

**ANNUAL REPORT
CHECKLIST**
for
FISCAL YEAR ENDED:
March 31, 2013



PROVIDER: Front Porch Communities and Services

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

CONTACT PERSON: Mary Miller

TELEPHONE NO.: (818) 729-8100

✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓

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

- ✓ This cover sheet.
- ✓ Annual Provider Fee in the amount of: \$ 36,307.00
 - ✓ If applicable, late fee in the amount of: \$ _____
- ✓ Certification by the provider's chief *executive* officer that:
 - ✓ The reports are correct to the best of his/her knowledge.
 - ✓ Each continuing care contract form in use or offered to new residents has been approved by the Department.
 - ✓ The provider is maintaining the required liquid reserve and refund reserve, if applicable.
- ✓ Evidence of the provider's fidelity bond.
- ✓ The provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- ✓ The provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon, including Form 1-1 and 1-2 and Form 7-1)
- ✓ The provider's "Continuing Care Retirement Community Disclosure Statement" for **each** community. (4 copies total)

The Key Indicators Report is required to be submitted within 30 days of the due date of the submission of the annual report. (4 copies total)

CALCULATION OF ANNUAL PROVIDER FEE

Line		Carlsbad	Claremont Manor	Sunny View	Villa Gardens	Vista del Monte	Walnut Manor	Total
(1)	Total Operating Expense	14,630,967	13,333,927	11,948,811	15,733,172	13,670,061	25,644,909	94,961,847
[a]	Depreciation	1,794,151	1,988,097	1,164,412	1,604,686	1,726,309	3,990,863	12,268,518
[b]	Debt Service (Interest Only)	1,674,240	1,004,304	318,437	1,244,964	935,304	5,080,041	10,257,290
(2)	Subtotal (add Line 1a and 1b) <small>*Source: "Recon to FS" Tab (Row 29 - Cash Pd for Int)</small>	3,468,391	2,992,401	1,482,849	2,849,650	2,661,613	9,070,904	22,525,808
(3)	Subtract Line 2 from Line 1 and enter result.	11,162,576	10,341,526	10,465,962	12,883,522	11,008,448	16,574,005	72,436,039
(4)	Percentage allocated to continuing care residents (Form 1-1, Line 11)	88%	2%	51%	63%	24%	61%	
(5)	Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)	9,807,120	185,999	5,375,267	8,117,091	2,649,736	10,172,029	
(6)	Total Amount Due (multiply Line 5 by .001)	9,807	186	5,375	8,117	2,650	10,172	36,307

PROVIDER: Front Porch

COMMUNITY: Carlsbad by the Sea, Claremont Manor, Sunny View Manor, Villa Gardens, Vista del Monte, Walnut Village

RECEIVED
AUG 01 2013
CONTINUING CARE
CONTRACTS BRANCH

Front Porch

March 31, 2013

Annual Reserve Report (Multi-CCRC Provider)

Presented to:
The State of California
Department of Social Services

Part 1

Resident Population – (Form 1-1)

Annual Provider Fee – (Form 1-2)

Health and Safety Code Section 1791

**FORM 1-1
RESIDENT POPULATION**

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	176
[2]	Number at end of fiscal year	193
[3]	Total Lines 1 and 2	369
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	184.5
All Residents		
[6]	Number at beginning of fiscal year	201
[7]	Number at end of fiscal year	219
[8]	Total Lines 6 and 7	420
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	210
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.88

**FORM 1-2
ANNUAL PROVIDER FEE**

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$14,630,967
[a]	Depreciation	\$1,794,151
[b]	Debt Service (Interest Only)	\$1,674,240
[2]	Subtotal (add Line 1a and 1b)	\$3,468,391
[3]	Subtract Line 2 from Line 1 and enter result.	\$11,162,576
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	88%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$9,807,120
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$9,807

**FORM 1-1
RESIDENT POPULATION**

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	6
[2]	Number at end of fiscal year	4
[3]	Total Lines 1 and 2	10
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	5
	All Residents	
[6]	Number at beginning of fiscal year	279
[7]	Number at end of fiscal year	277
[8]	Total Lines 6 and 7	556
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	278
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.02

**FORM 1-2
ANNUAL PROVIDER FEE**

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$13,333,927
[a]	Depreciation	\$1,988,097
[b]	Debt Service (Interest Only)	\$1,004,504
[2]	Subtotal (add Line 1a and 1b)	\$2,992,401
[3]	Subtract Line 2 from Line 1 and enter result.	\$10,341,526
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	2%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$185,999
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$186

PROVIDER: Front Porch

COMMUNITY: Claremont Manor

**FORM 1-1
RESIDENT POPULATION**

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	89
[2]	Number at end of fiscal year	81
[3]	Total Lines 1 and 2	170
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	85
All Residents		
[6]	Number at beginning of fiscal year	167
[7]	Number at end of fiscal year	164
[8]	Total Lines 6 and 7	331
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	165.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.51

**FORM 1-2
ANNUAL PROVIDER FEE**

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$1,948,811
[a]	Depreciation	\$1,164,412
[b]	Debt Service (Interest Only)	\$784,399
[2]	Subtotal (add Line 1a and 1b)	\$1,482,849
[3]	Subtract Line 2 from Line 1 and enter result.	\$10,465,962
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	51%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$5,375,267
[6]	Total Amount Due (multiply Line 5 by .001)	\$5,375

PROVIDER: Front Porch

COMMUNITY: Sunny View Manor

**FORM 1-1
RESIDENT POPULATION**

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	179
[2]	Number at end of fiscal year	165
[3]	Total Lines 1 and 2	344
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	172
All Residents		
[6]	Number at beginning of fiscal year	282
[7]	Number at end of fiscal year	264
[8]	Total Lines 6 and 7	546
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	273
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.63

**FORM 1-2
ANNUAL PROVIDER FEE**

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$15,733,172
[a]	Depreciation	\$1,604,686
[b]	Debt Service (Interest Only)	\$1,244,964
[2]	Subtotal (add Line 1a and 1b)	\$2,849,650
[3]	Subtract Line 2 from Line 1 and enter result.	\$12,883,522
[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)	\$8,117,091
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$8,117

PROVIDER: Front Porch
COMMUNITY: Villa Gardens

**FORM 1-1
RESIDENT POPULATION**

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	62
[2]	Number at end of fiscal year	48
[3]	Total Lines 1 and 2	110
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	55
All Residents		
[6]	Number at beginning of fiscal year	230
[7]	Number at end of fiscal year	227
[8]	Total Lines 6 and 7	457
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	228.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.24

**FORM 1-2
ANNUAL PROVIDER FEE**

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$13,670,061
[a]	Depreciation	\$1,726,309
[b]	Debt Service (Interest Only)	\$935,104
[2]	Subtotal (add Line 1a and 1b)	\$2,661,613
[3]	Subtract Line 2 from Line 1 and enter result.	\$11,008,448
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	24%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$2,649,736
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$2,650

**FORM 1-1
RESIDENT POPULATION**

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	132
[2]	Number at end of fiscal year	154
[3]	Total Lines 1 and 2	286
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	143
All Residents		
[6]	Number at beginning of fiscal year	225
[7]	Number at end of fiscal year	243
[8]	Total Lines 6 and 7	466
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	233
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.61

**FORM 1-2
ANNUAL PROVIDER FEE**

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$25,644,909
[a]	Depreciation	\$3,990,863
[b]	Debt Service (Interest Only)	\$5,080,041
[2]	Subtotal (add Line 1a and 1b)	\$9,070,904
[3]	Subtract Line 2 from Line 1 and enter result.	\$16,574,005
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	61%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$10,172,029
		x .001
[6]	Total Amount Due (multiply Line 5 by .001)	\$10,172

Part 2

Certification by Chief Executive Officer

Health and Safety Code Section 1790

**Independent Auditors' Report
on Supplementary Information**

RECEIVED
AUG 01 2013
CONTINUING CARE
CONTRACTS BRANCH

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, 2013, and have issued our report thereon dated July 30, 2013, which contained an unmodified opinion on those 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, 2013

Part 3

Evidence of Fidelity Bond

Health and Safety Code Section 1789.8



CERTIFICATE OF LIABILITY INSURANCE

RECEIVED
AUG 01 2012

DATE (MM/DD/YYYY)
04/02/2012

CONTINUING COVERAGE
CONTROLS BRANCH

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-Cas-12-13	CONTACT NAME: PHONE (A/C, No, Ext): FAX (A/C, No): E-MAIL: ADDRESS:																				
	<table border="1"> <thead> <tr> <th colspan="2">INSURER(S) AFFORDING COVERAGE</th> <th>NAIC #</th> </tr> </thead> <tbody> <tr> <td>INSURER A:</td> <td>Columbia Casualty Company</td> <td>31127</td> </tr> <tr> <td>INSURER B:</td> <td>National Fire Insurance Co Of Hartford</td> <td>20478</td> </tr> <tr> <td>INSURER C:</td> <td>Safety National Casualty Corp.</td> <td>15105</td> </tr> <tr> <td>INSURER D:</td> <td></td> <td></td> </tr> <tr> <td>INSURER E:</td> <td></td> <td></td> </tr> <tr> <td>INSURER F:</td> <td></td> <td></td> </tr> </tbody> </table>	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:			INSURER E:			INSURER F:	
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:																					
INSURER E:																					
INSURER F:																					
INSURED Front Porch Attn: Joseph F. Butler, General Counsel 303 N. Glencloaks Boulevard, #1000 Burbank, CA 91502																					

COVERAGES **CERTIFICATE NUMBER:** LOS-001389270-13 **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 INSUR INSR	INSUR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input checked="" type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR			206736767B "Retroactive Date 3/31/03" "Includes Prof. Liab."	03/31/2012	03/31/2013	EACH OCCURRENCE	\$ 1,000,000
							DAMAGE TO RENTED PREMISES (Ea occurrence)	\$ 100,000
							MED EXP (Any one person)	\$ 5,000
							PERSONAL & ADV INJURY	\$ 1,000,000
							GENERAL AGGREGATE	\$ 3,000,000
							PRODUCTS - COM/OP AGG	\$ 3,000,000
								\$
B	AUTOMOBILE LIABILITY <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	03/31/2012	03/31/2013	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	UMBRELLA LIAB <input type="checkbox"/> OCCUR			2067367714 Excess GL/PL	03/31/2012	03/31/2013	EACH OCCURRENCE	\$ 3,000,000
A	<input checked="" type="checkbox"/> EXCESS LIAB <input checked="" type="checkbox"/> CLAIMS-MADE			2067367895 Excess Auto	03/31/2012	03/31/2013	AGGREGATE	\$ 3,000,000
								\$
								\$
C	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below			SP 4045527 "SIR \$750,000" "\$26,000,000 WC Limit"	03/31/2012	03/31/2013	WC STATUTORY LIMITS <input checked="" type="checkbox"/> OTHER	\$ 1,000,000
							E.L. EACH ACCIDENT	\$ 1,000,000
							E.L. DISEASE - EA EMPLOYEE	\$ 1,000,000
							E.L. DISEASE - POLICY LIMIT	\$ 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. Glencloaks Blvd., #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 <i>Angelica Chua</i>
---	---



ADDITIONAL REMARKS SCHEDULE

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

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:

- California Lutheran Homes
- California Lutheran Homes and Community Services
- California Lutheran Homes Auxiliary
- CLH Center for Spirituality in Aging
- Carlsbad By The Sea
- Carlsbad By The Sea Care Center
- CARING Housing Ministries, Inc.
- Casa De Mariana
- 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 Knots, 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
- Sunny View Lutheran Home
- Sunny View Lutheran Home, Inc.
- Sunny View Lutheran Home, Inc. DBA Sunny View Lutheran Manor

AGENCY CUSTOMER ID: 896129

LOC #: Los Angeles



ADDITIONAL REMARKS SCHEDULE

Page 3 of 3

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

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, Inc. DBA Sunny View West
- Sunny View Lutheran Home, Inc. DBA Sunny View Senior Services
- The Alhambra
- The Inamext Group
- The Paragon Foundation
- The Lutheran Health Facility of Alhambra
- The Paragon Foundation
- 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

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, 2013

Forms 1-2 & 5-4 (Line 1)

Operating Expenses from Consolidating Schedule-Statement
 of Operations Information
 Depreciation from Consolidating Schedule-Statement
 of Operations Information
 Amortization from Consolidating Schedule-Statement
 of Operations Information-Form 5-4 Line 2 (d)

	Alhambra	Carlsbad	Claremont	Sunny View	Villa Gardens	Vista del Monte	Walnut Village	Front Porch	Total Audited Financial
	-	14,630,967	13,333,927	11,948,811	15,733,172	13,670,061	25,644,909	72,877,867	167,839,714
	-	1,794,151	1,988,097	1,164,412	1,604,686	1,726,309	3,990,863	8,351,605	20,620,123
	-	58,056	34,836	-	43,188	32,424	1,290,629	128,824	1,587,957

Form 5-1

b. Principal paid during the year (Per Cash Flows)
 Principal payment Unamortized premium (See Note 8,
 Consolidated Financial Statements)
 Repurchase of Certificates to reduce outstanding balance (See Note 8,
 Consolidated Financial Statements)
 Principal paid per Statement of Cash Flows

	-	-	-	-	-	-	31,650	43,808,251	43,839,901
	-	-	-	-	-	-	(31,650)	-	(31,650)
	-	-	-	-	-	-	-	43,808,251	43,808,251

Interest Expense per Consol. Financial Statements
 Less Credit Enhancement
 Less Accretion of Asset Retirement
 Sub total - Cash paid for interest
 Credit Enhancement
 Other
 c & d. Cash paid for interest
 Morgan Stanley

	-	1,674,240	1,066,186	348,986	1,244,964	935,304	5,080,041	1,621,534	11,971,255
	-	-	(61,882)	(27,427)	-	-	-	(52,053)	(27,427)
	-	1,674,240	1,004,304	291,010	1,244,964	935,304	5,080,041	1,569,481	11,799,344
	-	-	-	27,427	-	-	-	-	27,427
	-	1,674,240	1,004,304	318,437	1,244,964	935,304	5,080,041	3,408,134	13,665,424
	-	1,674,240	1,004,304	318,437	1,244,964	935,304	5,080,041	1,662,370	11,919,660

