

## **Part 2**

### **Certification by Chief Executive Officer**

**Health and Safety Code Section 1790**



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

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.

## 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

# **Part 3**

## **Evidence of Fidelity Bond**

**Health and Safety Code Section 1789.8**



# CERTIFICATE OF LIABILITY INSURANCE

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

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).

<b>PRODUCER</b> Marsh Risk & Insurance Services Casualty Risk Management 777 South Figueroa Street Los Angeles, CA 90017-5822 LosAngeles.CertRequest@marsh.com 896129-GAWUW-13-14	<b>CONTACT NAME:</b>	
	<b>PHONE (A/C No. Ext):</b>	<b>FAX (A/C No.):</b>
<b>E-MAIL ADDRESS:</b>		
<b>INSURER(S) AFFORDING COVERAGE</b>		<b>NAIC #</b>
<b>INSURER A:</b> Columbia Casualty Company	31127	
<b>INSURER B:</b> National Fire Insurance Co Of Hartford	20478	
<b>INSURER C:</b> Safety National Casualty Corp.	15105	
<b>INSURER D:</b> Safety First Insurance Company	11123	
<b>INSURER E:</b>		
<b>INSURER F:</b>		

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

<b>CERTIFICATE HOLDER</b> 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	<b>CANCELLATION</b> 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 <i>Angelica Chua</i>
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**ADDITIONAL REMARKS SCHEDULE**

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

**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



**ADDITIONAL REMARKS SCHEDULE**

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

**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 Intemext 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

# **Part 4**

## **Reconciliation from Reserve Report To Financial Statements**

**Health and Safety Code Section 1790**



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
<b>Form 5-1</b>									
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)	-	-	-	-	-	-	-	86,489,639	86,489,639
Principal paid per Statement of Cash Flows	-	-	-	-	-	-	-	-	-
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)	-	-	-	(312,287)	(25,051)
Less Accretion of Asset Retirement	-	(41,292)	(41,292)	(33,552)	-	-	-	-	(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	-	1,325,171	219,641	292,388	970,423	696,126	4,695,991	(1,774,044)	(1,774,044)
<b>Cash received from non-contract residents per Statement of Cash Flows</b>	-	<b>4,288,318</b>	<b>15,741,746</b>	<b>5,812,663</b>	<b>10,998,208</b>	<b>6,012,354</b>	<b>10,863,081</b>	<b>69,302,576</b>	<b>123,018,945</b>

Beauty / Barber Shop	-	-	-	-	-	-	-	179,771	310,105
Guest Rooms	327	19,814	13,396	47,220	20,046	29,530	113,966	176,968	176,968
Retail Space Rental	63,002	-	-	-	-	-	-	35	35
Guest Meals	55,536	4,916	269,437	40,736	357,018	-	287,043	1,014,687	1,014,687
Catering	-	-	-	-	-	-	-	-	-
Book Sales	235,173	-	14,004	-	-	-	1,578,998	1,828,175	1,828,175
Other	-	-	(108,000)	-	(51,344)	-	(196,169)	(355,513)	(355,513)
Change in AR	-	-	-	-	-	-	-	-	-
Total reimbursement for services to non-residents and other receipts from operations	<b>235,173</b>	<b>118,865</b>	<b>24,730</b>	<b>188,838</b>	<b>87,956</b>	<b>335,204</b>	<b>20,046</b>	<b>1,963,644</b>	<b>2,974,456</b>
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

	Alhambra	Carlsbad	Claremont	Sunny View	Villa Gardens	Vista del Monte	Walnut Village	Front Porch	Total Audited Financial
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**Form 5-4**

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  
 Government Securities with a maturity date of five years or less  
**Total Cash and Cash Equivalents**

20,645,342
1,579,955
<u>22,225,297</u>

Investment Securities-Short Term  
 Investment Securities  
 Mutual Funds  
 Equities securities  
 Less Government Securities with a maturity date of five years or less  
**Total investments**

-
3,271,405
28,319,328
142,380,828
<u>(1,579,955)</u>
<u>172,391,606</u>

Short term and Long-term investments per audited financials  
 Less Government Securities with a maturity date of five years or less  
 Less Investment not available for Operations  
**Total investments**

200,018,787
(1,579,955)
<u>(26,047,226)</u>
<u>172,391,606</u>

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)  
 Less: Investments not available to service debt  
 Debt Service reserve per Form 5-5

23,478,352
<u>(2,240,321)</u>
<u>21,238,031</u>

Debt Service interest fund  
 Debt Service reserve fund  
 Debt Service principal fund  
 Debt Service revenue fund  
 Debt Service bond fund  
 Debt Service reserve per form 5-5

