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July 10, 2020

Heidi Leavengood
Vice President of Accounting and Controller
Lifespace Communities
4201 Corporate Drive
West Des Moines, IA 50266

Subject: The Obligated Group Actuarial Balance Sheet and Cashflows

Dear Heidi:

Continuing Care Actuaries was retained by the management of Lifespace to conduct comprehensive actuarial studies on the Obligated Group. The Obligated Group consists of the eleven communities listed below:

- Abbey Delray
- Abbey Delray South
- Beacon Hill
- Claridge Court
- Friendship Village of Bloomington
- Friendship Village of South Hills
- Grand Lodge at the Preserve
- Harbour's Edge
- Oak Trace
- The Waterford, and
- Village on the Green.

Lifespace Communities, Inc (formerly "Life Care Retirement Communities") was organized in 1976 and became Lifespace Communities, Inc. in 2009. The Obligated Group offers services from independent living and rehabilitation services, to assisted living and skilled nursing care.

New residents of the communities of the Obligated Group have multiple options of CCRC refundable contracts depending on the community. The contract is described in each community's comprehensive study. Under the terms of the residential contract, the resident agrees to pay an entrance fee and a monthly service fee, which entitle the resident to lifetime occupancy of the independent living, assisted living and skilled nursing care at each community. This memorandum serves as the reporting of projected statements of actuarial cash flow and actuarial balance sheet for the Obligated Group. This comprehensive actuarial study and review was performed under the guidelines contained in the American Academy of Actuaries' Actuarial Standard of Practice Number 3, "Practices Relating to Continuing Care Retirement Communities."

In order to perform the actuarial analysis, we projected initial residents and subsequent residents through various levels of care until move-out or death. The rates of permanent and temporary

nursing transfers, deaths and withdrawals were developed using The Obligated Group's resident data and Continuing Care Actuaries' demographic database for CCRC residents. This database comprises over 600,000 CCRC residential life-years of demographic experience. The database assumptions used in this analysis reflect experience of communities with similar health care guarantees as The Obligated Group. The population projections were combined with expense and revenue assumptions to develop projected cash flows and contingent assets and liabilities. A by-product of these cash flow projections is the pricing analysis that examines the financial adequacy of the residential fee structures and the actuarially based balance sheet which is used as an indicator of the adequacy of historical residential fee structures.

In conclusion, the Obligated Group is in *adequate financial condition* to meet its obligations as defined by Actuarial Standard of Practice No. 3 (ASOP 3). ASOP 3 defines adequacy based on the meeting of three required actuarial standards, which consist of the actuarial cash flow, the actuarial balance sheet and the actuarial pricing analysis.

The results of our study are based on estimates of the demographic and economic assumptions of the most likely outcome. Considerable uncertainty and variability are inherent in such estimates. Accordingly, the subsequent emergence of actual residential movements and of actual revenues and expenses may not conform to the assumptions used in our analysis. Consequently, the subsequent development of these items may vary considerably from expected results.

Management should scrutinize future developments that may cause the fund balance to deteriorate. These developments include higher apartment vacancy rates, higher expense inflation, higher nursing care utilization and longer life expectancies than assumed in the projection.

Any distribution of this report to a third party is allowed without Continuing Care Actuaries' consent provided that the report is forwarded in its entirety and Continuing Care Actuaries is notified as to the recipients.

Attached to this letter is a summary of the consolidated group actuarial balance sheet and cashflows.

