MONTHLY REPORT
for the year ended December 31, 2020

THE STAYTON
AT MUSEUM WAY

A Lifespace Community

LIFESPACE
COMMUNITIES

February 12, 2021

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, Senior Vice President 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 year ended December 31, 2020, subject to the year-end audit adjustments.

LIFESPACE COMMUNITES, INC.

DocuSigned by:

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Nick Harshfield

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. In addition, accounting standards require Lifespace to fair value the assets and liabilities assumed at the affiliation date. Information regarding the fair values are disclosed in the audited financial statements, note 11. These fair value adjustments are reflected in the accompanying balance sheets.

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.

Operational Charts and Financials:

The Stayton

Apartments/Units Available

	Independent 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 January 22, 2021.

Average Occupancy

	Fiscal Year Ended December 31,			
	2017	2018	2019	2020
Independent Living	98.8%	96.9%	94.7%	92.9%
Assisted Living	91.1%	91.7%	94.4%	96.3%
Memory Support	86.3%	92.9%	88.3%	92.4%
Health Center	89.7%	83.0%	90.9%	78.2%

Residential Living Turnover Analysis

	Fiscal Year Ended December 31,			
	2017	2018	2019	2020
Beginning Independent Living Occupiec	188	185	179	181
IL Move-Ins	11	15	18	6
Transfers to the Health Center	(10)	(11)	(7)	(5)
IL Move-Outs and Death	(4)	(10)	(9)	(10)
Ending Independent Living Occupied	185	179	181	172
Ending Occupancy Percentage	98.4%	95.2%	96.3%	91.5%

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 2020:

	Fiscal Year Ended December 31,			
	2017	2018	2019	2020
Lifecare	32.7%	28.1%	25.7%	27.5%
Medicare	37.8%	36.9%	38.3%	33.8%
Non-Life Care Resident	29.5%	35.0%	36.0%	38.7%
Total Patient Mix	100.0%	100.0%	100.0%	100.0%

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

	2020	2019
Assets		
Current Assets:		
Cash and Cash Equivalents	$1,814	$9,344
Investments	4,878	-
Accounts Receivable	1,365	1,785
Inventories	29	17
Prepaid Insurance & Other	213	438
Assets whose use is limited	866	9
Total Current Assets	9,165	11,593
Assets whose use is limited	8,747	7,930
Property and equipment, at cost:		
Land and improvements	4,934	4,910
Buildings and improvements	100,783	101,176
Furniture and equipment	2,065	1,980
	107,782	108,066
Less accum. deprec.	(5,108)	(2,192)
Net property and equipment	102,674	105,874
Net goodwill	43,013	49,059
Net deferred assets	52	63
Net intangible assets	9,542	10,815
TOTAL ASSETS	$173,193	$185,334

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

	2020	**2019**
Liabilities and net assets		
Current liabilities:		
Accounts payable:		
Trade	$742	$2,172
Related Party	310	242
	1,052	2,414
Accrued liabilities:		
Employee compensation expense	237	465
Interest	538	6,487
Other	123	5
	898	6,957
Entrance fee refunds	1,861	275
Long-term debt due within one year	-	2,975
Total current liabilities	3,811	12,621
Entrance fee deposits	124	224
Long-term Bonds due after one year	112,261	102,821
Deferred entrance fees	6,844	7,509
Refundable entrance and membership fees	72,101	65,951
Future Service Obligation	5,424	0
Total liabilities	200,565	189,126
Net assets without donor restrictions	(27,372)	(3,792)
TOTAL LIABILITIES AND NET ASSETS	$173,193	$185,334

The Stayton
Statements of Operations and Changes in Unrestricted Assets
For the Year Ended December 31 (Unaudited)
(Thousands of $)

	2020	2019
Revenues		
Independent living fees	$10,670	$10,401
Entrance fees earned	1,372	2,247
Skilled nursing, assisted living and memory support fees, net	9,928	10,129
Investment income	867	228
Other	667	-
	23,504	23,005
Expenses		
Operating expenses:		
Salaries and benefits	7,948	8,089
General and administrative	4,186	6,970
Plant operations	1,283	1,279
Housekeeping	112	119
Dietary	2,164	1,608
Medical and other resident care	1,855	2,111
Depreciation	3,586	3,999
Amortization	14,087	3,734
Interest	6,399	9,283
Loss on disposal of fixed assets	16	3
Decrease in obligation to provide future service	5,424	(5,598)
	47,060	31,597
Deficit of revenues over expenses	(23,556)	(8,592)
Contributions to Lifespace Communities, Inc.	(24)	-
Purchase accounting adjustment	-	102,677
Changes in net assets	(23,580)	94,085
Net assets at beginning of year	(3,792)	(97,877)
Net assets at end of the period	($27,372)	($3,792)