Cash received from non-contract residents per
 Statement of Cash Flows

Beauty /Barber Shop
 Guest Rooms
 Retail Space Rental
 Guest Meals
 Catering
 Book Sales
 Other

	-	4,545,191	15,343,789	5,047,535	10,593,282	5,073,343	10,162,106	66,433,220	117,198,465
	193,947	1,420	25,723	19,347	40,200	29,735	33,184	195,562	345,170
	-	79,842	-	-	-	-	-	108,325	188,167
	-	39,202	5,604	257,726	53,035	353,518	281,713	35	990,799
	-	-	-	29,448	-	(2,422)	-	1,540,850	1,764,245
	-	-	-	183,000	-	-	-	31,599	212,177
	193,947	120,463	31,327	489,521	93,235	380,831	33,184	2,158,085	3,500,594

Change in AR
 Total reimbursement for services to non-residents
 and other receipts from operations
 ze. Revenues received during the fiscal year for services to residents who
 did not have a continuing care contract

	193,947	4,665,654	15,375,116	5,537,056	10,686,517	5,454,174	10,195,290	68,591,305	120,699,059
--	---------	-----------	------------	-----------	------------	-----------	------------	------------	-------------

Front Porch
 Reconciliation from Reserve Report to Financial Statements
 March 31, 2013

Form 5-4

	Alhambra	Carlsbad	Claremont	Sunny View	Villa Gardens	Vista del Monte	Walnut Village	Front Porch	Total Audited Financial
	-	1,323,055	54,797	1,012,789	442,565	1,134,627	1,045,497	-	5,013,330
	-	1,323,055	54,797	1,012,789	442,565	1,134,627	1,045,497	-	5,013,330

Provider's Operating Expense Reserve Amount from Form 5-4 line 6
 Exclude negative operating expense
 Adjusted provider's operating expense reserve amount

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

20,287,446
 618,783
20,906,229

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

-
 2,764,489
 30,562,339
 115,118,448
 (618,783)
147,826,493

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

169,537,601
 (618,783)
 (21,092,325)
147,826,493

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

35,163,204
 (2,402,518)
32,760,686

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

5,565,903
 19,924,778
 4,659,851
 2,610,153
32,760,686

FRONT PORCH AND AFFILIATES
 Consolidating Schedule - Statement of Financial Position
 March 31, 2013
 (Dollars in thousands)

	Alhambra	Carlsbad	Claremont	Sunny View Manor	Villa Gardens	Vista del Monte	Walnut Village	All other	Eliminations	Total
Assets										
Current Assets										
Cash and cash equivalents	—	1	4	3	2	1	3	20,273	—	20,287
Short-term investments	—	—	—	—	—	—	—	—	—	—
Assets whose use is limited or restricted - required for current liabilities	—	—	—	—	—	—	—	—	—	—
Accounts receivable, net	—	978	399	416	707	312	1,944	14,903	—	14,903
Prepaid expenses and other current assets	—	35	34	80	22	13	39	4,034	—	8,431
Assets held for sale	—	—	—	—	—	—	—	3,713	—	4,257
Intercompany receivables	—	8,395	12,588	6,484	65,629	9,154	—	1,002	(103,452)	3,713
Total current assets	—	9,609	13,025	6,983	66,360	9,480	1,986	47,600	(103,452)	51,591
Investments										
Assets whose use is limited, net of current portion	—	—	—	—	—	—	—	26,193	—	26,193
Investments	—	—	—	—	—	—	—	169,538	—	169,538
Derivative financial instruments - swaption contracts	—	—	—	—	—	—	—	7,190	—	7,190
Investments in joint ventures	—	—	—	—	—	—	—	—	—	—
Total investments	—	—	—	—	—	—	—	202,921	—	202,921
Property and Equipment, net										
Note receivable	—	32,835	18,388	12,777	24,948	17,525	105,338	74,333	—	286,144
Interest in net assets of Pacific Homes Foundation	—	—	—	—	—	—	—	9,877	—	9,877
Receivable from CLH and Fact Foundation	—	—	—	—	—	—	—	10,437	—	10,437
Other receivable	—	—	—	—	—	—	—	1,818	—	1,818
Deferred costs, net	—	—	—	—	—	—	4,362	4,365	—	8,927
Total other assets	—	—	—	—	—	—	4,562	26,497	—	31,059
Total assets	—	42,444	31,413	19,760	91,308	27,005	111,886	351,351	(103,452)	571,715
Liabilities and Net Assets										
Current Liabilities										
Current portion of long-term debt	—	—	—	—	—	—	—	5,879	—	5,879
Accounts payable	—	350	233	330	857	277	462	3,575	—	6,084
Accrued payroll and related expenses	—	334	304	490	507	368	469	9,194	—	11,666
Intercompany payables	—	—	—	—	—	—	103,452	—	(103,452)	—
Accrued interest	—	—	—	—	—	—	—	6,417	—	6,417
Other accrued expenses	—	783	63	100	1,089	119	212	2,122	—	4,488
Total current liabilities	—	1,467	600	920	2,453	764	104,595	27,187	(103,452)	34,534
Asset retirement obligations	—	—	309	179	—	—	—	2,263	—	2,751
Accrued workers' compensation	—	—	—	—	—	—	—	8,390	—	8,390
Other accrued liabilities	—	2,261	751	362	1,038	21	316	6,415	—	11,164
Deferred interest - forward sale agreements	—	—	—	—	—	—	—	6,926	—	6,926
Deferred revenue from entrance fees	—	20,128	655	2,849	20,024	456	33,413	1	—	77,526
Long-term debt	—	—	—	—	—	—	—	264,931	—	264,931
Total liabilities	—	23,856	2,315	4,310	23,515	1,241	138,324	316,113	(103,452)	406,222
Net Assets										
Unrestricted	—	18,588	29,098	15,450	67,793	25,764	(26,438)	15,501	—	145,756
Temporarily restricted	—	—	—	—	—	—	—	13,698	—	13,698
Permanently restricted	—	—	—	—	—	—	—	6,039	—	6,039
Total net assets	—	18,588	29,098	15,450	67,793	25,764	(26,438)	35,238	—	165,493
Total liabilities and net assets	—	42,444	31,413	19,760	91,308	27,005	111,886	351,351	(103,452)	571,715

FRONT PORCH AND AFFILIATES

Consolidating Schedule – Unrestricted Operating Revenue and Expenses Information

Year ended March 31, 2013

(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)	—	12,170	15,825	13,133	18,439	16,674	16,242	70,337	162,820
Provision for uncollectible accounts	—	(44)	(72)	9	(89)	(37)	(109)	(890)	(1,232)
Resident and net patient service revenue less provision for uncollectible accounts	—	12,126	15,753	13,142	18,350	16,637	16,133	69,447	161,588
Amortization of entrance fees	—	3,258	62	974	3,410	96	1,608	—	9,408
Other	—	—	—	—	—	—	—	434	434
Net assets released from restriction used for operations	—	62	6	95	—	236	—	231	630
Total unrestricted revenues, gains and other support	—	15,446	15,821	14,211	21,760	16,969	17,741	70,112	172,060
Expenses									
Medical services	—	3,303	3,128	3,801	4,434	3,264	6,363	16,303	40,596
Facility operating costs	—	1,784	1,313	1,010	1,618	1,416	1,551	7,952	16,644
Dietary services	—	2,464	2,311	1,959	2,424	2,733	2,389	10,453	24,733
Residential services	—	1,292	1,112	1,402	1,597	1,224	1,589	5,278	13,494
Administrative services	—	2,118	2,171	2,105	2,572	2,228	3,217	22,361	36,772
Depreciation	—	1,794	1,988	1,164	1,605	1,726	3,991	8,352	20,620
Amortization of deferred costs	—	58	35	—	43	32	129	129	1,588
Interest expense	—	1,674	1,066	349	1,245	935	5,080	1,623	11,972
Other	—	144	209	159	195	112	174	429	1,422
Total expenses and losses before other operating charges	—	14,631	13,333	11,949	15,733	13,670	25,645	72,880	167,841
Operating Income Before Other Operating Charges	—	815	2,488	2,262	6,027	3,299	(7,904)	(2,768)	4,219
Other Operating Charges									
Asset impairment - Wesley Palms	—	—	—	—	—	—	—	(2,968)	(2,968)
Operating Income	—	815	2,488	2,262	6,027	3,299	(7,904)	(5,736)	1,251
Other Income (Expense)									
Investment return	—	832	—	—	1,476	—	234	12,556	15,098
Gain on extinguished debt	—	—	—	—	—	—	—	19	19
Nonoperating losses, net	—	—	—	—	—	—	—	—	—
Excess (Deficiency) of Revenues Over Expenses Before Discontinued Operations	—	1,647	2,488	2,262	7,503	3,299	(7,670)	6,839	16,368
Loss from discontinued operations	—	—	—	—	—	—	—	(2)	(2)
Excess (Deficiency) of Revenue Over Expenses	—	1,647	2,488	2,262	7,503	3,299	(7,670)	6,837	16,366
Net assets released from restriction for capital expenditures	—	—	—	—	—	—	—	1,708	1,708
Increase (Decrease) in Unrestricted Net Assets	—	1,647	2,488	2,262	7,503	3,299	(7,670)	8,545	18,074

FRONT PORCH AND AFFILIATES

Consolidating Statements of Cash Flows - Direct
Years ended March 31, 2013
(Dollars in thousands)

	Alhambra	Carlsbad	Claremont	Sunny View Manor	Villa Gardens	Vista del Monte	Walnut Village	All Other	Total
Operating Activities									
Cash received from contract residents	—	8,407	465	7,743	7,549	10,864	5,925	—	40,953
Proceeds from entrance fees received	—	7,705	—	1,232	3,132	137	7,072	—	19,278
Cash received from and on behalf of noncontract residents	—	4,545	15,344	5,048	10,593	5,073	10,162	66,433	117,198
Reimbursement for services to nonresidents	—	119	31	489	91	381	34	2,356	3,501
Other receipts from operations	—	—	—	—	—	—	—	434	434
Unrestricted contributions received	—	62	6	95	—	236	—	(399)	—
Unrestricted investment income received	—	832	—	—	1,476	—	234	2,961	5,503
Processing fees	—	7	—	10	14	254	17	—	302
Payments on forward sale agreements	—	—	—	—	—	—	—	(437)	(437)
Cash paid to suppliers, employees, and others	—	(11,193)	(10,394)	(10,331)	(12,305)	(10,906)	(15,402)	(64,644)	(135,175)
Cash paid for interest on long-term debt, net of amounts capitalized	—	(1,674)	(1,005)	(319)	(1,245)	(935)	(5,080)	(1,662)	(11,920)
Net cash provided by operating activities	—	8,810	4,447	3,967	9,305	5,104	2,962	5,042	39,637
Investing Activities									
Capital expenditures	—	(1,152)	(1,043)	(1,239)	(1,916)	(1,416)	(715)	(16,557)	(24,038)
Proceeds from sale of trading investments	—	—	—	—	—	—	—	97,435	97,435
Purchases of trading investments	—	—	—	—	—	—	—	(96,560)	(96,560)
Purchase of assets whose use is limited	—	—	—	—	—	—	—	(1,905)	(1,905)
Proceeds from sale of assets whose use is limited	—	—	—	—	—	—	—	3,913	3,913
Deposit received related to sale of community	—	—	—	—	—	—	—	655	655
Transaction costs related to sale of community	—	—	—	—	—	—	—	(513)	(513)
Net cash used in investing activities	—	(1,152)	(1,043)	(1,239)	(1,916)	(1,416)	(715)	(13,532)	(21,013)
Financing Activities									
Refunds of entrance fees	—	(8)	(35)	(268)	(1,056)	1	(1,447)	—	(2,813)
Principal payments of long-term debt	—	—	—	—	—	—	—	(43,809)	(43,809)
Proceeds from Series 2012 debt issuance, net of issuance costs	—	—	—	—	—	—	(681)	35,000	34,319
Inter-company receivables and payables	—	(7,650)	(3,369)	(2,460)	(6,333)	(3,689)	(119)	23,620	—
Proceeds from restricted contributions	—	—	—	—	—	—	—	822	822
Net cash used in financing activities	—	(7,658)	(3,404)	(2,728)	(7,389)	(3,688)	(2,247)	15,633	(11,481)
Net increase (decrease) in cash and cash equivalents	—	—	—	—	—	—	—	7,143	7,143
Cash and cash equivalents, beginning of year	—	1	4	3	2	1	3	13,130	13,144
Cash and cash equivalents, end of year	—	1	4	3	2	1	3	20,273	20,287

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	\$5,300,000	\$8,786,488		\$14,086,488
2	09/01/97	\$245,000	\$102,801	\$9,435	\$357,236
3	02/25/99	\$225,000	\$188,209	\$17,992	\$431,201
4	06/01/05	\$158,251	\$95,776		\$254,027
5	04/01/07-a		\$3,741,250		\$3,741,250
6					\$0
7					\$0
8					\$0
TOTAL:			\$12,914,524	\$27,427	\$18,870,202

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

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

NOTE: bond '04/01/07-b' was replaced with new bond listed on Form 5-2

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	06/28/12	\$375,185	\$600,000	1	\$600,000
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:		\$375,185	\$600,000	1	\$600,000

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

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

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)	\$18,870,202
2	Total from Form 5-2 bottom of Column (e)	\$600,000
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	\$1,158,069
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$20,628,271

PROVIDER: Front Porch

Front Porch

Reconciliation from Forms 5-1 and 5-2 to Financial Statements

March 31, 2013

Principal paid during the year	43,839,901
Premium Reduction on Series 07b Bonds	(31,650)
Voluntary Principal Payoff on Retired Bond	(37,000,000)
Voluntary Debt Paydown on Series 99 Bonds	(880,000)
<u>Total Principal Paid on Form 5-1</u>	<u>5,928,251</u>

Cash paid for interest	13,665,424
Interest paid on retired bond	(348,288)
<u>Total Interest Paid on Forms 5-1 & 5-2</u>	<u>13,317,136</u>

