	5.25%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	4.50%	4.50%	4.50%	4.50%	↑
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	40.21%	32.70%	40.60%	59.16%	62.74%	71.90%	119.41%	85.00%	75.00%	70.00%	70.00%	↑
15. Average Age of Facility (years)	13.6	14.03	14.00	13.33	13.02	13.65	16.11	15.00	14.0	13.5	13.0	↓

Occupancy by Campus
FY07 thru FY14

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
Alhambra	87.2%	85.0%	88.3%	88.5%	80.6%	15.2%	0.0%	0.0%
Carlsbad by the Sea	95.1%	95.6%	96.3%	95.7%	95.4%	94.8%	95.3%	96.8%
Casa De Manana	96.8%	94.8%	94.6%	84.7%	79.8%	73.3%	75.9%	89.9%
Cecil Pines	100%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Claremont Manor	94.3%	93.3%	93.7%	86.2%	84.5%	87.9%	88.6%	91.1%
England Oaks	95.8%	97.2%	96.8%	94.4%	92.3%	90.1%	91.8%	96.1%
Fredericka Manor	94.5%	91.8%	90.5%	86.9%	83.4%	84.7%	84.1%	85.3%
Kingsley Manor	96.3%	97.3%	98.2%	98.2%	97.7%	98.1%	95.3%	92.1%
Sunny View	96.9%	97.9%	96.1%	94.1%	96.2%	96.8%	97.5%	96.3%
Villa Gardens	94.3%	94.1%	91.9%	91.0%	95.1%	95.1%	97.4%	93.4%
Vista Del Monte	99.1%	99.3%	98.7%	98.7%	96.7%	98.1%	96.7%	97.6%
*Walnut Manor	90.70%	85.6%	89.8%	86.6%	59.4%	66.4%	76.0%	81.4%
Wesley Palms	93.7%	87.9%	84.6%	81.8%	76.6%	73.9%	86.3%	89.9%

* FY05-10 reflects only the WMCC occupancy due to the campus redevelopment for the other levels of care. FY11 and beyo reflect the entire Walnut Village campus.

Source: Occupancy Data file for each year.

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