The Stayton
Statements of Cash Flow
For the Year Ended December 31 (Unaudited)
(Thousands of $)

Operating activities	**2020**	**2019**
Changes in unrestricted net assets	($23,580)	$94,085
Adjustments to reconcile changes in net asset to net cash used in operating activities:		
Entrance fees earned	(1,372)	(2,247)
Proceeds from nonrefundable entrance fees and deposits	707	1,528
Depreciation and Amortization	17,673	8,099
Amortization of Financing Costs	-	73
Net accretion of original issue premium/discounts	-	27
Interest applied to long term debt	6,466	-
Change in unrealized appreciation of investments	(197)	(82)
Net (purchases) sales of trading investments	(4,681)	82
Purchase accounting adjustment	-	(102,677)
Contributions to Lifespace Communities, Inc.	24	-
Loss on disposal of property and equipment	16	3
Increase (Decrease) in Obligation to Provide Future Services	5,424	(5,598)
Change in entrance fee deposits	(100)	(12)
Changes in operating assets and liabilities:		
Accounts receivables, inventories, and prepaid insurance and other	738	3,633
Accounts payables and accrued liabilities	(7,421)	3,018
Net cash used in operating activities	(6,303)	(68)
Investing activities		
Purchases of property and equipment	(402)	(613)
Financing activities		
Contributions to Lifespace Communities, Inc.	(24)	-
Proceeds from refundable entrance fees and deposits	2,769	11,315
Refunds of entrance fees	(1,896)	(8,367)
Net cash provided in financing activities	849	2,948
Net (decrease) increase in cash, cash equivalents and restricted cash	(5,856)	2,267
Cash, cash equivalents and restricted cash at beginning of year	17,283	15,016
Cash, cash equivalents and restricted cash at end of period	$11,427	$17,283

Year Ended December 31, 2020 versus Year Ended December 31, 2019:

The average year-to-date independent living occupancy at December 31, 2020, was 174.7 independent living homes (92.9% of the 188 available homes). The average year-to-date occupancy at December 31, 2019 was 178.0 independent living homes (94.7% of the 188 available homes).

Revenues from independent living monthly fees and related charges amounted to $10,670,000 in 2020, a 2.6% increase from $10,401,000 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 and offset by lower occupancy in independent living. Monthly fee increases starting January 1, 2021 are 2.5%

Revenues from the health center, assisted living, and memory support fees, net of contractual allowances and pass-through therapy expenses were $9,928,000 in 2020 compared to $10,129,000 in 2019, a decrease of 2.0%. While assisted living and memory support occupancy has increased when comparing periods, the health center has decreased. In addition, the health center payor mix is influencing the revenue negatively. Offsetting these decreases, assisted living, memory support and the health center had monthly fee increases of 3.7% effective January 1, 2020. Monthly fee increases starting January 1, 2021 are 3.5%.

During the second quarter, The Stayton received approximately $590,000 from the Department of Health and Human Services as a relief under the CARES Act's Public Health and Social Services Relief Fund. In August 2020, the Department of Health and Human Services issued a targeted distribution to skilled nursing facilities, of which The Stayton received an additional $77,000. Total funds received through the CARES Act in 2020 is $667,000. The Department of Health and Human Services continues to update the guidance regarding distribution of the funds. Retention and use of the funds are subject to certain terms and conditions and The Stayton will be required to submit documents to substantiate that these funds were used for increased healthcare-related expenses or lost revenue attributable to coronavirus, and that those losses were not reimbursed from other sources and other sources were not obligated to reimburse them.

Total operating expenses, excluding depreciation and interest expense, were $17,548,000 in 2020, a decrease of $2,628,000 or 13.0% from comparable expenses of $20,176,000 in 2019. Salaries and benefits decreased $141,000 or 1.7% as a result of the implementation of a new culinary program with a third party provider. Culinary team members are now recorded within the dietary expenses versus the salaries and benefits. Offsetting these decreases were annual merit increases of 2.0% in addition to adding new positions in higher levels of living as a result of increased occupancy. General and administrative decreased $2,784,000 or 39.9% due to lower financing related costs, legal services and marketing costs. Dietary costs increased $556,000 or 34.6%. This increase 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 decreased $256,000 or 12.1% as a result of lower occupancy in the health center. In addition, there was less agency and professional dues and fees.