**FORM 5-4
CALCULATION OF NET OPERATING EXPENSES**

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	<u>\$14,630,967</u>
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	<u>\$1,674,240</u>
	b. Credit enhancement premiums paid for long-term debt (see instructions)	
	c. Depreciation	<u>\$1,794,151</u>
	d. Amortization	<u>\$58,056</u>
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$4,665,654</u>
	f. Extraordinary expenses approved by the Department	
3	Total Deductions	<u>\$8,192,101</u>
4	Net Operating Expenses	<u>\$6,438,866</u>
5	Divide Line 4 by 365 and enter the result.	<u>\$17,641</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	<u><u>\$1,323,055</u></u>

PROVIDER: Front Porch

COMMUNITY: Carlsbad by the Sea

Front Porch
Reconciliation of Claremont Manor Form 5-4 to Financial Statements
March 31, 2013

Total Operating Expenses (Form 1-2, line 1)	13,333,927
Subtract 2% continuing care residents allocation (Form 1-1, line 11)	(266,679)
<hr/>	
Total Extraordinary Expenses Deduction approved by the Department (Form 5-4, line 2-f)	<u>13,067,248</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	\$11,948,811
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	\$291,010
	b. Credit enhancement premiums paid for long-term debt (see instructions)	\$27,427
	c. Depreciation	\$1,164,412
	d. Amortization	\$0
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$5,537,056
	f. Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$7,019,905
4	Net Operating Expenses	\$4,928,906
5	Divide Line 4 by 365 and enter the result.	\$13,504
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$1,012,789

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	\$15,733,172
2	Deductions:	
a.	Interest paid on long-term debt (see instructions)	\$1,244,964
b.	Credit enhancement premiums paid for long-term debt (see instructions)	\$0
c.	Depreciation	\$1,604,686
d.	Amortization	\$43,188
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$10,686,517
f.	Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$13,579,355
4	Net Operating Expenses	\$2,153,817
5	Divide Line 4 by 365 and enter the result.	\$5,901
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$442,565

PROVIDER: Front Porch
COMMUNITY: Villa Gardens

FORM 5-4

CALCULATION OF NET OPERATING EXPENSES

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$13,670,061
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	\$935,304
	b. Credit enhancement premiums paid for long-term debt (see instructions)	\$0
	c. Depreciation	\$1,726,309
	d. Amortization	\$32,424
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$5,454,174
	f. Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$8,148,211
4	Net Operating Expenses	\$5,521,850
5	Divide Line 4 by 365 and enter the result.	\$15,128
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$1,134,627

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	\$25,644,909
2	Deductions:	
	a. Interest paid on long-term debt (see instructions)	\$5,080,041
	b. Credit enhancement premiums paid for long-term debt (see instructions)	
	c. Depreciation	\$3,990,863
	d. Amortization	\$1,290,629
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$10,195,290
	f. Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$20,556,823
4	Net Operating Expenses	\$5,088,086
5	Divide Line 4 by 365 and enter the result.	\$13,940
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$1,045,497

PROVIDER: Front Porch
COMMUNITY: Walnut Village

**FORM 5-5
ANNUAL RESERVE CERTIFICATION**

Provider Name: Front Porch
 Fiscal Year Ended: March 31, 2013

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 3/31/2013 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>\$20,628,271</u>
[2] Operating Expense Reserve Amount	<u>\$5,013,330</u>
[3] Total Liquid Reserve Amount:	<u>\$25,641,601</u>

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

<u>Qualifying Asset Description</u>	<u>Amount</u> <u>(market value at end of quarter)</u>	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	<u>\$20,906,229</u>	<u>\$20,906,229</u>
[5] Investment Securities	<u>\$2,145,706</u>	<u>\$2,145,706</u>
[6] Equity Securities	<u>\$145,680,787</u>	<u>\$145,680,787</u>
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve	<u>\$32,760,686</u>	(not applicable)
[10] Other: <u>(describe qualifying asset)</u>		
Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	<u>\$32,760,686</u> [12]	<u>\$168,732,722</u>
Reserve Obligation Amount: [13]	<u>\$20,628,271</u> [14]	<u>\$5,013,330</u>
Surplus/(Deficiency): [15]	<u>\$12,132,415</u> [16]	<u>\$163,719,392</u>

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

Date: 7/31/13

Annual Reserve Certification Form
Front Porch
Fiscal Year End 3/31/13

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

	Amount
Investment per audited Financials	169,537,601
Less Govt Securities with a maturity date of five years or less	(618,783)
Less investment not available for reserves	(21,092,325)
Total Unrestricted Funds	147,826,493

As per March 31, 2013 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
 \$ 32,760,686

	Alhambra	Carlsbad	Claremont	Sunny View	Villa Gardens	Vista del Monte	Walnut Village
Per Capita Cost of Operations							
Operating Expenses (Form 5-4 line #1)	-	14,630,967	13,333,927	11,948,811	15,733,172	13,670,061	25,644,909
Mean # of CCRC Residents (Form 1-1 line 10)	Closed 9/1/12	210	278	165.5	273	228.5	233
Per Capita Cost of Operations	69,671	47,964	72,198	57,631	59,825	110,064	110,064

Part 6

Continuing Care Retirement Community Disclosure Statement

Health and Safety Code Section 1789.1

**Continuing Care Retirement Community
Disclosure Statement
General Information**

RECEIVED
Date Prepared: 06/28/13
AUG 01 2013

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 NO. OF ACRES: 3.8 MULTI-STORY: SINGLE STORY: BOTH: Y
 MILES TO SHOPPING CTR: 1 MILES TO HOSPITAL: 5

NUMBER OF UNITS:	INDEPENDENT LIVING	HEALTH CARE
APARTMENTS - STUDIO	<u>6</u>	ASSISTED LIVING <u>14</u>
APARTMENTS - 1 BDRM	<u>41</u>	SKILLED NURSING <u>33 beds</u>
APARTMENTS - 2 BDRM	<u>99</u>	SPECIAL CARE <u>0</u>
COTTAGES/HOUSES	<u>0</u>	DESCRIBE SPECIAL CARE: <u>N/A</u>
% OCCUPANCY AT YEAR END	<u>95%</u>	

TYPE OF OWNERSHIP: NOT FOR PROFIT FOR PROFIT ACCREDITED: Y N BY: CCAC

FORM OF CONTRACT: LIFE CARE CONTINUING CARE FEE FOR SERVICE
 ASSIGN ASSETS EQUITY ENTRY FEE RENTAL

REFUND PROVISIONS (Check all that apply): 90% 75% 50% PRORATED TO 0% OTHER: Amortized

RANGE OF ENTRANCE FEES: \$92,000 TO \$658,000 LONG-TERM CARE INSURANCE REQUIRED? Y N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: _____

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

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	SERVICES AVAILABLE		INCLUDED IN FEE	FOR EXTRA CHARGE
	AVAILABLE	FEE FOR SERVICE		
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING TIMES/MONTH	<u>Yes</u>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NUMBER OF MEALS/DAY	<u>1</u> <u>2</u>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<u>Yes</u>
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 NURSING/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 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"/>		<input type="checkbox"/> <input 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

CCRCs

LOCATION (City, State)

PHONE (with area code)

Carlsbad by the Sea

2855 Carlsbad Blvd.
Carlsbad, CA 92008

(760) 720-4580

Claremont Manor

650 W. Harrison Ave.
Claremont, CA 91711

(909) 626-1227

Sunny View Manor

22445 Cupertino Road
Cupertino, CA 95014

(408) 454-5600

Villa Gardens

842 E. Villa Street
Pasadena, CA 91101

(626) 796-8162

Vista del Monte

3775 Modoc Road
Santa Barbara, CA 93105

(805) 687-0793

Walnut Village

891 S. Walnut Street
Anaheim, CA 92802

(714) 776-7150

MULTI-LEVEL RETIREMENT COMMUNITIES

Casa de Manana

849 Coast Blvd.
La Jolla, CA 92037

(858) 454-2151

Kingsley Manor

1055 N. Kingsley Dr.
Los Angeles, CA 90029

(323) 661-1128

Wesley Palms

2404 Loring Street
San Diego, CA 92109

(858) 274-4110

Fredericka Manor

183 Third Avenue
Chula Vista, CA 91910

(619) 422-9271

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

* PLEASE INDICATE IF THE FACILITY IS LIFE CARE.

PROVIDER NAME: FRONT PORCH

	2010	2011	2012	2013
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	<u>173,552</u>	<u>159,267</u>	<u>164,510</u>	<u>172,060</u>
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	<u>(118,880)</u>	<u>(123,422)</u>	<u>129,067</u>	<u>133,661</u>
NET INCOME FROM OPERATIONS	<u>54,672</u>	<u>40,580</u>	<u>41,705</u>	<u>44,089</u>
LESS INTEREST EXPENSE	<u>(10,646)</u>	<u>(12,417)</u>	<u>(12,020)</u>	<u>(11,972)</u>
PLUS CONTRIBUTIONS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	<u>628</u>	<u>710</u>	<u>(1,589)</u>	<u>(1,243)</u>
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	<u>44,654</u>	<u>28,873</u>	<u>28,096</u>	<u>30,874</u>
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	<u>25,023</u>	<u>12,210</u>	<u>11,680</u>	<u>16,465</u>

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	160,420,000	4%-5.6%	3/1/99	2030	April 1
*CHFFA	1,695,000	3.9%-5.5%	9/17/1997	2019	Sept. 1
*CHFFA	3,445,000	3.5%-5.1%	2/25/1999	2024	Feb1
*HUD	1,319,680	6.875%	1979	2019	Aug. 1
*CSCDA	68,250,000	5.125%	4/1/2007	2037	April 1
*CSCDA	35,000,000	Variable	6/28/12	2042	April 1

*Denotes Issuer

FINANCIAL RATIOS (see next page for ratio formulas)

	2010 CCAC Medians 50 th Percentile (optional)	2011	2012	2013
DEBT TO ASSET RATIO		51.8%	49.3%	46.3%
OPERATING RATIO		90.5%	90.8%	89.5%
DEBT SERVICE COVERAGE RATIO		2.66	2.53	3.46
DAYS CASH-ON-HAND RATIO		446.1	448.8	475.8

HISTORICAL MONTHLY SERVICE FEES-CARLSBAD BY THE SEA

AVERAGE FEE AND PERCENT CHANGE

	2010	%	2011	%	2012	%	2013
STUDIO	2690	2.8	2765	3.5	2865	3.95	2980
ONE BEDROOM	2880-3950	2.8	2960-4060	3.5	3065-4205	3.95	3190-4375
TWO BEDROOM	3265-5125	2.8	3355-5270	3.5	3475-5455	3.95	3615-5675
COTTAGE/HOUSE	4725	2.8	4855	3.5	5025	3.95	5225
ASSISTED LIVING	4072-6865	2.9	4190-7065	3.8	4350-7330	4.45	4545-7660
SKILLED NURSING	248-403/day	3.0	256-416/day	4.0	266-433/day	4.95	279-454/day
SPECIAL CARE	N/A		N/A		N/A		N/A

COMMENTS FROM PROVIDER: IL second person monthly fee is \$1,055

(Restated Historical Monthly Service Fees for 2010, 2011 and 2012)

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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: 6/28/13
AUG 01 2013
RECEIVED
CONTRACTS BRANCH

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 NO. OF ACRES: 15 MULTI-STORY: SINGLE STORY: BOTH: Y
 MILES TO SHOPPING CTR: ¼ mile MILES TO HOSPITAL: 4

NUMBER OF UNITS:	INDEPENDENT LIVING	HEALTH CARE	
APARTMENTS - STUDIO	<u>21</u>	ASSISTED LIVING	<u>37</u>
APARTMENTS - 1 BDRM	<u>79</u>	SKILLED NURSING	<u>59 beds</u>
APARTMENTS - 2 BDRM	<u>25</u>	SPECIAL CARE	<u>6</u>
COTTAGES/HOUSES	<u>71</u>	DESCRIBE SPECIAL CARE:	<u>Memory Support</u>
% OCCUPANCY AT YEAR END	<u>89%</u>		

TYPE OF OWNERSHIP: NOT FOR PROFIT FOR PROFIT ACCREDITED: Y N BY: CCAC

FORM OF CONTRACT: LIFE CARE CONTINUING CARE FEE FOR SERVICE
 ASSIGN ASSETS EQUITY ENTRY FEE RENTAL

REFUND PROVISIONS (Check all that apply): 90% 75% 50% PRORATED TO 0% OTHER:

RANGE OF ENTRANCE FEES: \$ 0 TO \$ 0 LONG-TERM CARE INSURANCE REQUIRED? Y N

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

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

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	SERVICES AVAILABLE			
	AVAILABLE	FEE FOR SERVICE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING TIMES/MONTH	<u>2</u>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NUMBER OF MEALS/DAY	<u>1</u>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<u>Yes</u>
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"/>
COFFEE SHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>
SHUFFLEBOARD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL NURSING/HOME CARE	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>
OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>		<input 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

CCRCs

LOCATION (City, State)

PHONE (with area code)

Carlsbad by the Sea

2855 Carlsbad Blvd.
Carlsbad, CA 92008

(760) 720-4580

Claremont Manor

650 W. Harrison Ave.
Claremont, CA 91711

(909) 626-1227

Sunny View Manor

22445 Cupertino Road
Cupertino, CA 95014

(408) 454-5600

Villa Gardens

842 E. Villa Street
Pasadena, CA 91101

(626) 796-8162

Vista del Monte

3775 Modoc Road
Santa Barbara, CA 93105

(805) 687-0793

Walnut Village

891 S. Walnut Street
Anaheim, CA 92802

(714) 776-7150

MULTI-LEVEL RETIREMENT COMMUNITIES

Casa de Manana

849 Coast Blvd.
La Jolla, CA 92037

(858) 454-2151

Kingsley Manor

1055 N. Kingsley Dr.
Los Angeles, CA 90029

(323) 661-1128

Wesley Palms

2404 Loring Street
San Diego, CA 92109

(858) 274-4110

Fredericka Manor

183 Third Avenue
Chula Vista, CA 91910

(619) 422-9271

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

* PLEASE INDICATE IF THE FACILITY IS LIFE CARE.

