MONTHLY REPORT
for the three months ended March 31, 2020

THE STAYTON AT MUSEUM WAY

A Lifespace Community

LIFESPACE
COMMUNITIES

May 1, 2020

UMB Bank
Ginny Housum
120 Sixth Street South, Suite 1400
Minneapolis, MN 55402

RE: Certificate in accordance with Master Trust Indenture Section 4.15(b) and Section 4.20

The undersigned, Interim President and CEO and Chief Financial Officer for Lifespace Communities, Incorporated, hereby certifies that the attached financial statements for:

The Stayton

Are complete, correct and fairly present the financial conditions and results of operations for the three months ended March 31, 2020, subject to the year-end audit adjustments.

LIFESPACE COMMUNITES, INC.

Larry M. Smith

Larry M. Smith

The Stayton
Management's Discussion and Analysis

Overview:

Tarrant County Senior Living Center, Inc., d/b/a The Stayton at Museum Way ("The Stayton") is a Texas not-for-profit corporation. The Stayton was formed for the purpose of constructing, owning and operating a continuing care retirement community in Fort Worth, Texas, known as The Stayton at Museum Way, providing housing, health care and other related services to its residents.

In June 2019, Lifespace Communities, Inc. ("Lifespace") an Iowa nonprofit corporation, completed an affiliation with Senior Quality Lifestyles Corporation ("SQLC"). As a result of this affiliation, Lifespace is the sole member of The Stayton and has taken over management of the community.

The Stayton converted to Lifespace's financial system on October 1, 2019, which included converting to the Lifespace chart of accounts. As a result of this conversion certain 2019 amounts have been reclassed to conform with the 2020 presentation.

Calendar year-end financial information for December 31, 2019 is provided from audited financial statements. All other financial information is obtained from unaudited financial statements.

This interim report should be read together with the annual report that includes audited year-end financial statements and their combined results.

Operational Charts and Financials:

The Stayton

Apartments/Units Available

	Residential Living	Assisted Living		Health Center		
	Apartments	Assisted Living	Memory Support		Total	CMS 5-Star Rating *
The Stayton	188	42	20	46	296	5

* The CMS 5-Star rating is as of April 16, 2020.

Average Occupancy

	Fiscal Year Ended December 31,			Three Months ended March 31,	
	2017	2018	2019	2019	2020
Residential Living	98.8%	96.9%	94.7%	95.4%	94.6%
Assisted Living	91.1%	91.7%	94.4%	95.2%	97.0%
Memory Support	86.3%	92.9%	88.3%	85.0%	97.3%
Health Center	89.7%	83.0%	90.9%	86.2%	89.6%

Residential Living Turnover Analysis

	Fiscal Year Ended December 31,			Three Months ended March 31,	
	2017	2018	2019	2019	2020
Beginning Residential Living Occupied	188	185	179	179	181
RL Move-Ins	11	15	22	4	1
Transfers to the Health Center	(10)	(11)	(10)	-	(2)
RL Move-Outs and Death	(4)	(10)	(10)	(4)	(3)
Ending Residential Living Occupied	185	179	181	179	177
Ending Occupancy Percentage	98.4%	95.2%	96.3%	95.2%	94.1%

Health Center Payor Mix

The Health Center beds are certified for Medicare. The average payor mix in the Health Center for the fiscal years ending December 31, 2017 through 2019 and the three months ended March 31, 2019 and 2020 are shown below:

	Fiscal Year Ended December 31,			Three Months ended March 31,	
	2017	2018	2019	2019	2020
Lifecare	32.7%	28.1%	25.7%	28.5%	21.9%
Medicare	42.1%	47.3%	52.5%	51.7%	55.4%
Non-Life Care Resident	25.2%	24.6%	21.8%	19.8%	22.7%
Total Patient Mix	100.0%	100.0%	100.0%	100.0%	100.0%

The Stayton
Balance Sheets
As of March 31 (Unaudited)
(Thousands of $)