Sincerely yours,



Dave Bond, F.S.A., M.A.A.A.
Managing Partner

Cashflows

Revenue Projection	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
All contracts										
ILU Entrance Fees Received	\$ 130,089,769	\$ 171,265,294	\$ 204,191,084	\$ 193,051,522	\$ 168,724,798	\$ 156,224,536	\$ 162,358,286	\$ 169,225,737	\$ 173,966,248	\$ 181,073,805
<u>Entrance Fees Refunded</u>	<u>(45,751,674)</u>	<u>(49,261,159)</u>	<u>(54,765,751)</u>	<u>(61,077,275)</u>	<u>(66,471,614)</u>	<u>(70,765,973)</u>	<u>(74,646,349)</u>	<u>(78,708,573)</u>	<u>(82,885,529)</u>	<u>(87,299,447)</u>
Net Entrance Fees	\$ 84,338,095	\$ 122,004,136	\$ 149,425,333	\$ 131,974,247	\$ 102,253,184	\$ 85,458,562	\$ 87,711,937	\$ 90,517,164	\$ 91,080,719	\$ 93,774,358
Independent Living Monthly Fees	\$ 125,812,071	\$ 132,962,216	\$ 143,599,222	\$ 154,841,399	\$ 163,989,749	\$ 171,069,120	\$ 176,753,859	\$ 182,565,091	\$ 188,364,321	\$ 194,256,033
Assisted Living Fees	5,700,479	6,899,320	8,003,903	8,111,922	8,476,552	9,006,785	9,637,014	10,315,413	11,016,841	11,713,641
Assisted Living Direct Admit/Private Pay	5,420,542	10,853,384	11,153,351	11,542,151	11,671,364	11,620,545	11,462,397	11,267,830	11,064,220	10,904,796
Memory Care Fees	1,541,651	3,203,744	4,495,153	4,750,233	5,135,163	5,595,167	6,070,469	6,552,103	7,029,686	7,495,082
Memory Care Private Pay/Direct Admit	2,745,822	4,808,361	3,365,623	3,528,949	3,529,369	3,430,880	3,291,320	3,145,523	3,010,788	2,900,878
Skilled Nursing Fees	13,872,712	15,215,605	15,993,352	17,244,896	18,695,118	20,350,956	22,164,857	24,099,062	26,107,309	28,151,620
Skilled Nursing Private Pay	23,331,244	23,702,249	24,853,235	25,121,307	25,550,782	25,842,300	26,046,784	26,172,703	26,308,630	26,481,033
Skilled Nursing Medicare/Insurance	32,841,914	29,706,613	33,496,085	33,558,720	33,614,126	33,668,566	33,642,913	33,558,873	33,458,650	33,393,526
Home Health	7,487,530	7,714,857	7,949,368	8,191,297	8,440,887	8,698,387	8,964,056	9,238,161	9,520,978	9,812,792
Ancillary and Other Income	11,649,371	12,235,110	12,878,447	13,443,979	13,988,288	14,483,117	14,926,394	15,373,034	15,824,640	16,289,814
<u>Investment Income</u>	<u>10,465,306</u>	<u>8,846,939</u>	<u>12,105,938</u>	<u>13,869,740</u>	<u>16,121,061</u>	<u>18,518,806</u>	<u>20,498,273</u>	<u>22,559,306</u>	<u>24,724,426</u>	<u>27,010,501</u>
Financing Activity	33,133,333	137,646,625	-	-	-	-	-	-	-	-
Total Cash Inflow	\$ 356,595,346	\$ 515,369,349	\$ 426,928,251	\$ 425,726,146	\$ 410,962,391	\$ 407,201,727	\$ 420,593,714	\$ 434,759,206	\$ 446,876,169	\$ 461,522,021