PROVIDER NAME: FRONT PORCH

	2010	2011	2012	2013
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	<u>173,552</u>	<u>159,267</u>	<u>164,510</u>	<u>172,060</u>
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	<u>(118,880)</u>	<u>(123,422)</u>	<u>129,067</u>	<u>133,661</u>
NET INCOME FROM OPERATIONS	<u>54,672</u>	<u>40,580</u>	<u>41,705</u>	<u>44,089</u>
LESS INTEREST EXPENSE	<u>(10,646)</u>	<u>(12,417)</u>	<u>(12,020)</u>	<u>(11,972)</u>
PLUS CONTRIBUTIONS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	<u>628</u>	<u>710</u>	<u>(1,589)</u>	<u>(1,243)</u>
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	<u>44,654</u>	<u>28,873</u>	<u>28,096</u>	<u>30,874</u>
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	<u>25,023</u>	<u>12,210</u>	<u>11,680</u>	<u>16,465</u>

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	160,420,000	4%-5.6%	3/1/99	2030	April 1
*CHFFA	1,695,000	3.9%-5.5%	9/17/99	2019	Sept 1
*CHFFA	3,445,000	3.5%-5.1%	2/25/99	2024	Feb 1
*HUD	1,319,680	6.875%	1979	2019	Aug 1
*CSCDA	68,250,000	5.125%	4/1/07	2037	April 1
*CSCDA	35,000,000	Variable	6/28/12	2042	April 1

*Denotes Issuer

FINANCIAL RATIOS (see next page for ratio formulas)

	2009 CCAC Medians 50 th Percentile (optional)	2011	2012	2013
DEBT TO ASSET RATIO		51.8%	49.3%	46.3%
OPERATING RATIO		90.5%	90.8%	89.5%
DEBT SERVICE COVERAGE RATIO		2.66	2.53	3.46
DAYS CASH-ON-HAND RATIO		446.1	448.8	475.8

HISTORICAL MONTHLY SERVICE FEES-CLAREMONT MANOR

AVERAGE FEE AND PERCENT CHANGE

	2010		2011		2012		2013	
		%		%		%		%
STUDIO	3035	2.8	2400-3230	3.5	2500-3500	3.95	2860-3360	
ONE BEDROOM	4405-4550	2.8	3200-5645	3.5	3200-4845	3.95	3950	
TWO BEDROOM	3285	2.8	3020-3500	3.5	3800-6445	3.95	5085-5670	
COTTAGE/HOUSE	4295-4800	2.8	3500-7215	3.5	3500-7215	3.95	3640-4370	
ASSISTED LIVING	4680-8040	2.9	2880-9015	3.8	2880-8583	4.45	3010-7887	
SKILLED NURSING	246-295/day	3.0	264-332/day	4.0	240-335/day	4.95	251-348/day	
SPECIAL CARE						4.95	5630	

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

Additional fees ranges from \$431.00 to \$1,617.00. There is also an additional resident fee of \$1,093.00 per month.

IL - Additional Resident Fee \$988.00 per month.

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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: 6/28/13

RECEIVED
AUG 01 2013

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 NO. OF ACRES: 12 MULTI-STORY: SINGLE STORY: BOTH: Y
 MILES TO SHOPPING CTR: 1 1/2 MILES TO HOSPITAL: 3.6

NUMBER OF UNITS:

INDEPENDENT LIVING

HEALTH CARE

APARTMENTS - STUDIO	<u>27</u>	ASSISTED LIVING	<u>46</u>
APARTMENTS - 1 BDRM	<u>22</u>	SKILLED NURSING	<u>47 beds</u>
APARTMENTS - 2 BDRM	<u>16</u>	SPECIAL CARE	<u>12 apartments</u>
COTTAGES/HOUSES	<u>0</u>	DESCRIBE SPECIAL CARE:	<u>Memory Support</u>
% OCCUPANCY AT YEAR END	<u>98%</u>		

TYPE OF OWNERSHIP: NOT FOR PROFIT FOR PROFIT ACCREDITED: Y N BY: WINNERS CIRCLE

FORM OF CONTRACT: LIFE CARE CONTINUING CARE FEE FOR SERVICE
 ASSIGN ASSETS EQUITY ENTRY FEE RENTAL (month to month)

REFUND PROVISIONS (Check all that apply): 90% 75% 50% PRORATED TO 0% OTHER:

RANGE OF ENTRANCE FEES: \$33,000 TO \$303,000 LONG-TERM CARE INSURANCE REQUIRED? Y N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: No

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

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

SERVICES AVAILABLE

	AVAILABLE	FEE FOR SERVICE		INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING TIMES/MONTH	<u>1/week</u>	<u> </u>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NUMBER OF MEALS/DAY	<u>3</u>	<u> </u>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<u>Yes</u>	<u> </u>
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 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 checked="" type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" 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 checked="" type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NURSING/WELLNESS CLINIC	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input checked="" type="checkbox"/>	PERSONAL NURSING/HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER <u> </u>	<input type="checkbox"/>	<input type="checkbox"/>
OTHER <u>Therapy Center</u>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input 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

CCRCs

LOCATION (City, State)

PHONE (with area code)

Carlsbad by the Sea

2855 Carlsbad Blvd.
Carlsbad, CA 92008

(760) 720-4580

Claremont Manor

650 W. Harrison Ave.
Claremont, CA 91711

(909) 626-1227

Sunny View Manor

22445 Cupertino Road
Cupertino, CA 95014

(408) 454-5600

Villa Gardens

842 E. Villa Street
Pasadena, CA 91101

(626) 796-8162

Vista del Monte

3775 Modoc Road
Santa Barbara, CA 93105

(805) 687-0793

Walnut Village

891 S. Walnut Street
Anaheim, CA 92802

(714) 776-7150

MULTI-LEVEL RETIREMENT COMMUNITIES

Casa de Manana

849 Coast Blvd.
La Jolla, CA 92037

(858) 454-2151

Kingsley Manor

1055 N. Kingsley Dr.
Los Angeles, CA 90029

(323) 661-1128

Wesley Palms

2404 Loring Street
San Diego, CA 92109

(858) 274-4110

Fredericka Manor

183 Third Avenue
Chula Vista, CA 91910

(619) 422-9271

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

* PLEASE INDICATE IF THE FACILITY IS LIFE CARE.

PROVIDER NAME: FRONT PORCH

	2010	2011	2012	2013
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	<u>173,552</u>	<u>159,267</u>	<u>164,510</u>	<u>172,060</u>
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	<u>(118,880)</u>	<u>(123,422)</u>	<u>129,067</u>	<u>133,661</u>
NET INCOME FROM OPERATIONS	<u>54,672</u>	<u>40,580</u>	<u>41,705</u>	<u>44,089</u>
LESS INTEREST EXPENSE	<u>(10,646)</u>	<u>(12,417)</u>	<u>(12,020)</u>	<u>(11,972)</u>
PLUS CONTRIBUTIONS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	<u>628</u>	<u>710</u>	<u>(1,589)</u>	<u>(1,243)</u>
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	<u>44,654</u>	<u>28,873</u>	<u>28,096</u>	<u>30,874</u>
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	<u>25,023</u>	<u>12,210</u>	<u>11,680</u>	<u>16,465</u>

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	160,420,000	4%-5.6%	3/1/99	2030	April 1
*CHFFA	1,695,000	3.9%-5.5%	9/17/1997	2019	Sept 1
*CHFFA	3,445,000	3.5%-5.1%	2/25/1999	2024	Feb 1
*HUD	1,319,680	6.875%	1979	2019	Aug 1
*CSCDA	68,250,000	5.125%	4/1/2007	2037	April 1
*CSCDA	35,000,000	Variable	6/28/12	2042	April 1

*Denotes Issuer

FINANCIAL RATIOS (see next page for ratio formulas)

	2009 CCAC Medians 50 th Percentile (optional)	2011	2012	2013
DEBT TO ASSET RATIO		51.8%	49.3%	46.3%
OPERATING RATIO		90.5%	90.8%	89.5%
DEBT SERVICE COVERAGE RATIO		2.66	2.53	3.46
DAYS CASH-ON-HAND RATIO		446.1	448.8	475.8

**HISTORICAL MONTHLY SERVICE FEES-SUNNY VIEW MANOR
AVERAGE FEE AND PERCENT CHANGE**

	2010	%	2011	%	2012	%	2013
STUDIO	3100-3565	2.8	3300-3790	3.5	1825-3790	3.95	1897-3940
ONE BEDROOM	4490-5750	2.8	4760-6110	3.5	3370-6110	3.95	3503-5941
TWO BEDROOM	6210	2.8	6605	3.5	5085-6605	3.95	5286-6866
COTTAGE/HOUSE	N/A		N/A		N/A		N/A
ASSISTED LIVING	4870-6960	2.9	5200-7430	3.8	4890-7430	4.45	5108-7197
SKILLED NURSING	298-347/day		319-409/day	4.0	319-409/day	4.95	324-372/day
SPECIAL CARE	7000-7440		7470-7888		7145-7885	4.95	4000-7855

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

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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**

RECEIVED
AUG 01 2013

Date Prepared: 6/28/13

FACILITY NAME: Villa Gardens CONTINUING CARE
 ADDRESS: 842 E. Villa St, Pasadena, CA ZIP CODE: 91101 PHONE: BR (626) 796-8162
 PROVIDER NAME: Front Porch FACILITY OPERATOR: Front Porch
 RELATED FACILITIES: 11 RELIGIOUS AFFILIATION: None
 YEAR OPENED: 1933 NO. OF ACRES: 4 MULTI-STORY: Y SINGLE STORY: BOTH:
 MILES TO SHOPPING CTR: 1 MILES TO HOSPITAL: 2

NUMBER OF UNITS:	INDEPENDENT LIVING	HEALTH CARE
APARTMENTS - STUDIO	<u>8</u>	ASSISTED LIVING <u>19</u>
APARTMENTS - 1 BDRM	<u>78</u>	SKILLED NURSING <u>54 beds</u>
APARTMENTS - 2 BDRM	<u>85</u>	SPECIAL CARE <u>18 apartments</u>
COTTAGES/HOUSES	<u>0</u>	DESCRIBE SPECIAL CARE: <u>Secured perimeter</u>
% OCCUPANCY AT YEAR END	<u>97%</u>	

TYPE OF OWNERSHIP: NOT FOR PROFIT FOR PROFIT ACCREDITED: Y N BY: CCAC

FORM OF CONTRACT: LIFE CARE CONTINUING CARE FEE FOR SERVICE
 ASSIGN ASSETS EQUITY ENTRY FEE RENTAL

REFUND PROVISIONS (Check all that apply): 90% 75% 50% PRORATED TO 0% OTHER:

RANGE OF ENTRANCE FEES: \$151,500 TO \$1,000,000 LONG-TERM CARE INSURANCE REQUIRED? Y N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Yes

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: OTHER:

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>	
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NUMBER OF MEALS/DAY	<u>1</u>	<u>2</u>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<u>Yes</u>	
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input 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 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 type="checkbox"/>	<input checked="" type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL NURSING/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 type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER <u>Personal trainer</u>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
OTHER <u>Personal trainer</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input 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

CCRCs

LOCATION (City, State)

PHONE (with area code)

Carlsbad by the Sea

2855 Carlsbad Blvd.

(760) 720-4580

Carlsbad, CA 92008

Claremont Manor

650 W. Harrison Ave.

(909) 626-1227

Claremont, CA 91711

Sunny View Manor

22445 Cupertino Road

(408) 454-5600

Cupertino, CA 95014

Villa Gardens

842 E. Villa Street

(626) 796-8162

Pasadena, CA 91101

Vista del Monte

3775 Modoc Road

(805) 687-0793

Santa Barbara, CA 93105

Walnut Village

891 S. Walnut Street

(714) 776-7150

Anaheim, CA 92802

MULTI-LEVEL RETIREMENT COMMUNITIES

Casa de Manana

849 Coast Blvd.

(858) 454-2151

La Jolla, CA 92037

Kingsley Manor

1055 N. Kingsley Dr.

(323) 661-1128

Los Angeles, CA 90029

Wesley Palms

2404 Loring Street

(858) 274-4110

San Diego, CA 92109

Fredericka Manor

183 Third Avenue

(619) 422-9271

Chula Vista, CA 91910

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

* PLEASE INDICATE IF THE FACILITY IS LIFE CARE.