	2020	**2019**
Assets		
Current Assets:		
Cash and Cash Equivalents	$6,231	$7,415
Accounts Receivable	1,501	1,931
Inventories	17	21
Prepaid Insurance & Other	333	479
Assets whose use is limited	1,274	11
Total Current Assets	9,356	9,857
Assets whose use is limited	9,772	9,213
Property and equipment, at cost:		
Land and improvements	4,926	4,566
Buildings and improvements	101,253	124,920
Furniture and equipment	1,992	4,526
	108,171	134,012
Less accum. deprec.	(3,106)	(26,700)
Net property and equipment	105,065	107,312
Net goodwill	47,246	0
Net deferred assets	62	0
Net intangible assets	10,497	0
TOTAL ASSETS	$181,998	$126,382

The Stayton
Balance Sheets
As of March 31 (Unaudited)
(Thousands of $)

	2020	2019
Liabilities and net assets		
Current liabilities:		
Accounts payable:		
Trade	$503	$1,068
Related Party	420	3,457
	923	4,525
Accrued liabilities:		
Employee compensation expense	338	295
Interest	1,769	3,449
Other	23	20
	2,130	3,764
Entrance fee refunds	790	635
Long-term debt due within one year	0	1,905
Total current liabilities	3,843	10,829
Entrance fee deposits	324	614
Long-term Notes Payable and Intercompany Payable	0	6,664
Long-term Bonds due after one year	112,261	99,170
Deferred entrance fees	7,187	11,215
Refundable entrance and membership fees	65,618	92,323
Future Service Obligation	0	5,598
Total liabilities	189,233	226,413
Net assets without donor restrictions	(7,235)	(100,031)
TOTAL LIABILITIES AND NET ASSETS	$181,998	$126,382

The Stayton
Statements of Operations and Changes in Unrestricted Assets
For the Three Months Ended March 31 (Unaudited)
(Thousands of $)

	2020	2019
Revenues		
Residential living fees	$2,767	$2,641
Entrance fees earned	419	362
Skilled nursing, assisted living and memory support fees, net	2,807	2,468
Investment income	(12)	56
	5,981	5,527
Expenses		
Operating expenses:		
Salaries and benefits	2,088	2,005
General and administrative	1,431	1,425
Plant operations	281	306
Housekeeping	31	25
Dietary	595	330
Medical and other resident care	584	518
Depreciation	914	904
Amortization	1,751	0
Interest	1,749	2,168
	9,424	7,681
Changes in net assets	(3,443)	(2,154)
Net assets at beginning of year	(3,792)	(97,877)
Net assets at end of the period	($7,235)	($100,031)

The Stayton
Statements of Cash Flow
For the Three Months Ended March 31 (Unaudited)
(Thousands of $)

Operating activities	**2020**	**2019**
Changes in unrestricted net assets	($3,443)	($2,154)
Adjustments to reconcile changes in net asset to net cash used in operating activities:		
Entrance fees earned	(419)	(362)
Proceeds from nonrefundable entrance fees and deposits	91	328
Depreciation and Amortization	2,665	904
Amortization of Financing Costs	0	37
Net accretion of original issue premium/discounts	0	13
Interest applied to long term debt	6,466	0
Change in entrance fee deposits	100	378
Changes in operating assets and liabilities:		
Accounts receivables, inventories, and prepaid insurance and other	174	(206)
Accounts payables and accrued liabilities	(6,318)	1,928
Net cash provided (used) in operating activities	(684)	866
Investing activities		
Purchases of property and equipment	(105)	(175)
Financing activities		
Proceeds from refundable entrance fees and deposits	1,423	2,468
Refunds of entrance fees	(640)	(1,536)
Net cash provided in financing activities	783	932
Net (decrease) increase in cash, cash equivalents and restricted cash	(6)	1,623
Cash, cash equivalents and restricted cash at beginning of year	17,283	15,016
Cash, cash equivalents and restricted cash at end of period	$17,277	$16,639

Three Months Ended March 31, 2020 versus Three Months Ended March 31, 2019:

The average year-to-date residential living occupancy at March 31, 2020, was 177.9 residential living homes (94.6% of the 188 available homes). The average year-to-date occupancy at March 31, 2019 was 179.3 residential living homes (95.4% of the 188 available homes).