Cashflows											
Revenue Projection											
	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>	<u>2039</u>	
All contracts											
ILU Entrance Fees Received	\$ 188,233,962	\$ 195,358,663	\$ 202,409,621	\$ 209,376,029	\$ 216,123,478	\$ 222,709,838	\$ 229,214,624	\$ 235,796,588	\$ 242,445,975	\$ 249,824,194	
<u>Entrance Fees Refunded</u>	<u>(91,766,563)</u>	<u>(96,167,495)</u>	<u>(100,536,092)</u>	<u>(104,870,420)</u>	<u>(109,145,919)</u>	<u>(113,320,399)</u>	<u>(117,353,709)</u>	<u>(121,420,766)</u>	<u>(125,256,979)</u>	<u>(129,178,605)</u>	
Net Entrance Fees	\$ 96,467,398	\$ 99,191,168	\$ 101,873,530	\$ 104,505,608	\$ 106,977,559	\$ 109,389,439	\$ 111,860,915	\$ 114,375,822	\$ 117,188,995	\$ 120,645,589	
Independent Living Monthly Fees	\$ 200,403,019	\$ 206,808,003	\$ 213,470,288	\$ 220,387,604	\$ 227,556,942	\$ 234,974,817	\$ 242,639,332	\$ 250,551,354	\$ 258,716,813	\$ 267,145,794	
Assisted Living Fees	12,389,484	13,036,300	13,649,283	14,226,531	14,764,046	15,271,001	15,756,858	16,234,223	16,723,902	17,235,586	
Assisted Living Direct Admit/Private Pay	10,802,157	10,765,612	10,805,400	10,923,183	11,125,098	11,396,867	11,727,919	12,104,324	12,498,462	12,901,434	
Memory Care Fees	7,945,120	8,378,861	8,796,212	9,201,558	9,592,664	9,971,110	10,344,031	10,716,583	11,093,621	11,479,458	
Memory Care Private Pay/Direct Admit	2,820,829	2,772,422	2,787,964	2,824,528	2,882,140	2,962,451	3,057,482	3,164,440	3,280,082	3,403,692	
Skilled Nursing Fees	30,211,931	32,286,429	34,365,837	36,432,608	38,471,075	40,446,181	42,337,614	44,171,760	45,985,180	47,789,617	
Skilled Nursing Private Pay	26,696,942	26,978,588	27,330,045	27,758,498	28,253,422	28,872,020	29,661,329	30,578,095	31,592,078	32,683,288	
Skilled Nursing Medicare/Insurance	33,369,622	33,385,390	33,435,525	33,538,051	33,727,890	34,041,440	34,494,866	35,072,660	35,738,556	36,475,031	
Home Health	10,113,899	10,424,603	10,745,219	11,076,072	11,417,499	11,769,849	12,133,479	12,508,763	12,896,084	13,295,840	
Ancillary and Other Income	16,773,206	17,273,463	17,791,431	18,327,406	18,884,133	19,465,553	20,074,337	20,711,021	21,374,223	22,060,761	
<u>Investment Income</u>	<u>29,416,144</u>	<u>31,969,275</u>	<u>34,673,586</u>	<u>37,494,930</u>	<u>40,433,324</u>	<u>43,488,027</u>	<u>46,670,384</u>	<u>49,970,665</u>	<u>53,350,723</u>	<u>56,850,731</u>	
Financing Activity	-	-	-	-	-	-	-	-	-	-	
Total Cash Inflow	\$ 476,723,786	\$ 492,558,879	\$ 508,989,994	\$ 525,944,921	\$ 543,311,735	\$ 561,260,136	\$ 579,951,826	\$ 599,333,961	\$ 619,593,312	\$ 641,103,502	