PROVIDER NAME: FRONT PORCH

	2010	2011	2012	2013
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	<u>173,552</u>	<u>159,267</u>	<u>164,510</u>	<u>172,060</u>
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	<u>(118,882)</u>	<u>(123,422)</u>	<u>129,067</u>	<u>133,661</u>
NET INCOME FROM OPERATIONS	<u>54,670</u>	<u>40,580</u>	<u>41,705</u>	<u>44,089</u>
LESS INTEREST EXPENSE	<u>(10,646)</u>	<u>(12,417)</u>	<u>(12,020)</u>	<u>(11,972)</u>
PLUS CONTRIBUTIONS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	<u>630</u>	<u>710</u>	<u>(1,589)</u>	<u>(1,243)</u>
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	<u>44,654</u>	<u>28,873</u>	<u>28,096</u>	<u>30,874</u>
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	<u>25,023</u>	<u>12,210</u>	<u>11,680</u>	<u>16,465</u>

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	160,420,000	4-5.6%	3/1/99	2030	April 1
*CHFFA	1,695,000	3.9%-5.5%	9/17/97	2019	Sept 1
*CHFFA	3,445,000	3.5%-5.1%	2/25/99	2024	Feb 1
*HUD	1,319,680	6.875%	1979	2019	Aug 1
*CSCDA	68,250,000	5.125%	4/1/07	2037	April 1
*CSCDA	35,000,000	Variable	6/28/12	2042	April 1

*Denotes Issuer

FINANCIAL RATIOS (see next page for ratio formulas)

	2009 CCAC Medians 50 th Percentile (optional)	2011	2012	2013
DEBT TO ASSET RATIO		51.8%	49.3%	46.3%
OPERATING RATIO		90.5%	90.8%	89.5%
DEBT SERVICE COVERAGE RATIO		2.66	2.53	3.46
DAYS CASH-ON-HAND RATIO		446.1	448.8	475.8

HISTORICAL MONTHLY SERVICE FEES-VILLA GARDENS

AVERAGE FEE AND PERCENT CHANGE

	2010	%	2011	%	2012	%	2013
STUDIO	2160-3485	2.8	2220-3580	3.5	2300-3705	3.95	2395-3855
ONE BEDROOM	2635-5345	2.8	2710-7530	3.5	3110-6445	3.95	2920-8105
TWO BEDROOM	3115-4270	2.8	3200-8835	3.5	3320-9145	3.95	3445-9510
THREE BEDROOM	4270	2.8	5807-6225	3.5	4545-6971	3.95	4725-6700
ASSISTED LIVING	5345-8595	2.9	5385-7910	3.8	5590-7175	4.45	5840-8659
SKILLED NURSING	257-367/day	3.0	265-378/day	4.0	276-393/day	4.95	290-412/day
SPECIAL CARE	N/A		N/A				

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

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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**

RECEIVED
AUG 01 2013
Date Prepared: 6/28/13

FACILITY NAME: Vista del Monte
 ADDRESS: 3775 Modoc Road, Santa Barbara, CA ZIP CODE: 93105 PHONE: (805) 687-0793
 PROVIDER NAME: Front Porch FACILITY OPERATOR: Front Porch
 RELATED FACILITIES: 11 RELIGIOUS AFFILIATION: None
 YEAR OPENED: 1964 NO. OF ACRES: 9.5 MULTI-STORY: SINGLE STORY: BOTH: Y
 MILES TO SHOPPING CTR: 3 MILES TO HOSPITAL: 5

NUMBER OF UNITS:	INDEPENDENT LIVING	HEALTH CARE
APARTMENTS - STUDIO	<u>18</u>	ASSISTED LIVING <u>34</u>
APARTMENTS - 1 BDRM	<u>85</u>	SKILLED NURSING <u>29 beds</u>
APARTMENTS - 2 BDRM	<u>35</u>	SPECIAL CARE <u>10 apartments</u>
COTTAGES/HOUSES	<u>0</u>	DESCRIBE SPECIAL CARE: <u>Memory Support</u>
% OCCUPANCY AT YEAR END	<u>97%</u>	

TYPE OF OWNERSHIP: NOT FOR PROFIT FOR PROFIT ACCREDITED: Y N. BY: CCAC

FORM OF CONTRACT: LIFE CARE CONTINUING CARE FEE FOR SERVICE
 ASSIGN ASSETS EQUITY ENTRY FEE RENTAL

REFUND PROVISIONS (Check all that apply): 90% 75% 50% PRORATED TO 0% OTHER:

RANGE OF ENTRANCE FEES: \$ 50,000 TO \$ 217,045 LONG-TERM CARE INSURANCE REQUIRED? Y N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Access Only, Subject to Availability (see Provider's comment)

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

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>2</u>	<u> </u>
BILLIARD ROOM	<input type="checkbox"/>	<input type="checkbox"/>	NUMBER OF MEALS/DAY	<u>2/3</u>	<u> </u>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<u>Yes</u>	<u> </u>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input 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 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 checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	CABLE TV	<input type="checkbox"/>	<input checked="" type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input 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 NURSING/HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input 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 _____	<input type="checkbox"/>	<input type="checkbox"/>
OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input 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

CCRCs

LOCATION (City, State)

PHONE (with area code)

Carlsbad by the Sea

2855 Carlsbad Blvd.
Carlsbad, CA 92008

(760) 720-4580

Claremont Manor

650 W. Harrison Ave.
Claremont, CA 91711

(909) 626-1227

Sunny View Manor

22445 Cupertino Road
Cupertino, CA 95014

(408) 454-5600

Villa Gardens

842 E. Villa Street
Pasadena, CA 91101

(626) 796-8162

Vista del Monte

3775 Modoc Road
Santa Barbara, CA 93105

(805) 687-0793

Walnut Village

891 S. Walnut Street
Anaheim, CA 92802

(714) 776-7150

MULTI-LEVEL RETIREMENT COMMUNITIES

Casa de Manana

849 Coast Blvd.
La Jolla, CA 92037

(858) 454-2151

Kingsley Manor

1055 N. Kingsley Dr.
Los Angeles, CA 90029

(323) 661-1128

Wesley Palms

2404 Loring Street
San Diego, CA 92109

(858) 274-4110

Fredericka Manor

183 Third Avenue
Chula Vista, CA 91910

(619) 422-9271

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

* PLEASE INDICATE IF THE FACILITY IS LIFE CARE.

PROVIDER NAME: FRONT PORCH

	2010	2011	2012	2013
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	<u>173,552</u>	<u>159,267</u>	<u>164,510</u>	<u>172,060</u>
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	<u>(118,882)</u>	<u>(123,422)</u>	<u>129,067</u>	<u>133,661</u>
NET INCOME FROM OPERATIONS	<u>54,670</u>	<u>40,580</u>	<u>41,705</u>	<u>44,089</u>
LESS INTEREST EXPENSE	<u>(10,646)</u>	<u>(12,417)</u>	<u>(12,020)</u>	<u>(11,972)</u>
PLUS CONTRIBUTIONS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	<u>630</u>	<u>710</u>	<u>(1,589)</u>	<u>(1,243)</u>
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	<u>44,654</u>	<u>28,873</u>	<u>28,096</u>	<u>30,874</u>
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	<u>25,023</u>	<u>12,210</u>	<u>11,680</u>	<u>16,465</u>

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	160,420,000	4%-5.6%	3/1/99	2030	April 1
*CHFFA	1,695,000	3.9%-5.5%	9/17/99	2019	Sept 1
*CHFFA	3,445,000	3.5%-5.1%	2/25/97	2024	Feb 1
*HUD	1,319,680	6.875%	1979	2019	Aug 1
*CSCDA	68,250,000	5.125%	4/1/07	2037	April 1
*CSCDA	35,000,000	Variable	6/28/12	2042	April 1

*Denotes Issuer

FINANCIAL RATIOS (see next page for ratio formulas)

	2009 CCAC Medians 50 th Percentile (optional)	2011	2012	2013
DEBT TO ASSET RATIO		51.8%	49.3%	46.3%
OPERATING RATIO		90.5%	90.8%	89.5%
DEBT SERVICE COVERAGE RATIO		2.66	2.53	3.46
DAYS CASH-ON-HAND RATIO		446.1	448.8	475.8

HISTORICAL MONTHLY SERVICE FEES-VISTA DEL MONTE

AVERAGE FEE AND PERCENT CHANGE

	2010		2011		2012		2013	
		%		%		%		%
STUDIO	3095	2.8	3300	3.5	3300	3.95	2250-3435	
ONE BEDROOM	3605-5660	2.8	3835-6235	3.5	3835-6235	3.95	2310-6485	
TWO BEDROOM	5895-7340	2.8	6275-7810	3.5	6275-7565	3.95	3525-8120	
COTTAGE/HOUSE	N/A		N/A		NA		N/A	
ASSISTED LIVING	5045-5995	2.9	5390-6405	3.8	5390-6405	4.45	5630-6695	
SKILLED NURSING	258-294/day	3.0	277-315/day	4.0	277-315	4.95	291-331/day	
SPECIAL CARE	7016	2.9	7490		7490	4.95	7825	

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

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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: 6/28/13

RECEIVED
AUG 01 2013
CONTRACTS BRANCH

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 NO. OF ACRES: 10.3 MULTI-STORY: SINGLE STORY: BOTH: Y
 MILES TO SHOPPING CTR: 3 MILES TO HOSPITAL: 2

NUMBER OF UNITS:	INDEPENDENT LIVING	HEALTH CARE
APARTMENTS - STUDIO	<u>3</u>	ASSISTED LIVING <u>*All IL can be AL</u>
APARTMENTS - 1 BDRM	<u>49</u>	SKILLED NURSING <u>99 beds</u>
APARTMENTS - 2 BDRM	<u>95</u>	SPECIAL CARE <u>14</u>
COTTAGES/HOUSES	<u>9</u>	DESCRIBE SPECIAL CARE: <u>Memory Support</u>
% OCCUPANCY AT YEAR END	<u>76%</u>	

TYPE OF OWNERSHIP: NOT FOR PROFIT FOR PROFIT ACCREDITED: Y N BY: CCAC

FORM OF CONTRACT: LIFE CARE CONTINUING CARE FEE FOR SERVICE
 ASSIGN ASSETS EQUITY ENTRY FEE RENTAL

REFUND PROVISIONS (Check all that apply): 90% 75% 50% PRORATED TO 0% OTHER:

RANGE OF ENTRANCE FEES: \$138,442 TO \$595,900 LONG-TERM CARE INSURANCE REQUIRED? Y N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: None

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

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>	
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NUMBER OF MEALS/DAY	<u>1</u>	<u>Option-Plans Avail</u>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<u>Yes</u>	
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 checked="" type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input 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 checked="" type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	PERSONAL NURSING/HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input 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> </u>	<input type="checkbox"/>	<input type="checkbox"/>
OTHER <u>Sundry/Gift Shop</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input 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

CCRCs

LOCATION (City, State)

PHONE (with area code)

Carlsbad by the Sea

2855 Carlsbad Blvd.
Carlsbad, CA 92008

(760) 720-4580

Claremont Manor

650 W. Harrison Ave.
Claremont, CA 91711

(909) 626-1227

Sunny View Manor

22445 Cupertino Road
Cupertino, CA 95014

(408) 454-5600

Villa Gardens

842 E. Villa Street
Pasadena, CA 91101

(626) 796-8162

Vista del Monte

3775 Modoc Road
Santa Barbara, CA 93105

(805) 687-0793

Walnut Village

891 S. Walnut Street
Anaheim, CA 92802

(714) 776-7150

MULTI-LEVEL RETIREMENT COMMUNITIES

Casa de Manana

849 Coast Blvd.
La Jolla, CA 92037

(858) 454-2151

Kingsley Manor

1055 N. Kingsley Dr.
Los Angeles, CA 90029

(323) 661-1128

Wesley Palms

2404 Loring Street
San Diego, CA 92109

(858) 274-4110

Fredericka Manor

183 Third Avenue
Chula Vista, CA 91910

(619) 422-9271

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

* PLEASE INDICATE IF THE FACILITY IS LIFE CARE.

PROVIDER NAME: FRONT PORCH

	2010	2011	2012	2013
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	<u>173,552</u>	<u>159,267</u>	<u>164,510</u>	<u>172,060</u>
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	<u>(118,882)</u>	<u>(123,422)</u>	<u>129,067</u>	<u>133,661</u>
NET INCOME FROM OPERATIONS	<u>54,670</u>	<u>40,580</u>	<u>41,705</u>	<u>44,089</u>
LESS INTEREST EXPENSE	<u>(10,646)</u>	<u>(12,417)</u>	<u>(12,020)</u>	<u>(11,972)</u>
PLUS CONTRIBUTIONS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	<u>630</u>	<u>710</u>	<u>(1,589)</u>	<u>(1,243)</u>
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	<u>44,654</u>	<u>28,873</u>	<u>28,096</u>	<u>30,874</u>
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	<u>25,023</u>	<u>12,210</u>	<u>11,680</u>	<u>16,465</u>

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	160,420,000	4-5.6%	3/1/99	2030	April 1
*CHFFA	1,695,000	3.9%-5.5%	9/17/97	2019	Sept 1
*CHFFA	3,445,000	3.5%-5.1%	2/25/99	2024	Feb 1
*HUD	1,319,680	6.875%	1979	2019	Aug 1
*CSCDA	68,250,000	5.125%	4/1/07	2037	April 1
*CSCDA	35,000,000	Variable	6/28/12	2042	April 1

*Denotes Issuer

FINANCIAL RATIOS (see next page for ratio formulas)

	2009 CCAC Medians 50 th Percentile (optional)	2011	2012	2013
DEBT TO ASSET RATIO		51.8%	49.3%	46.3%
OPERATING RATIO		90.5%	90.8%	89.5%
DEBT SERVICE COVERAGE RATIO		2.66	2.53	3.46
DAYS CASH-ON-HAND RATIO		446.1	448.8	475.8

HISTORICAL MONTHLY SERVICE FEES-WALNUT VILLAGE

AVERAGE FEE AND PERCENT CHANGE

STUDIO	2010		2011		2012		2013	
	N/A	%	N/A	%	N/A	%	N/A	%
ONE BEDROOM	2870-3064	2.8	2975-3150	3.5	2975-3265	3.95	3095-3395	
TWO BEDROOM	3359-3897	2.8	3455-4005	3.5	3580-4235	3.95	3725-4405	
THREE BEDROOM	3977	2.9	4090	3.5	5380	3.95	5595	
ASSISTED LIVING	5052	2.9	5082	3.8		4.45		
SKILLED NURSING	237-334/day	3.0	259-365/day	4.0	269-380/day	4.95	282-399/day	
SPECIAL CARE	256/day	3.0	4090-5762	4.0	4245-5980	4.95	4435-6250	

COMMENTS FROM PROVIDER: IL second person monthly fee is \$1,110

(Restated Historical Monthly Service Fees for 2010, 2011 and 2012)

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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

	RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	2980-5675	4545-7660	279-454/day
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3.95%	4.45%	4.95%

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, 2012
 (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)	2860-5670	3010-7887	251-348/day
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3.95%	4.45%	4.95%

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, 2012.
(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)	1897-6866	5108-7197	324-372/day
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3.95%	4.45%	4.95%

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, 2012.
 (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)	<u>2395-9510</u>	<u>5840-8659</u>	<u>290-412/day</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>3.95%</u>	<u>4.45%</u>	<u>4.95%</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, 2012

(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)	2250-8120	5630-6695	291-331/day
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3.95%	4.45%	4.95%

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, 2012
 (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>3095-5595</u>		<u>282-399/day</u>
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	<u>3.95%</u>	<u>4.45%</u>	<u>4.95%</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, 2012
(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

FRONT PORCH

2013 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 3.95% in Residential, 4.45% in Assisted Living and 4.95% in the Skilled Nursing on April 1, 2012.

The rate increase is determined in our annual budget process, during which we estimate the cost of providing services to our residents. In addition to the normal cost increases for the products and services we use in providing care to our residents, several cost categories experienced exceptional increases. Those categories were benefits, electric and gas utilities, and insurance (employee medical, worker's compensation and professional liability).

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.