Revenues from residential living monthly fees and related charges amounted to $2,767,000 in 2020, a 4.8% increase from $2,641,000 for the same revenue sources in 2019. The increase is driven by monthly fee increases of an average of 3.7% that took effect January 1, 2020, increase in the miscellaneous income such as guest meals and activities and less promotional discounts.

Revenues from the health center, assisted living, and memory support fees, net of contractual allowances and pass-through therapy expenses were $2,807,000 in 2020 compared to $2,468,000 in 2019, an increase of 13.7%. This increase is the result of increased census in assisted living, memory support and the health center. As of March 31, 2020, assisted living had a year to date average occupancy of 97.0% and 95.2% for the same period 2019. As of March 31, 2020, memory support had a year to date average occupancy of 97.3% and 85.0% for the same period 2019. As of March 31, 2020, the health center had a year to date average occupancy of 89.6% and 86.2% for the same period 2019. Assisted living, memory support and the health center had monthly fee increases of 3.7% effective January 1, 2020.

Total operating expenses, excluding depreciation and interest expense, were $5,010,000 in 2020, an increase of $401,000 or 8.7% from comparable expenses of $4,609,000 in 2019. Salaries and benefits increased $83,000 or 4.1% as a result of annual merit increases of 2.0% in addition to adding new positions in memory support and the health center as a result of increased occupancy. Offsetting these increases are wages for culinary team member that are now recorded within culinary costs due to the implementation of a new culinary program with a third party provider. Plant operations decreased $25,000 or 8.2% as a result of lower cost in repairs and maintenance and utilities compared to the same period in 2019. Dietary costs increased $265,000 or 80.3% which is the result of implementing a new culinary program with a third party provider in which some costs that were previously recorded in salaries and wages are now recorded in dietary. Medical and other resident care increased $66,000 or 12.7% as a result of higher census in assisted living, memory support and the health center.

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to The Stayton, COVID-19 may impact various parts of its 2020 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams. Management believes The Stayton is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of the date of this reporting package.

Three Months Ended March 31, 2020 Actual versus Budget:

The Board of Directors annually approves the budget. The chart below shows line item comparisons to the board approved net operating margin, net entrance fees and capital expenditures, along with the favorable and unfavorable variances.

(in thousands)	Actual	Budget	Favorable/ (Unfavorable)
Revenues			
Residential Living Fees	$2,767	$2,840	($73)
Skilled nursing, assisted living and memory support fees, net	2,807	2,452	355
	5,574	5,292	282
Expenses			
Operating expenses:			
Salaries and benefits	2,088	2,088	0
General and administrative	1,431	916	(515)
Plant operations	281	349	68
Housekeeping	31	65	34
Dietary	595	421	(174)
Medical and other resident care	584	552	(32)
	5,010	4,391	(619)
Net operating margin	564	901	(337)
Net entrance fees	874	1,208	(334)
Capital expenditures	105	279	174

Net operating margin is unfavorable to budget by $337,000.

Residential living fees are unfavorable to budget by $73,000 as a result of occupancy in the smaller apartments versus the larger apartments. In addition, The Stayton has less apartment discounts given at time of closings.

Skilled nursing, assisted living and memory support fees are favorable to budget by $355,000 as a result of assisted living, memory support and the health center occupancies exceeding budget. Year-to-date average assisted living occupancy is 97.0% compared to a budget of 83.3%. Year-to-date average memory support occupancy is 97.3% compared to a budget of 75.0%. Year-to-date average health center occupancy is 89.6% compared to a budget of 89.1%.

General and administrative expense is unfavorable to budget by $515,000, or 56.2%. Financing related costs that were $459,000 higher than budgeted. These are one-time costs that will not reoccur.