3,616,421
12,731,614
4,069,913
820,082
<u>21,238,031</u>

**FRONT PORCH AND AFFILIATES**  
 Consolidating Schedule - Statement of Financial Position  
 March 31, 2014  
 (Dollars in thousands)

Assets	Alhambra	Cardshad	Claremont	Sunny View Manor	Villa Gardens	Vista del Monte	Walnut Village	All other	Eliminations	Total
<b>Current Assets</b>										
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	—	13,331	—	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
<b>Investments</b>										
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
<b>Property and Equipment, net</b>										
Note receivable	—	32,336	—	13,198	27,661	16,466	101,824	102,635	—	294,120
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
<b>Liabilities and Net Assets</b>										
<b>Current Liabilities</b>										
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	—	1,288	—	—	15,538	—	31,594	(6)	—	48,414
Refundable entrance fees	—	20,290	645	3,012	9,185	2,498	6,715	—	—	42,345
Deferred revenue from entrance fees	—	—	—	—	—	—	—	263,003	—	263,003
Long-term debt	—	25,735	4,388	4,582	28,054	3,469	141,110	309,862	(99,967)	417,233
Total liabilities	—	21,496	1,745	17,366	72,598	29,276	(34,091)	61,476	—	169,866
<b>Net Assets</b>										
Unrestricted	—	—	—	—	—	—	—	14,941	—	14,941
Temporarily restricted	—	—	—	—	—	—	—	6,367	—	6,367
Permanently restricted	—	21,496	1,745	17,366	72,598	29,276	(34,091)	82,784	—	191,174
Total net assets	—	47,231	6,133	21,948	100,652	32,745	107,019	392,646	(99,967)	608,407
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
<b>Unrestricted Revenues, Gains and Other Support</b>									
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
Provision 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
<b>Total unrestricted revenues, gains and other support</b>	—	16,983	16,470	14,372	20,994	17,780	18,347	72,044	176,990
<b>Expenses</b>									
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
<b>Total expenses and losses before other operating charges</b>	—	14,886	13,774	12,417	16,358	14,268	25,958	75,636	173,297
<b>Operating Income</b>	—	2,097	2,696	1,955	4,636	3,512	(7,611)	(3,592)	3,693
<b>Other Income (Expense)</b>									
Investment return	—	853	—	—	580	—	77	13,588	15,098
Loss on extinguishment of debt	—	—	—	—	—	—	—	(1,294)	(1,294)
<b>Excess (Deficiency) of Revenues Over Expenses Before Discontinued Operations</b>	—	2,950	2,696	1,955	5,216	3,512	(7,534)	8,702	17,497
Loss from discontinued operations	—	—	—	—	—	—	—	9,240	9,240
<b>Excess (Deficiency) of Revenue Over Expenses</b>	—	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	—
<b>Increase (Decrease) in Unrestricted Net Assets</b>	—	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
<b>Operating Activities</b>								
Cash received from contract residents	8,685	518	7,530	7,332	10,616	6,963	—	41,644
Proceeds from entrance 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
<b>Investing Activities</b>								
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)
<b>Financing Activities</b>								
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
<b>TOTAL:</b>			<b>\$12,710,337</b>	<b>\$47,051</b>	<b>\$18,636,868</b>

*(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)**

	(a)	(b)	(c)	(d)	(e)
Long-Term Debt Obligation	Date Incurred	Total Interest Paid During Fiscal Year	Amount of Most Recent Payment on the Debt	Number of Payments over next 12 months	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
<b>TOTAL:</b>		\$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 <b>TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:</b>	<b>\$21,911,392</b>

**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)
<u>Total Principal Paid on Form 5-1</u>	<u>5,879,480</u>

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)
<u>Total Interest Paid on Forms 5-1 &amp; 5-2</u>	<u>13,588,245</u>

**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)	\$1,808,796
	c. Depreciation	\$51,536
	d. Amortization	\$4,407,183
	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	\$7,592,686
3	Total Deductions	\$7,292,502
4	Net Operating Expenses	\$19,979
5	Divide Line 4 by 365 and enter the result.	
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	<u>\$13,775,761</u>
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	<u>\$13,638,003</u>
3	Total Deductions	<u>\$13,638,003</u>
4	Net Operating Expenses	<u>\$137,758</u>
5	Divide Line 4 by 365 and enter the result.	<u>\$377</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	<u><u>\$28,306</u></u>

**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)
<hr/>	
Total Extraordinary Expenses Deduction approved by the Department (Form 5-4, line 2-f)	<u>13,638,003</u>

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	<b>Multiply Line 5 by 75 and enter the result.</b> This is the provider's operating expense reserve amount.	<b>\$1,002,799</b>