RECEIVED
AUG 01 2013
CONTINUING CARE
CONTRACTS BRANCH

Front Porch Communities & Services

Auditor's Report and Consolidated Financial Statements

March 31, 2013 and 2012

BKD_{LLP}
CPAs & Advisors

Front Porch Communities & Services
March 31, 2013 and 2012

Contents

Independent Auditor's Report on Financial Statements and Supplementary Information	1
 Consolidated Financial Statements	
Balance Sheets.....	3
Statements of Operations.....	4
Statements of Changes in Net Assets	5
Statements of Cash Flows	6
Notes to Financial Statements	7
 Supplementary Information	
Consolidating Schedule – Balance Sheet Information – March 31, 2013	41
Consolidating Schedule – Statement of Operations Information – Year Ended March 31, 2013	42

**Independent Auditor's Report on Financial
Statements and Supplementary Information**



Board of Directors
Front Porch Communities & Services
Burbank, 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, 2013 and 2012, 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 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, 2013 and 2012, 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.

Other Matter

Our 2013 audit was conducted for the purpose of forming an opinion on the 2013 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 2013 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 2013 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2013 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 2013 consolidated financial statements or to the 2013 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 2013 consolidated financial statements as a whole.

BKD, LLP

Tulsa, Oklahoma
July 30, 2013

Front Porch Communities & Services
Consolidated Balance Sheets
March 31, 2013 and 2012
(In Thousands)

Assets

	<u>2013</u>	<u>2012</u>
Current Assets		
Cash and cash equivalents	\$ 20,287	\$ 13,144
Short-term investments	-	528
Assets limited as to use – required for current liabilities	14,903	14,699
Patient accounts receivable, net of allowance; 2013 – \$755, 2012 – \$427	8,431	7,531
Prepaid expenses and other	4,257	2,916
Assets held for sale	<u>3,713</u>	<u>3,713</u>
Total current assets	<u>51,591</u>	<u>42,531</u>
Investments		
Assets limited as to use, net of current portion	26,193	27,877
Long-term investments	169,538	159,322
Derivative instruments	<u>7,190</u>	<u>7,764</u>
Total investments	<u>202,921</u>	<u>194,963</u>
Property and Equipment, Net	<u>286,144</u>	<u>284,761</u>
Other Assets		
Interest in net assets of Pacific Homes Foundation	9,877	9,021
Receivables from supporting organizations	10,437	10,255
Other receivables	1,818	3,704
Deferred costs, net of accumulated amortization of \$7,509 in 2013 and \$6,451 in 2012	<u>8,927</u>	<u>9,834</u>
Total other assets	<u>31,059</u>	<u>32,814</u>
Total assets	<u>\$ 571,715</u>	<u>\$ 555,069</u>

Liabilities and Net Assets

	<u>2013</u>	<u>2012</u>
Current Liabilities		
Current maturities of long-term debt	\$ 5,879	\$ 5,928
Accounts payable	6,084	4,737
Accrued payroll and related expenses	11,666	11,276
Accrued interest	6,417	6,477
Other accrued expenses	4,488	4,970
	<u>34,534</u>	<u>33,388</u>
Total current liabilities	34,534	33,388
Asset retirement obligations	2,751	2,675
Accrued workers' compensation	8,390	9,039
Other accrued liabilities	11,164	9,951
Deferred interest – forward sale agreements	6,926	7,383
Deferred revenue from entrance fees	77,526	71,590
Long-term debt	264,931	273,723
	<u>406,222</u>	<u>407,749</u>
Total liabilities	406,222	407,749
Net Assets		
Unrestricted	145,756	127,682
Temporarily restricted	13,698	13,712
Permanently restricted	6,039	5,926
	<u>165,493</u>	<u>147,320</u>
Total net assets	165,493	147,320
Total liabilities and net assets	<u>\$ 571,715</u>	<u>\$ 555,069</u>

Front Porch Communities & Services
Consolidated Statements of Operations
Years Ended March 31, 2013 and 2012
(In Thousands)

	2013	2012
Unrestricted Revenues, Gains and Other Support		
Resident and patient service revenue (net of contractual discounts and allowances)	\$ 162,820	\$ 154,658
Provision for uncollectible accounts	(1,232)	(486)
Resident and net patient service revenue less provision for uncollectible accounts	161,588	154,172
Amortization of entrance fees	9,408	9,174
Other	434	647
Net assets released from restriction used for operations	630	517
Total unrestricted revenues, gains and other support	172,060	164,510
Expenses		
Medical services	40,596	37,902
Facility operating costs	16,644	16,808
Dietary services	24,733	23,614
Residential services	13,494	12,868
Administrative services	36,772	36,080
Depreciation	20,620	19,972
Amortization of deferred costs	1,588	1,072
Interest expense	11,972	12,020
Other	1,422	1,795
Total expenses	167,841	162,131
Operating Income Before Other Operating Charges	4,219	2,379
Other Operating Charges		
Asset impairment – Wesley Palms redevelopment	(2,968)	-
Operating Income	1,251	2,379
Other Income		
Investment return	15,098	15,436
Nonoperating gains, net	19	-
Total other income	15,117	15,436
Excess of Revenues over Expenses Before Discontinued Operations	16,368	17,815
Loss from Discontinued Operations	(2)	(1,766)
Excess of Revenues over Expenses	16,366	16,049
Net assets released from restriction for purchases of property and equipment	1,708	177
Increase in Unrestricted Net Assets	\$ 18,074	\$ 16,226

Front Porch Communities & Services
Consolidated Statements of Changes in Net Assets
Years Ended March 31, 2013 and 2012
(In Thousands)

	<u>2013</u>	<u>2012</u>
Unrestricted Net Assets		
Excess of revenues over expenses	\$ 16,366	\$ 16,049
Net assets released from restriction used for purchase of property and equipment	<u>1,708</u>	<u>177</u>
Increase in unrestricted net assets	<u>18,074</u>	<u>16,226</u>
Temporarily Restricted Net Assets		
Contributions received and investment income	996	938
Change in interest in net assets of Pacific Homes Foundation	1,328	917
Net assets released from restriction for operations	(630)	(517)
Net assets released from restriction used for purchase of property and equipment	<u>(1,708)</u>	<u>(177)</u>
Increase (decrease) in temporarily restricted net assets	<u>(14)</u>	<u>1,161</u>
Permanently Restricted Net Assets		
Contributions received	-	119
Change in donor designation	-	(624)
Change in value of trust	113	(25)
Change in interest in net assets of Pacific Homes Foundation	<u>-</u>	<u>1</u>
Increase (decrease) in permanently restricted net assets	<u>113</u>	<u>(529)</u>
Change in Net Assets	18,173	16,858
Net Assets, Beginning of Year	<u>147,320</u>	<u>130,462</u>
Net Assets, End of Year	<u>\$ 165,493</u>	<u>\$ 147,320</u>

Front Porch Communities & Services
Consolidated Statements of Cash Flows
Years Ended March 31, 2013 and 2012
(In Thousands)

	2013	2012
Operating Activities		
Cash received from contract residents	\$ 40,953	\$ 38,099
Proceeds from entrance fees received	19,278	14,445
Cash received from and on behalf of noncontract residents	117,198	113,737
Reimbursement for services to nonresidents	3,501	2,711
Other receipts from operations	434	647
Unrestricted investment income received	5,503	5,953
Processing fees	302	270
Payments on forward sale agreements	(437)	(437)
Cash paid to suppliers, employees and others	(135,175)	(132,925)
Cash paid for interest on long-term debt, net of amounts capitalized	(11,920)	(12,059)
	<u>39,637</u>	<u>30,441</u>
Investing Activities		
Capital expenditures	(24,038)	(17,972)
Proceeds from sale of trading investments	97,435	37,990
Purchase of trading investments	(96,560)	(46,846)
Purchase of assets whose use is limited	(1,905)	(2,784)
Proceeds from sale of assets whose use is limited	3,913	1,960
Deposit received related to sale of community	655	570
Transaction costs paid related to sale of community	(513)	(195)
	<u>(21,013)</u>	<u>(27,277)</u>
Financing Activities		
Refunds of entrance fees	(2,813)	(2,764)
Principal payments on long-term debt	(43,809)	(5,597)
Proceeds from Series 2012 debt issuance, net of issuance costs	34,319	-
Proceeds from restricted contributions	822	1,076
	<u>(11,481)</u>	<u>(7,285)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	7,143	(4,121)
Cash and Cash Equivalents, Beginning of Year	13,144	17,265
Cash and Cash Equivalents, End of Year	\$ 20,287	\$ 13,144
Supplemental Cash Flows Information		
Property and equipment purchases included in accounts payable	\$ 2,136	\$ 1,296
Entrance fees included in accounts receivable	\$ 1,076	\$ 1,451

See Notes to Consolidated Financial Statements

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 18,173	\$ 16,858
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	20,620	19,972
Amortization of deferred costs	1,588	1,072
Accretion of asset retirement obligations	144	125
Impairment of construction project	2,968	-
Amortization of bond premium included in interest expense	(32)	(32)
Provision for uncollectible accounts	1,232	486
Entrance fees received	19,278	14,445
Amortization of entrance fees	(9,408)	(9,174)
Realized and unrealized (gain) loss on investments, net	(9,127)	1,958
Realized and unrealized gain on derivative financial instruments, net	(1,410)	(12,285)
Payments on forward sale	(437)	(437)
Change in interest in net assets of Pacific Homes Foundation	(856)	126
Change in receivables from supporting organizations	(182)	141
Contributions restricted by donor	(822)	(1,076)
Changes in operating assets and operating liabilities		
Accounts receivable, net	(1,060)	(388)
Prepaid expenses and other current assets	1,058	(4,281)
Accounts payable and accrued expenses	(870)	(1,160)
Other accrued liabilities	(1,220)	4,091
	<u>\$ 39,637</u>	<u>\$ 30,441</u>

Front Porch Communities & Services
Notes to Consolidated Financial Statements
March 31, 2013 and 2012

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, 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	Residential Living Units	Assisted Living Units	Skilled Nursing Units	Total Units
Owened Communities						
Carlsbad by the Sea	Carlsbad, CA	CCRC	141	15	33	189
Casa de Mañana	La Jolla, CA	Rental	160	29	N/A	189
Claremont Manor	Claremont, CA	Rental	167	43	59	269
Fredericka Manor	Chula Vista, CA	Rental	236	66	172	474
Kingsley Manor	Los Angeles, CA	Rental	117	89	49	255
Sunny View Retirement Community	Cupertino, CA	CCRC	71	42	47	160
Villa Gardens	Pasadena, CA	CCRC	162	43	54	259
Vista del Monte	Santa Barbara, CA	CCRC	137	44	29	210
Walnut Village	Anaheim, CA	CCRC	155	14	94	263
Wesley Palms	San Diego, CA	Rental	205	66	N/A	271
Leased Communities						
Cecil Pines	Jacksonville, FL	Rental	92	N/A	N/A	92
England Oaks	Alexandria, LA	Rental	181	N/A	N/A	181
			1,824	451	537	2,812

The Alhambra has been excluded from the above table as its operations were discontinued in February 2011 (see Note 20).

Front Porch Communities & Services
Notes to Consolidated Financial Statements
March 31, 2013 and 2012

Nonobligated Group

The following wholly owned subsidiaries of the Corporation are not members of the Obligated Group:

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.

Front Porch Communities Operating Group, LLC

Front Porch Communities Operating Group, LLC (OpCo) is a new entity formed in connection with the refinancing of certain Obligated Group debt that is planned to be executed in the fiscal year ending March 31, 2014 (see *Note 21*). This entity will lease the four properties being refinanced from the new owner entities and will operate them in accordance with the Corporation's management philosophies, policies and procedures and with existing Corporation staff members. There was no activity for OpCo for the year ended March 31, 2013.

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

These four entities (collectively, the Real Estate LLCs) were formed in connection with the refinancing of certain Obligated Group debt that is planned to be executed in the fiscal year ending March 31, 2014 (see *Note 21*). These entities will own the real estate associated with each of the specified campuses and will each have a non-recourse loan against its property as further detailed in *Note 21*. As noted above, these four entities will each lease their property to OpCo, which will hold the license to operate and will be responsible for all operations of these campuses post-refinancing. There was no activity for the above entities for the year ended March 31, 2013.

Front Porch Communities & Services

Notes to Consolidated Financial Statements

March 31, 2013 and 2012

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 provides 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 will 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.

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, CARING, Sunny View, OpCo and the Real Estate LLCs. All significant intercompany transactions and balances have been eliminated in consolidation.

Front Porch Communities & Services
Notes to Consolidated Financial Statements
March 31, 2013 and 2012

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, 2013 and 2012, cash equivalents consisted primarily of money market mutual funds of approximately \$19,782,000 and \$10,769,000, respectively. These funds are not insured by the Federal Deposit Insurance Corporation (FDIC).

At March 31, 2013, the Corporation's cash accounts exceeded federally insured limits by approximately \$3,668,000.

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 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 and (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. Amounts required to meet certain current liabilities of the Corporation are classified as current assets.

Front Porch Communities & Services
Notes to Consolidated Financial Statements
March 31, 2013 and 2012

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 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.

Front Porch Communities & Services
Notes to Consolidated Financial Statements
March 31, 2013 and 2012

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 change 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 \$4,944,000 and \$5,187,000 at March 31, 2013 and 2012, 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 \$3,983,000 and \$4,647,000 at March 31, 2013 and 2012, respectively, which will be 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.

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

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.

Front Porch Communities & Services
Notes to Consolidated Financial Statements
March 31, 2013 and 2012

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 2013 and 2012, based on the Corporation's current borrowing rates. As of March 31, 2013 and 2012, 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.

Front Porch Communities & Services

Notes to Consolidated Financial Statements

March 31, 2013 and 2012

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.

Front Porch Communities & Services
Notes to Consolidated Financial Statements
March 31, 2013 and 2012

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, 2013 and 2012, no income tax provision has been recorded as the net income from any unrelated trade or business, 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 2010.

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 beginning date.

Reclassifications

Certain reclassifications have been made to the 2012 consolidated financial statements to conform to the 2013 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 financial statements were issued.