Plant Operations costs are favorable to budget by $68,000, or 19.5% as a result of lower repairs and maintenance and utilities.

Dietary costs are unfavorable to budget by $174,000, or 41.3% as a result of increased census in higher levels of living. In addition, a new culinary program was implemented in the fourth quarter 2019, which results in some costs budgeted in salaries and benefits while currently recorded in the dietary costs line.

Net entrance fees are unfavorable to budget by $334,000. There was one closing for the three months ended March 31, 2020 compared to a budget of six closings. However, there were net deferrals received as of March 31, 2020 of $596,000, which increases net entrance fees.

Capital expenditures are favorable to budget by $174,000, which is primarily due to timing of apartment refurbishments.

Ratios:

Lifespace uses the Fitch investment grade medians as benchmarks. The ratios for both the investment grade and the BBB ratings are shown in the footnote to the ratio calculation schedule.

On January 3, 2020, The Stayton completed a bond exchange of its Series 2009 Bonds for new Series 2020 Bonds issued in the amount of $112,261,000. The Series 2020 Bonds bear interest at 5.75%, have a final maturity in 2054 and are interest only through 2024. Annual debt service in 2020 is $5,881,000. Maximum annual debt service is $7,520,000. The following is a summary of the long-term debt payable:

(in thousands)	March 31, 2020	March 31, 2019
Series 2009 Bonds	-	105,795
Series 2020 Bonds	112,261	-
	112,261	105,795
Less: Net Unamortized Original Issue Discount	-	(2,077)
Less: Net Unamortized Issuance Costs	-	(2,643)
	112,261	101,075
Less: Amounts Due within One Year	-	1,905
Amounts Due after One Year	112,261	99,170

The Series 2020 Bonds have a debt service coverage ratio covenant, a liquidity covenant and an occupancy covenant. The testing dates for the debt service coverage ratio covenant and the liquidity covenant are June 30 and December 31 and begin June 30, 2021. The occupancy covenant is tested quarterly and testing begins June 30, 2020. The debt service coverage ratio covenant level is 1.10 for the first two testing dates and 1.20 thereafter. The liquidity covenant level is 120 days cash on hand. Calculation of days cash on hand includes amounts available from a $6.0 million liquidity support agreement provided by Lifespace. The occupancy covenant level is 88.0% occupancy of independent living apartments.

Liquidity and Capital Requirements – Three Months Ended March 31, 2020 versus Three Months Ended March 31, 2019:

Cash proceeds from entrance fees and deposits (refundable and non-refundable), net of refunds, were $874,000 in 2020 compared to $1,260,000 for 2019. There was one closing as of March 31, 2020 and four closings for the same period ended 2019. As of March 31, 2019, there were net deferrals of $484,000 that has a negative impact on net entrance fees. As of March 31, 2020, there were deferral collections of $596,000 that has a positive impact on net entrance fees.

Daily operating expenses for March 31, 2020 decreased to $74,000 from $81,000 for March 31, 2019, a change of 8.6%. The change is driven by decreased interest expense along with one more day in 2020 than 2019. The overall unrestricted cash position decreased from $9,344,000 at March 31, 2019 to $6,231,000 at March 31, 2020, a change of 33.3%. In addition, there is a $6,000,000 million liquidity support agreement provided by Lifespace. No amounts have been drawn on this agreement as of March 31, 2020.

Capital expenditures for the community for the three months ended March 31, 2020 were $105,000, while depreciation expense for the same period was $914,000. Capital expenditures for the community for the three months ended March 31, 2019 were $175,000, while depreciation expense for the same period was $904,000.

To evaluate the financial aspect of the needed re-investment in the community, Lifespace management targets capital expenditures for all communities it manages as a percentage of depreciation in the range of 70% to 130%. Lifespace will apply this approach to The Stayton as budgets are prepared for 2021 and going forward. This ratio is monitored on a 5-year historical view to assist with the annual capital expenditure decisions. The 5-year historical ratio for The Stayton at December 31, 2019 is 14% and falls well below the targeted range of Lifespace guidelines. It is not unusual to fall below the 70% of depreciation for a community that has been in service less than 15 years. Routine capital projects are expected to be funded from internal cash flows.