Expense Projection

Dietary	\$ 43,993,709	\$ 47,752,947	\$ 49,990,990	\$ 51,779,114	\$ 53,394,450	\$ 55,042,567	\$ 56,693,844	\$ 58,394,659	\$ 60,146,499	\$ 61,950,894
Executive	-	-	-	-	-	-	-	-	-	-
Business Development	2,157,191	2,361,777	3,397,299	1,442,062	1,485,324	1,529,884	1,575,780	1,623,053	1,671,745	1,721,897
Legal	645,447	1,578,411	1,850,536	1,906,052	1,963,233	2,022,130	2,082,794	2,145,278	2,209,637	2,275,926
Finance	2,470,913	3,240,493	3,580,263	3,759,014	3,886,568	4,031,578	4,152,526	4,277,101	4,405,414	4,537,577
Info Tech	1,627,803	1,676,637	1,726,936	1,778,744	1,832,106	1,887,070	1,943,682	2,001,992	2,062,052	2,123,914
Marketing	10,732,901	11,283,162	11,638,641	11,987,800	12,408,729	12,986,608	13,376,206	13,777,492	14,190,817	14,616,542
Human Resources	4,081,892	4,204,349	4,330,479	4,460,394	4,594,205	4,732,032	4,873,993	5,020,212	5,170,819	5,325,943
Culture and Hospitality	455,157	468,812	482,876	497,362	512,283	527,652	543,481	559,786	576,579	593,877
G&A Other	38,899,065	40,481,580	42,276,563	43,704,402	45,038,066	46,389,208	47,780,884	49,214,311	50,690,740	52,211,463
Plant	23,160,289	24,213,275	25,503,136	26,380,188	27,171,594	27,986,742	28,826,344	29,691,134	30,581,868	31,499,324
Housekeeping	13,874,280	14,740,523	15,236,040	15,914,282	16,499,257	17,014,440	17,524,873	18,050,619	18,592,137	19,149,902
Resident Services (All)	507,739	522,971	538,660	554,820	571,465	588,609	606,267	624,455	643,189	662,484
Leisure Services	7,434,795	7,814,664	8,073,726	8,321,010	8,570,640	8,827,759	9,092,592	9,365,370	9,646,331	9,935,721
Home Health	8,357,783	8,608,516	8,866,772	9,132,775	9,406,758	9,688,961	9,979,630	10,279,019	10,587,389	10,905,011
Assisted Living	5,239,503	7,642,999	8,150,298	8,394,807	8,646,651	8,906,051	9,173,232	9,448,429	9,731,882	10,023,838
Memory Care	2,543,897	2,978,667	3,141,869	3,236,125	3,333,209	3,433,205	3,536,201	3,642,287	3,751,556	3,864,102
Health Center	59,862,911	58,059,139	60,455,257	62,268,915	64,136,982	66,061,092	68,042,925	70,084,212	72,186,739	74,352,341
Provision for Change in Occ	-	(112,940)	57,140	(1,119,494)	(1,153,079)	(1,187,672)	(1,223,302)	(1,260,001)	(1,297,801)	(1,336,735)
Outside Assisted Living	-	-	-	-	-	-	-	-	-	-
Environmental Services	1,821	77,479	117,320	120,839	124,464	128,198	132,044	136,006	140,086	144,288
HC Ancillaries	-	1,228,272	1,637,696	1,686,827	1,737,432	1,789,555	1,843,242	1,898,539	1,955,495	2,014,160
Utilities	1,395	225,100	336,924	347,031	357,442	368,166	379,211	390,587	402,304	414,374
Deerfield Obligation	6,969,667	1,929,044	168,158	40,351	-	-	-	-	-	-
Interest	14,317,355	21,980,479	25,792,236	23,953,606	22,728,390	22,414,469	22,011,440	21,498,533	20,962,440	20,402,367
Principal Repayment	6,760,016	6,379,186	23,774,853	67,384,214	7,103,338	6,640,866	10,941,416	11,448,166	11,957,161	12,491,585
<u>Capital Expenditures</u>	<u>130,005,736</u>	<u>156,452,421</u>	<u>58,696,789</u>	<u>34,547,147</u>	<u>34,562,431</u>	<u>35,600,338</u>	<u>35,920,741</u>	<u>37,593,878</u>	<u>37,929,630</u>	<u>38,446,956</u>
Total Cash Outflow	\$ 384,101,266	\$ 425,787,963	\$ 359,821,456	\$ 382,478,388	\$ 328,911,940	\$ 337,409,505	\$ 349,810,045	\$ 359,905,118	\$ 368,894,708	\$ 378,327,749
Net Cash Flow	\$ (27,505,921)	\$ 89,581,387	\$ 67,106,795	\$ 43,247,758	\$ 82,050,451	\$ 69,792,222	\$ 70,783,669	\$ 74,854,088	\$ 77,981,461	\$ 83,194,272
Cumulative Cash Flow	\$ 333,647,058	\$ 415,830,718	\$ 477,049,449	\$ 514,021,558	\$ 587,873,295	\$ 650,593,205	\$ 714,592,037	\$ 782,306,528	\$ 852,779,717	\$ 928,087,069
Cumulative Cash Flow (2020 \$s)	\$ 357,039,694	\$ 424,942,701	\$ 465,284,656	\$ 480,701,858	\$ 525,693,956	\$ 556,016,313	\$ 583,264,835	\$ 609,935,838	\$ 635,328,107	\$ 660,758,457