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

**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	<b>Multiply Line 5 by 75 and enter the result.</b> This is the provider's operating expense reserve amount.	<b>\$1,119,191</b>

**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)	\$3,993,412
c.	Depreciation	\$878,814
d.	Amortization	\$10,883,127
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$0
f.	Extraordinary expenses approved by the Department	\$20,451,344
3	Total Deductions	\$5,507,025
4	Net Operating Expenses	\$15,088
5	Divide Line 4 by 365 and enter the result.	
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:

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

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

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

Signature: *Mary Miller*  
 (Authorized Representative)  
 Chief Financial Officer  
 (Title)

Date: 7/30/2014

**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 Securities with a maturity date of five years or less	(1,579,955)
Less investment not available for reserves	(26,047,226)
<b>Total Unrestricted Funds</b>	<b>172,391,606</b>

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.

	\$	21,238,031							
Bank of New York			Alhambra	Carlsbad	Claremont	Sunny View	Villa Gardens	Vista del Monte	Walnut Village
Per Capita Cost of Operations									
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
<b>Per Capita Cost of Operations</b>			<b>67,354</b>	<b>49,822</b>	<b>74,354</b>	<b>63,527</b>	<b>63,552</b>	<b>63,552</b>	<b>104,042</b>

## **Part 6**

### **Continuing Care Retirement Community Disclosure Statement**

**Health and Safety Code Section 1789.1**

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

**NUMBER OF UNITS:**

**RESIDENTIAL LIVING**

**HEALTH CARE**

APARTMENTS — STUDIO: 6  
 APARTMENTS — 1 BDRM: 41  
 APARTMENTS — 2 BDRM: 99  
 COTTAGES/HOUSES: 0  
 RLU OCCUPANCY (%) AT YEAR END: 99%

ASSISTED LIVING: 14  
 SKILLED NURSING: 33 beds  
 SPECIAL CARE: 0  
 DESCRIPTION: > N/A

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

FORM OF CONTRACT:  CONTINUING CARE  LIFE CARE  ENTRANCE FEE  FEE FOR SERVICE  
 (Check all that apply)  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	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (___ TIMES/MONTH)	<u>4</u>	<input type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (___/DAY)	<u>1</u>	<u>2</u>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-INDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER <u>WiFi</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
OTHER <u>Personal Trainer</u>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			

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
<b>INCOME FROM ONGOING OPERATIONS</b>				
<b>OPERATING INCOME</b> (Excluding amortization of entrance fee income)	159,267	164,510	172,060	176,990
<b>LESS OPERATING EXPENSES</b> (Excluding depreciation, amortization, and interest)	123,422	129,067	133,661	138,806
<b>NET INCOME FROM OPERATIONS</b>	40,580	41,705	44,089	44,347
<b>LESS INTEREST EXPENSE</b>	(12,417)	(12,020)	(11,972)	(11,435)
<b>PLUS CONTRIBUTIONS</b>	0	0	0	0
<b>PLUS NON-OPERATING INCOME (EXPENSES)</b> (excluding extraordinary items)	710	(1,589)	(1,243)	8,580
<b>NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION</b>	28,873	28,096	30,874	41,492
<b>NET CASH FLOW FROM ENTRANCE FEES</b> (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 50 <sup>th</sup> Percentile <i>(optional)</i>	2012	2013	2014
<b>DEBT TO ASSET RATIO</b>		49.3%	46.3%	43.2%
<b>OPERATING RATIO</b>		90.8%	89.5%	89.4%
<b>DEBT SERVICE COVERAGE RATIO</b>		2.53	3.46	3.64
<b>DAYS CASH ON HAND RATIO</b>		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 BEDRDM	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

> \_\_\_\_\_  
 > \_\_\_\_\_

**FINANCIAL RATIO FORMULAS**

**LONG-TERM DEBT TO TOTAL ASSETS RATIO**

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

**OPERATING RATIO**

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

**DEBT SERVICE COVERAGE RATIO**

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

**DAYS CASH ON HAND RATIO**

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

**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.



## **Part 7**

### **Report on CCRC Monthly Service Fees (Form 7-1)**

**Health and Safety Code Section 1790**

**FORM 7-1**  
**REPORT ON CCRC MONTHLY SERVICE FEES**

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[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**

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[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**

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[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**

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[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**

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[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**

**FORM 7-1**  
**REPORT ON CCRC MONTHLY SERVICE FEES**

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	<u>3215-5805</u>		<u>295-417/day</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>3.75%</u>	<u>4.25%</u>	<u>4.50%</u>

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: Walnut Manor**