Forward-Looking Statements:

This document contains various “forward-looking statements”. Forward-looking statements represent our expectations or beliefs concerning future events. The words “plan”, “expect’ “estimate” “budget” and similar expressions are intended to identify forward-looking statements. We caution that these statements are further qualified by important factors that could cause actual results to differ materially from those in the forward-looking statements, including without limitations the factors described in this document.

We ask you not to place undue reliance on such forward-looking statements because they speak only of our views as of the statement dates. Although we have attempted to list the important factors that presently affect The Stayton’s business and operating results, we further caution you that other factors may in the future prove to be important in affecting The Stayton’s results of operations. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

The Stayton
Selected Historical Financial Information
(Thousands of $)

Historical Debt Service Coverage	**Three Months Ended March 31 (Unaudited) 2020**	**Year Ending December 31 (Audited) 2019**
Excess (deficit) of revenues over expenses	(3,443)	(8,592)
Less:		
Entrance fees earned	(419)	(2,247)
Add:		
Depreciation	914	3,999
Amortization	1,751	3,734
Interest Expense	1,749	9,283
Unrealized (gain) loss on securities	2	(82)
Realized loss on sale of assets	0	3
Deferred management fee	0	160
Change in future service obligation	0	(5,598)
Entrance fee proceeds (less refunds)	874	4,476
Income available for debt service	1,428	5,136
Annual debt service payment	5,882	9,513
Annual debt service coverage (a)(b)(c)	1.0	0.5
Annual debt service coverage covenant (d)	1.1	1.2
Days Cash on Hand		
Unrestricted cash and investments	6,231	9,344
Liquidity support agreement (e)	6,000	6,000
	12,231	15,344
Department operating expenses plus interest	6,759	29,459
Daily expenses	74	81
Days of unrestricted cash & investments on hand (a)(b)(c)	165	190
Days of unrestricted cash & investments on hand covenant	120	N/A
Other Ratios		
Net operating margin (b)(c)	10.1%	1.7%
Net operating margin, adjusted (b)(c)	22.3%	19.3%
Adjusted debt to capitalization (b)(c)	100.0%	96.6%

(a) The financial ratios that are required by the financing documents beginning in June 2021.

(b) The financial ratios that are monitored monthly by Lifespace.

(c) Latest FITCH for Investment Grade medians used as benchmarks are as follows: net operating margin of 5.9%, net operating margin, adjusted of 22.9%, maximum annual debt service of 2.4 times, days cash on hand of 501 and adjusted debt to capitalization of 54.3%. The latest "BBB" ratings are as follows: net operating margin of 5.9%, net operating margin, adjusted of 23.0%, maximum annual debt service of 1.9 times, days cash on hand of 465 and adjusted debt to capitalization of 63.1%.

(d) The debt service coverage ratio covenant is 1.1 times with the first testing date of June 2021 and the second testing date of December 2021. Thereafter, the debt service coverage ratio is 1.2 times.

(e) Lifespace has provided a $6.0 million liquidity support agreement. In accordance with the 2020 bond documents, amounts available under this agreement are included in days cash on hand.

The table below summarizes the current period entrance fee turnover activity.

	Net Entrance Fee Turnover			
	Fundings per the queue			
	Entrance Fee Receipts	**Monthly Additions to Refund Queue**	**Remaining Unfunded**	**Entrance Fee Turnover**
End of 2019			(1,468,317)	-
January	451,809	(2,222,363)	(3,238,871)	-
February	701,803	(673,200)	(3,210,268)	-
March	350,920	-	(2,859,348)	-
YTD 2020				-
	Other Accounts Impacting Net Entrance Fees			
Change in refunds in process				515,000
Journal entry timing				350,920
Correction in April				6,350
Rounding/Immaterial				2,000
Net Entrance Fees				874,270