Front Porch Communities & Services
Notes to Consolidated Financial Statements
March 31, 2013 and 2012

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, 2013 and 2012, is:

	<u>2013</u>	<u>2012</u>
Medicare	37%	37%
Medi-Cal	30%	28%
PPO/HMO (other contracted payers)	24%	24%
Patients and other	<u>9%</u>	<u>11%</u>
	<u>100%</u>	<u>100%</u>

Note 3: Investments and Investment Return

Short-term investments at fair value consisted of \$0 and \$528,000 of U.S. Treasury and U.S. agency securities at March 31, 2013 and 2012, respectively.

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

	<u>2013</u>	<u>2012</u>
Cash	\$ 4,848	\$ 4,753
Certificates of deposit	1,710	671
Money market mutual funds	7,069	6,286
U.S. Treasury and U.S. agency securities	4,063	3,681
Corporate bonds and commercial paper	<u>23,406</u>	<u>27,185</u>
	41,096	42,576
Less amounts required to meet current obligations	<u>14,903</u>	<u>14,699</u>
	<u>\$ 26,193</u>	<u>\$ 27,877</u>

Front Porch Communities & Services
Notes to Consolidated Financial Statements
March 31, 2013 and 2012

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

	<u>2013</u>	<u>2012</u>
Held by trustee under indenture agreements for bond fund and other reserves	\$ 35,163	\$ 36,488
Deposit subscriptions held in trust	579	633
90-day refundable accommodation fees	4,159	3,060
Restricted by donors for capital expenditures	82	972
HUD facility reserves	1,090	1,400
Resident deposits held in trust	<u>23</u>	<u>23</u>
	<u>\$ 41,096</u>	<u>\$ 42,576</u>

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

	<u>2013</u>	<u>2012</u>
Commodity mutual funds	\$ 16,405	\$ 11,553
Other mutual funds	14,158	15,161
U.S. Treasury and U.S. agency securities	4,882	6,850
Equity securities – domestic	68,971	64,383
Equity securities – international	46,147	43,205
Guaranteed investment contracts	<u>18,975</u>	<u>18,170</u>
	<u>\$ 169,538</u>	<u>\$ 159,322</u>

The guaranteed investment contracts (GICs) 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, 2013, 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.

Front Porch Communities & Services
Notes to Consolidated Financial Statements
March 31, 2013 and 2012

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

	<u>2013</u>	<u>2012</u>
Interest and dividend income	\$ 5,066	\$ 5,516
Realized gains on sales of securities, net	9,612	1,434
Realized gains on derivative financial instruments, net	1,541	-
Unrealized losses on investments valued at fair value, net	(485)	(2,127)
Unrealized gains (losses) on derivative financial instruments, net	(131)	12,285
Investment fees	(942)	(846)
Loss on impairment of investment in joint venture	-	(1,263)
Amortization of deferred interest income	437	437
	<u>437</u>	<u>437</u>
Investment return	<u>\$ 15,098</u>	<u>\$ 15,436</u>

The change in temporarily restricted net assets for the years ended March 31, 2013 and 2012, includes investment return of approximately \$533,000 and \$210,000, respectively.

Note 4: Property and Equipment

A summary of property and equipment at March 31, 2013 and 2012, follows (in thousands):

	<u>2013</u>	<u>2012</u>
Land and land improvements	\$ 46,597	\$ 46,067
Buildings	297,659	294,992
Building improvements	99,552	92,869
Leasehold improvements	5,881	5,458
Equipment	105,069	96,290
Construction in progress	8,013	5,214
	<u>562,771</u>	<u>540,890</u>
Less accumulated depreciation	<u>276,627</u>	<u>256,129</u>
	<u>\$ 286,144</u>	<u>\$ 284,761</u>

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.

Front Porch Communities & Services
Notes to Consolidated Financial Statements
March 31, 2013 and 2012

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, 2013 and 2012, the interest in the net assets of PH Foundation and receivables from supporting organizations are as follows (in thousands):

	<u>2013</u>	<u>2012</u>
Interest in net assets of PH Foundation	<u>\$ 9,877</u>	<u>\$ 9,021</u>
Receivables from supporting organizations		
FACT Foundation	\$ 7,649	\$ 7,442
CLH	910	793
SVLCS	<u>1,878</u>	<u>2,020</u>
	<u>\$ 10,437</u>	<u>\$ 10,255</u>

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 and \$1,200,000 as of March 31, 2013 and 2012, respectively. It is reasonably possible that this estimate could change materially in the near term.

Front Porch Communities & Services
Notes to Consolidated Financial Statements
March 31, 2013 and 2012

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, 2013 and 2012, 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, 2013 and 2012. Amounts accrued to cover potential workers' compensation claims, based on actuarial valuation, as of March 31, 2013 and 2012, are as follows (in thousands):

	2013	2012
Estimated amounts expected to be paid		
Within one year, included in accrued payroll and related expenses	\$ 2,131	\$ 1,826
In excess of one year, included in other accrued liabilities	8,390	9,039
	\$ 10,521	\$ 10,865

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 net of expected insurance recoveries. Estimated insurance recovery receivables of approximately \$1,818,000 and \$3,704,000 are included as other receivables in the accompanying consolidated balance sheets at March 31, 2013 and 2012, respectively.

Front Porch Communities & Services
Notes to Consolidated Financial Statements
March 31, 2013 and 2012

Note 8: Long-Term Debt

The following is a summary of long-term debt at March 31, 2013 and 2012 (in thousands):

	<u>2013</u>	<u>2012</u>
California Statewide Communities Development Authority Series 2012 Bonds, variable interest at 65% of LIBOR plus applicable spread paid monthly (1.38% at March 31, 2013), principal due in varying installments between 2013 and 2042, 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	\$ 35,000	\$ -
California Statewide Communities Development Authority Series 2007A Certificates of Participation, interest at 5.125%, principal due in varying installments between 2030 and 2037, inclusive of unamortized premium of \$681 and \$713 at March 31, 2013 and 2012, respectively. During 2011, the Corporation repurchased \$4,750 of these certificates which reduce the outstanding balance as of March 31, 2013 and 2012	68,931	68,963
California Statewide Communities Development Authority Series 2007B Certificates of Participation, variable interest at 120% of SIFMA, averaging 3.20% and 1.32% for the years ended March 31, 2013 and 2012, respectively, including related fees, principal due in 2037. Certificates were redeemed during 2013 by the Series 2012 Bonds noted above	-	37,000
California Statewide Communities Development Authority 1999 Certificates of Participation, interest at 5.375%, principal due in varying installments through 2030	160,420	166,600
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	3,445	3,670

Front Porch Communities & Services
Notes to Consolidated Financial Statements
March 31, 2013 and 2012

	2013	2012
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 2019, collateralized by the gross revenues of Sunny View Retirement Community and a deed of trust on Sunny View Retirement Community	\$ 1,695	\$ 1,940
Note payable to HUD in monthly principal and interest installments of \$21 (including interest at 6.875%) through 2019 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	1,319	1,478
Total long-term debt	270,810	279,651
Less current portion	5,879	5,928
	\$ 264,931	\$ 273,723

Under the terms of the Series 2007B Bond Indenture, the Corporation was required to maintain a letter of credit to secure the \$37,000,000 original principal amount of the bonds as long as the interest rate remained variable. The Corporation obtained a letter of credit in the amount of approximately \$37,300,000, which was originally scheduled to mature in June 2012 and was extended through June 2013. No draws were made on this letter of credit. In 2013, the Series 2007B Bonds were redeemed and replaced with the Series 2012 Bonds as described above.

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.

Scheduled annual principal payments on long-term debt at March 31, 2013, are as follows (in thousands):

2014	\$ 5,879
2015	7,133
2016	7,576
2017	7,915
2018	8,260
Thereafter	234,047
	\$ 270,810

Front Porch Communities & Services
Notes to Consolidated Financial Statements
March 31, 2013 and 2012

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 were deposited into a GIC as collateral for the forward sale agreement until expiration on April 1, 2030. The notional amount of the GIC is \$12,078,000 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, totaling \$17,823,000 and \$17,400,000 as of March 31, 2013 and 2012, respectively, are classified as unrestricted investments in the accompanying consolidated balance sheets. The Corporation recognized interest income totaling \$437,000 in 2013 and 2012 related to the forward sale agreements.

It is anticipated that these agreements will be modified upon the partial release of the reserve funds and GIC. See *Note 21* for discussion of subsequent events.

Front Porch Communities & Services
Notes to Consolidated Financial Statements
March 31, 2013 and 2012

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 \$1,746,000 and \$1,825,000 during the years ended March 31, 2013 and 2012, 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, 2013.

Front Porch Communities & Services
Notes to Consolidated Financial Statements
March 31, 2013 and 2012

The table below presents certain information regarding the Corporation's derivative financial instruments, none of which were hedging instruments, at March 31, 2013 and 2012 (in thousands):

Derivative Type	Balance Sheet Location	2013	2012
		Asset Derivatives	
		Fair Value	Fair Value
Forward delivery agreement	Derivative instruments	\$ -	\$ 1,630
Basis swap agreement	Derivative instruments	7,190	6,134
		<u>\$ 7,190</u>	<u>\$ 7,764</u>
		Liability Derivatives	
Forward delivery and sale agreements	Deferred interest – forward sale agreements	<u>\$ (6,926)</u>	<u>\$ (7,383)</u>
		Net Income on Derivative Instruments	
Location of gain on derivative instruments not deemed hedging instruments	Other income (expense) – investment return	<u>\$ 1,410</u>	<u>\$ 12,285</u>

Note 10: Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods at March 31, 2013 and 2012 (in thousands):

	2013	2012
Resident assistance and special projects	\$ 7,481	\$ 7,589
Purchase of property and equipment	245	987
Scholarships	259	238
Time-restricted	4,640	4,196
Other	1,073	702
	<u>\$ 13,698</u>	<u>\$ 13,712</u>

Front Porch Communities & Services
Notes to Consolidated Financial Statements
March 31, 2013 and 2012

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):

	2013	2012
Available for resident assistance and operations	\$ 630	\$ 517
Capital expenditures	\$ 1,708	\$ 177

Permanently restricted net assets of \$6,039,000 and \$5,926,000 at March 31, 2013 and 2012, 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.

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, 2013 and 2012, totaled \$2,355,000 and \$2,061,000, 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 \$2,155,000 and \$2,472,000 for the years ended March 31, 2013 and 2012, respectively.

Note 12: Functional Expenses

The Corporation provides services through independent retirement living, assisted living, skilled nursing and other services. Expenses related to providing these services, before other operating charges for the years ended March 31, 2013 and 2012, respectively, are as follows (in thousands):

	2013	2012
Patient and resident care services	\$ 122,616	\$ 118,187
General and administrative	45,225	43,944
	\$ 167,841	\$ 162,131

Front Porch Communities & Services
Notes to Consolidated Financial Statements
March 31, 2013 and 2012

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 \$2,164,000 and \$2,291,000 for the years ended March 31, 2013 and 2012, 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, 2013 and 2012, approximately \$2,478,000 and \$2,665,000, respectively, of deferred compensation is accrued and included in other accrued liabilities in the accompanying consolidated balance sheets.

Front Porch Communities & Services
Notes to Consolidated Financial Statements
March 31, 2013 and 2012

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, 2013 and 2012, are summarized below (in thousands):

	<u>2013</u>	<u>2012</u>
Total assets	\$ 1,355	\$ 1,733
Total liabilities	\$ 9,568	\$ 9,580
Total deficit	<u>(8,213)</u>	<u>(7,847)</u>
Total liabilities and equity	<u>\$ 1,355</u>	<u>\$ 1,733</u>
Revenues, including investment return	<u>\$ 1,052</u>	<u>\$ 1,447</u>
Increase (decrease) in unrestricted net assets	<u>\$ (376)</u>	<u>\$ 36</u>

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 2013 and 2012, included The Alhambra, Villa Gardens, Sunny View, Casa de Mañana and Wesley Palms. Services rendered to the Corporation totaled approximately \$1,165,000 and \$1,149,000 for the years ended March 31, 2013 and 2012, respectively. At March 31, 2013 and 2012, amounts payable to Development Company totaled approximately \$25,000 and \$85,000 for these services, respectively.

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

Front Porch Communities & Services
Notes to Consolidated Financial Statements
March 31, 2013 and 2012

Level 3 Unobservable inputs that are supported by little or no market activity and that are 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, 2013 and 2012 (in thousands):

	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)	\$ -

Front Porch Communities & Services
Notes to Consolidated Financial Statements
March 31, 2013 and 2012

	March 31, 2012			
	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	\$ 64,383	\$ 64,383	\$ -	\$ -
Equities – international	\$ 43,205	\$ 43,205	\$ -	\$ -
Money market mutual funds	\$ 6,286	\$ 6,286	\$ -	\$ -
Certificates of deposit	\$ 671	\$ -	\$ 671	\$ -
Commodity mutual funds	\$ 11,553	\$ 11,553	\$ -	\$ -
Other mutual funds	\$ 15,161	\$ 15,161	\$ -	\$ -
U.S. Treasury and U.S. agency securities	\$ 11,059	\$ 6,570	\$ 4,489	\$ -
Corporate bonds and commercial paper	\$ 27,185	\$ 1,821	\$ 25,364	\$ -
Derivative instruments	\$ 7,764	\$ -	\$ 7,764	\$ -
Guaranteed investment contracts	\$ 18,170	\$ -	\$ 18,170	\$ -
Receivables from supporting organizations	\$ 10,255	\$ -	\$ -	\$ 10,255
Financial liabilities				
Deferred interest – forward sale agreements	\$ (7,383)	\$ -	\$ (7,383)	\$ -

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, 2013. 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.

Front Porch Communities & Services
Notes to Consolidated Financial Statements
March 31, 2013 and 2012

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, 2012	\$ 10,255
Total realized and unrealized gains and losses included in change in net assets	<u>182</u>
Balance, March 31, 2013	<u><u>\$ 10,437</u></u>
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	<u><u>\$ 182</u></u>

Front Porch Communities & Services
Notes to Consolidated Financial Statements
March 31, 2013 and 2012

	Receivables from Supporting Organizations
Balance, April 1, 2011	\$ 10,396
Total realized and unrealized gains and losses included in change in net assets	<u>(141)</u>
Balance, March 31, 2012	<u>\$ 10,255</u>
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	<u>\$ (141)</u>

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, 2013, the Corporation had one financial instrument, receivables from supporting organizations of \$10,437,000, 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 non-payment 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.