Expense Projection

Dietary	\$ 63,964,298	\$ 66,043,138	\$ 68,189,539	\$ 70,405,700	\$ 72,693,885	\$ 75,056,436	\$ 77,495,770	\$ 80,014,383	\$ 82,614,850	\$ 85,299,833
Executive	-	-	-	-	-	-	-	-	-	-
Business Development	1,777,859	1,835,640	1,895,298	1,956,895	2,020,494	2,086,160	2,153,960	2,223,964	2,296,243	2,370,871
Legal	2,349,893	2,426,265	2,505,118	2,586,535	2,670,597	2,757,391	2,847,007	2,939,534	3,035,069	3,133,709
Finance	4,685,048	4,837,312	4,994,525	5,156,847	5,324,444	5,497,489	5,676,157	5,860,632	6,051,103	6,247,764
Info Tech	2,192,941	2,264,211	2,337,798	2,413,777	2,492,224	2,573,222	2,656,851	2,743,199	2,832,353	2,924,404
Marketing	15,091,579	15,582,056	16,088,472	16,611,348	17,151,216	17,708,631	18,284,162	18,878,397	19,491,945	20,125,433
Human Resources	5,499,036	5,677,755	5,862,282	6,052,806	6,249,523	6,452,632	6,662,343	6,878,869	7,102,432	7,333,261
Culture and Hospitality	613,178	633,106	653,682	674,926	696,862	719,510	742,894	767,038	791,966	817,705
G&A Other	53,908,335	55,660,356	57,469,318	59,337,070	61,265,525	63,256,655	65,312,496	67,435,152	69,626,795	71,889,665
Plant	32,523,052	33,580,052	34,671,403	35,798,224	36,961,666	38,162,920	39,403,215	40,683,820	42,006,044	43,371,240
Housekeeping	19,772,273	20,414,872	21,078,356	21,763,402	22,470,713	23,201,011	23,955,044	24,733,583	25,537,424	26,367,390
Resident Services (All)	684,015	706,245	729,198	752,897	777,367	802,631	828,716	855,650	883,458	912,171
Leisure Services	10,258,632	10,592,037	10,936,278	11,291,707	11,658,688	12,037,595	12,428,817	12,832,754	13,249,818	13,680,437
Home Health	11,259,424	11,625,355	12,003,179	12,393,282	12,796,064	13,211,936	13,641,324	14,084,667	14,542,419	15,015,047
Assisted Living	10,349,613	10,685,976	11,033,270	11,391,851	11,762,086	12,144,354	12,539,046	12,946,564	13,367,328	13,801,766
Memory Care	3,989,686	4,119,350	4,253,229	4,391,459	4,534,182	4,681,543	4,833,693	4,990,788	5,152,988	5,320,460
Health Center	76,768,792	79,263,778	81,839,850	84,499,645	87,245,884	90,081,375	93,009,020	96,031,813	99,152,847	102,375,314
Provision for Change in Occ	(1,380,179)	(1,425,035)	(1,471,348)	(1,519,167)	(1,568,540)	(1,619,518)	(1,672,152)	(1,726,497)	(1,782,608)	(1,840,543)
Outside Assisted Living	-	-	-	178	429	777	355	154	-	-
Environmental Services	148,978	153,819	158,819	163,980	169,310	174,812	180,493	186,359	192,416	198,670
HC Ancillaries	2,079,620	2,147,208	2,216,992	2,289,044	2,363,438	2,440,250	2,519,558	2,601,444	2,685,991	2,773,286
Utilities	427,841	441,746	456,102	470,926	486,231	502,033	518,349	535,196	552,590	570,549
Deerfield Obligation	-	-	-	-	-	-	-	-	-	-
Interest	19,816,837	19,288,323	18,823,522	18,342,580	17,845,356	17,333,759	16,804,129	16,239,439	15,649,785	15,005,790
Principal Repayment	13,066,227	9,998,458	10,102,002	10,413,757	10,526,224	10,926,760	10,831,779	11,780,094	13,474,517	15,693,463
<u>Capital Expenditures</u>	<u>41,401,218</u>	<u>43,311,432</u>	<u>45,339,007</u>	<u>47,492,191</u>	<u>49,779,857</u>	<u>52,211,559</u>	<u>54,797,584</u>	<u>57,549,012</u>	<u>60,477,782</u>	<u>63,596,759</u>
Total Cash Outflow	\$ 391,248,196	\$ 399,863,454	\$ 412,165,892	\$ 425,131,861	\$ 438,373,724	\$ 452,401,624	\$ 466,450,610	\$ 482,066,007	\$ 498,985,555	\$ 516,984,446
Net Cash Flow	\$ 85,475,589	\$ 92,695,425	\$ 96,824,101	\$ 100,813,060	\$ 104,938,010	\$ 108,858,512	\$ 113,501,216	\$ 117,267,955	\$ 120,607,757	\$ 124,119,056
Cumulative Cash Flow	\$ 1,005,377,590	\$ 1,089,549,290	\$ 1,177,485,893	\$ 1,268,767,728	\$ 1,363,794,068	\$ 1,462,372,055	\$ 1,565,215,206	\$ 1,671,444,710	\$ 1,780,621,966	\$ 1,892,498,833
Cumulative Cash Flow (2020 \$s)	\$ 684,308,579	\$ 708,855,862	\$ 732,476,835	\$ 755,229,945	\$ 777,071,211	\$ 797,909,210	\$ 818,083,279	\$ 837,228,076	\$ 855,238,024	\$ 872,521,586

Actuarial Balance Sheet (in 000's)
December 31, 2019

ACTUARIAL ASSETS

Current Assets	\$348,813
Actuarial Present Value of Net Fixed Assets	\$1,271,501
Current Liabilities	(\$84,923)
Actuarial Present Value of Long-Term Debt	(\$519,379)

NET ACTUARIAL ASSETS **\$1,016,012**

ACTUARIAL LIABILITIES

Actuarial Present Value of Future Liabilities	\$1,239,629
Actuarial Present Value of Future Revenues	\$915,062
Net Actuarial Liabilities	\$324,567
Actuarial Present Value of Refund Liability	\$276,505
Actuarial Surplus (Deficit)	<u>\$414,940</u>

NET ACTUARIAL LIABILITIES **\$1,016,012**

Funded Status

Net Actuarial Assets + APV of Future Revenue	\$1,931,074
divided by	
APV of Future Liabilities + APV of Refund Liability	<u>\$1,516,134</u>

FUNDED STATUS **127.4%**

Actuarial Ratio

Actuarial Present Value of Future Revenue	\$915,062
divided by	
Actuarial Present Value of Future Liabilities	<u>\$1,239,629</u>

ACTUARIAL RATIO **73.8%**