Front Porch Communities & Services
Notes to Consolidated Financial Statements
March 31, 2013 and 2012

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, 2013 and 2012 (in thousands):

	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	\$ -

Front Porch Communities & Services
Notes to Consolidated Financial Statements
March 31, 2013 and 2012

	March 31, 2012			
	Carrying Amount	Fair Value Measurements Using		
		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	\$ 13,144	\$ 13,144	\$ -	\$ -
Equities – domestic	\$ 64,383	\$ 64,383	\$ -	\$ -
Equities – international	\$ 43,205	\$ 43,205	\$ -	\$ -
Money market mutual funds	\$ 6,286	\$ 6,286	\$ -	\$ -
Certificates of deposit	\$ 671	\$ -	\$ 671	\$ -
Commodity mutual funds	\$ 11,553	\$ 11,553	\$ -	\$ -
Other mutual funds	\$ 15,161	\$ 15,161	\$ -	\$ -
U.S. Treasury and U.S. agency securities	\$ 11,059	\$ 6,570	\$ 4,489	\$ -
Corporate bonds and commercial paper	\$ 27,185	\$ 1,821	\$ 25,364	\$ -
Derivative instruments	\$ 7,764	\$ -	\$ 7,764	\$ -
Guaranteed investment contracts	\$ 18,170	\$ -	\$ 18,170	\$ -
Interest in net assets of PH Foundation	\$ 9,021	\$ -	\$ 9,021	\$ -
Receivables from supporting organizations	\$ 10,255	\$ -	\$ -	\$ 10,255
Financial liabilities				
Deferred interest – forward sale agreements	\$ 7,383	\$ -	\$ 7,383	\$ -
Long-term debt	\$ 279,651	\$ -	\$ 275,821	\$ -

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.

Front Porch Communities & Services
Notes to Consolidated Financial Statements
March 31, 2013 and 2012

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 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, 2013 and 2012, (in thousands):

	2013	2012
Balance, beginning of year	\$ 2,675	\$ 2,550
Change in estimate and accretion expense	76	125
Balance, end of year	\$ 2,751	\$ 2,675

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*.

Front Porch Communities & Services

Notes to Consolidated Financial Statements

March 31, 2013 and 2012

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, 2013. This agreement expires February 2014.

Front Porch Communities & Services

Notes to Consolidated Financial Statements

March 31, 2013 and 2012

Patient Protection and Affordable Care Act

The *Patient Protection and Affordable Care Act* (PPACA) will substantially reform the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Starting in 2015, the legislation requires the establishment of health insurance exchanges, which will provide individuals without employer-provided health care coverage the opportunity to purchase insurance. It is anticipated that some employers currently offering insurance to employees will opt to have employees seek insurance coverage through the insurance exchanges. It is possible that the reimbursement rates paid by insurers participating in the insurance exchanges may be substantially different than rates paid under current health insurance products. Another significant component of the PPACA is the expansion of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs will be substantially decreased. Each state's participation in an expanded Medicaid program is optional.

The State of California has currently indicated it will participate in the Medicaid expansion program.

The PPACA is extremely complex and may be difficult for the federal government and each state to implement. While the overall impact of the PPACA cannot currently be estimated, it is possible that it will have a negative impact on the Corporation's net patient service revenue. Additionally, it is possible the Corporation will experience payment delays and other operational challenges during PPACA's implementation.

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, 2013 and 2012. 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.

Front Porch Communities & Services
Notes to Consolidated Financial Statements
March 31, 2013 and 2012

- 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 \$2,963,000 and \$1,246,000 at March 31, 2013 and 2012, respectively, and is included in other accrued liabilities in the accompanying consolidated balance sheets. Amounts estimated to be repaid within one year totaled \$1,813,000 and \$1,336,000 at March 31, 2013 and 2012, 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, 2013 and 2012, approximately \$63,507,000 and \$54,089,000, 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, 2013, are as follows (in thousands):

	Entrance Fees Subject to Refund as of March 31	Actual Refunds Disbursed for Year Ended March 31
2013	\$ 82,302	\$ 2,814
2012	\$ 74,173	\$ 2,764
2011	\$ 70,215	\$ 2,109
2010	\$ 66,963	\$ 2,453
2009	\$ 49,630	\$ 325

Front Porch Communities & Services

Notes to Consolidated Financial Statements

March 31, 2013 and 2012

Note 19: Future Change in Accounting Principle

The Financial Accounting Standards Board recently issued 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. The Corporation expects to first apply the ASU during its fiscal year ending March 31, 2014, through retrospective application to previous years' statements for comparative purposes. The impact of applying the ASU will be an approximate \$3,250,000 decrease in beginning net assets as of April 1, 2013.

Note 20: 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. As of March 31, 2013, the Corporation had received approximately \$1,200,000 of non-refundable deposits from the buyer. In June 2013, the buyer again requested a delay in the closing date. The Corporation has agreed to extend the closing date until December 31, 2013, in exchange for payments from the buyer which will cover the Corporation's holding and opportunity costs of delayed receipt of the remaining purchase price during the period from August 1 until the remaining proceeds are received.

At March 31, 2013 and 2012, assets held for sale on the accompanying consolidated balance sheets included land, land improvements, building, building improvements and fixed equipment totaling approximately \$3,713,000. As part of the sale transaction, the Corporation anticipates recognizing a gain on disposal of property and equipment in the range of \$8,000,000 to \$10,000,000 during fiscal year ending March 31, 2014.

During the year ended March 31, 2012, the designation of a donation of approximately \$624,000 was changed from support for The Alhambra retirement community to an unrelated entity due to the sale transaction. This change in designation is reflected on the accompanying 2012 consolidated statement of changes in net assets.

Front Porch Communities & Services
Notes to Consolidated Financial Statements
March 31, 2013 and 2012

The financial results for The Alhambra for the years ended March 31, 2013 and 2012, were as follows (in thousands):

	2013	2012
Total revenue	\$ 194	\$ 557
Total operating expenses	196	2,323
Loss from discontinued operations	\$ (2)	\$ (1,766)

Note 21: Subsequent Events

In connection with FHA loans obtained by two of the newly-created Real Estate LLCs described in *Note 1* (Front Porch Communities and Services – Claremont Manor, LLC and Front Porch Communities and Services – Kingsley Manor, LLC) on July 11, 2013 and July 12, 2013, respectively, the Corporation transferred two of its rental multi-level retirement communities, Claremont Manor located in Claremont, California, and Kingsley Manor located in Los Angeles, California, to the respective Real Estate LLCs, which are not Obligated Group members. As part of this transaction, the Claremont and Kingsley Real Estate LLCs utilized the FHA 232/223(f) mortgage insurance program to obtain two loans (one for each rental community) to refinance the portion of the 1999 Certificates of Participation (see *Note 8*) allocated by the Corporation to each of the rental communities. The FHA loan related to the Claremont Manor rental community has a principal amount of \$42,248,000, a fixed interest rate of 2.73% and matures in 2045. The FHA loan related to the Kingsley Manor rental community has a principal amount of \$12,497,800, a fixed interest rate of 2.80% and matures in 2039. The FHA loans included financing costs and funds for capital expenditures. The FHA loans are nonrecourse debt of each of these Real Estate LLCs secured by deeds of trust on the respective rental communities. The Obligated Group will have no responsibility for payment of debt service on the FHA loans.

Following the April 2, 2013, principal payment, the Corporation's 1999 Certificates of Participation have an outstanding principal amount of \$155,800,000. A notice relating to the prepayment of \$50,045,000 of the outstanding principal amount of the 1999 Certificates of Participation was issued on July 15, 2013, with a prepayment date of August 14, 2013. This partial prepayment will be funded from the FHA loan proceeds and from amounts released from the Reserve Fund for the 1999 Certificates of Participation because the Reserve Requirement will be reduced from \$14,262,500 to \$9,678,368 due to this partial prepayment.

Management of the Corporation intends to transfer two additional rental multi-level retirement communities, Casa de Mañana located in La Jolla, California, and Fredericka Manor located in Chula Vista, California, to certain other Real Estate LLCs, as further described in *Note 1*, utilizing the same FHA program as described above. If the transfers of Casa de Mañana and Fredericka Manor occur on the same terms as provided in the FHA loan commitment letters, additional partial prepayments will be made which are expected to result in a total partial prepayment including all four multi-level retirement communities of approximately 72% or \$112,020,000 of the outstanding principal amount of the 1999 Certificates of Participation, which would leave \$43,780,000 of 1999 Certificates of Participation still outstanding after these transactions. These additional partial prepayments are planned for the second half of calendar year 2013; however, there is no assurance that the additional partial prepayments will occur as planned.

Supplementary Information

Front Porch Communities & Services
Consolidating Schedule – Balance Sheet Information
March 31, 2013
(In Thousands)

Assets

	Obligated Group	Affiliates			Eliminations	Consolidated
		Sunny View	CARING	Total		
Current Assets						
Cash and cash equivalents	\$ 20,125	\$ 125	\$ 37	\$ 162	\$ -	\$ 20,287
Assets limited as to use – required for current liabilities	14,870	23	10	33	-	14,903
Patient accounts receivable, net	8,400	1	29	30	1	8,431
Prepaid expenses and other	4,505	20	(11)	9	(257)	4,257
Assets held for sale	3,713	-	-	-	-	3,713
Total current assets	51,613	169	65	234	(256)	51,591
Investments						
Assets limited as to use, net of current portion	25,103	1,090	-	1,090	-	26,193
Long-term investments	169,538	-	-	-	-	169,538
Derivative instruments	7,190	-	-	-	-	7,190
Total investments	201,831	1,090	-	1,090	-	202,921
Property and Equipment, Net	283,890	2,124	130	2,254	-	286,144
Other Assets						
Interest in net assets of Pacific Homes Foundation	9,877	-	-	-	-	9,877
Receivables from supporting organizations	10,437	-	-	-	-	10,437
Other receivables	1,818	-	-	-	-	1,818
Deferred costs, net	8,927	-	-	-	-	8,927
Total other assets	31,059	-	-	-	-	31,059
Total assets	\$ 568,393	\$ 3,383	\$ 195	\$ 3,578	\$ (256)	\$ 571,715

Liabilities and Net Assets

Current Liabilities						
Current maturities of long-term debt	\$ 5,710	\$ 169	\$ -	\$ 169	\$ -	\$ 5,879
Accounts payable	5,910	157	273	430	(256)	6,084
Accrued payroll and related expenses	11,535	17	114	131	-	11,666
Accrued interest	6,409	8	-	8	-	6,417
Other accrued expenses	4,465	23	-	23	-	4,488
Total current liabilities	34,029	374	387	761	(256)	34,534
Asset retirement obligations	2,557	194	-	194	-	2,751
Accrued workers' compensation	8,390	-	-	-	-	8,390
Other accrued liabilities	11,164	-	-	-	-	11,164
Deferred interest – forward sale agreements	6,926	-	-	-	-	6,926
Deferred revenue from entrance fees	77,526	-	-	-	-	77,526
Long-term debt	263,781	1,150	-	1,150	-	264,931
Total liabilities	404,373	1,718	387	2,105	(256)	406,222
Net Assets						
Unrestricted	144,283	1,665	(192)	1,473	-	145,756
Temporarily restricted	13,698	-	-	-	-	13,698
Permanently restricted	6,039	-	-	-	-	6,039
Total net assets	164,020	1,665	(192)	1,473	-	165,493
Total liabilities and net assets	\$ 568,393	\$ 3,383	\$ 195	\$ 3,578	\$ (256)	\$ 571,715

Front Porch Communities & Services
Consolidating Schedule – Statement of Operations Information
Year Ended March 31, 2013
(In Thousands)

	Obligated Group	Affiliates			Eliminations	Consolidated
		Sunny View	CARING	Total		
Unrestricted Revenues, Gains and Other Support						
Resident and patient service revenue (net of contractual discounts and allowances)	\$ 159,789	\$ 1,754	\$ 1,535	\$ 3,289	\$ (258)	\$ 162,820
Provision for uncollectible accounts	(1,232)	-	-	-	-	(1,232)
Resident and net patient service revenue less provision for uncollectible accounts	158,557	1,754	1,535	3,289	(258)	161,588
Amortization of entrance fees	9,408	-	-	-	-	9,408
Other	494	-	-	-	(60)	434
Net assets released from restrictions used for operations	615	-	15	15	-	630
Total unrestricted revenues, gains and other support	169,074	1,754	1,550	3,304	(318)	172,060
Expenses						
Medical services	40,596	-	-	-	-	40,596
Facility operating costs	15,997	503	144	647	-	16,644
Dietary services	24,733	258	-	258	(258)	24,733
Residential services	13,450	44	-	44	-	13,494
Administrative services	34,852	421	1,559	1,980	(60)	36,772
Depreciation	20,261	335	24	359	-	20,620
Amortization of deferred costs	1,588	-	-	-	-	1,588
Interest expense	11,835	130	7	137	-	11,972
Other	1,361	60	1	61	-	1,422
Total expenses	164,673	1,751	1,735	3,486	(318)	167,841
Operating Income (Loss) Before Other Operating Charges	4,401	3	(185)	(182)	-	4,219
Other Operating Charges						
Asset impairment – Wesley Palms redevelopment	(2,968)	-	-	-	-	(2,968)
Operating Income (Loss)	1,433	3	(185)	(182)	-	1,251
Other Income						
Investment return	15,092	6	-	6	-	15,098
Nonoperating gains, net	19	-	-	-	-	19
Total other income	15,111	6	-	6	-	15,117
Excess (Deficiency) of Revenues over Expenses Before Discontinued Operations	16,544	9	(185)	(176)	-	16,368
Loss from Discontinued Operations	(2)	-	-	-	-	(2)
Excess (Deficiency) of Revenues over Expenses	16,542	9	(185)	(176)	-	16,366
Net assets released from restriction used for purchases of property and equipment	1,708	-	-	-	-	1,708
Increase (Decrease) in Unrestricted Net Assets	\$ 18,250	\$ 9	\$ (185)	\$ (176)	\$ -	\$ 18,074