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.

The COVID-19 impact on The Stayton changes on a daily basis. At any point in time, The Stayton can experience a resident or team member with a positive COVID-19 test. The Stayton has established protocols to comply with all federal, state and local requirements. Any suspected COVID-19 cases are subject to self-isolation and monitored. The Stayton has seen an increase in costs for personal protection equipment and inventories of these supplies have been increased in anticipation of their continued need. There have also been additional compensation plans for team members put in place. The Stayton expects these costs to increase as the pandemic continues and is unable to estimate those additional costs.

The number of COVID-19 positive results at The Stayton has ranged from zero to 23 on a given day. As of the date of this disclosure, there are no resident cases.

Year Ended December 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			
Independent Living Fees	$10,670	$11,404	($734)
Skilled nursing, assisted living and memory support fees, net	9,928	9,821	107
Other	667	-	667
	21,265	21,225	40
Expenses			
Operating expenses:			
Salaries and benefits	7,948	8,544	596
General and administrative	4,186	3,592	(594)
Plant operations	1,283	1,416	133
Housekeeping	112	198	86
Dietary	2,164	1,686	(478)
Medical and other resident care	1,855	2,224	369
	17,548	17,660	112
Net operating margin	3,717	3,565	152
Net entrance fees	1,580	4,830	(3,250)
Capital expenditures	402	1,116	714

Net operating margin is favorable to budget by $152,000.

Independent living fees are unfavorable to budget by $734,000 as a result of lower actual occupancy than budgeted and occupancy in the smaller apartments versus the larger apartments. Year-to-date independent living occupancy is 92.9% compared to a budget of 93.6%. In addition, there were more apartment discounts than were budgeted.

Skilled nursing, assisted living and memory support fees are favorable to budget by $107,000 as a result of assisted living and memory support occupancies exceeding budget. Year-to-date average assisted living occupancy is 96.3% compared to a budget of 83.3%. Year-to-date average memory support occupancy is 92.4% compared to a budget of 75.0%.

Other revenue is favorable to budget by $667,000. During the second quarter, The Stayton received approximately $590,000 from the Department of Health and Human Services as relief under the CARES Act's Public Health and Social Services Relief Fund. In August 2020, The

Stayton received an additional $77,000 from the Department of Health and Human Services as relief to skilled nursing facilities. Receipt of these funds were not budgeted.

Salaries and benefits costs are favorable to budget by $596,000, or 7.0%, due to the implementation of a new culinary program in the fourth quarter 2019, which results in some costs budgeted in salaries and benefits being recorded in the dietary costs line. In addition, there is a director position budgeted that has not been filled.

General and administrative costs are unfavorable to budget by $594,000, or 16.5%, due to financing related costs that were $274,000 higher than budgeted. These are one-time costs that will not reoccur. In addition, legal services, auditing services and application software and licenses are higher than budgeted.

Plant Operations costs are favorable to budget by $133,000, or 9.4% as a result of lower repairs and maintenance and utilities.

Housekeeping costs are favorable to budget by $86,000, or 43.4%, due to less consulting/outsourcing services, which is due to timing. In addition, there were less agency costs and repairs and maintenance than budgeted.

Dietary costs are unfavorable to budget by $478,000, or 28.4% as a result of higher census in assisted living and memory support when compared to budget. 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.

Medical and other resident care costs are favorable to budget by $369,000, or 16.6%, due to less employment agency, consulting services, professional dues and fees, and legal services.

Net entrance fees are unfavorable to budget by $3,250,000. There were six closings for the year ended December 31, 2020 compared to a budget of 23 closings.

Capital expenditures are favorable to budget by $714,000. This is a result of timing, the inability to have vendors enter the communities due to COVID-19 restrictions, and fewer apartment turnovers.

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 $5,882,000. Maximum annual debt service is $7,520,000. The following is a summary of the long-term debt payable:

(in thousands)	December 31, 2020	December 31, 2019
Series 2009 Bonds	-	105,796
Series 2020 Bonds	112,261	-
	112,261	105,796
Less: Amounts Due within One Year	-	2,975
Amounts Due after One Year	112,261	102,821

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 – Year Ended December 31, 2020 versus Year Ended December 31, 2019:

Cash proceeds from entrance fees and deposits (refundable and non-refundable), net of refunds, were $1,580,000 in 2020 compared to $4,476,000 for 2019. There were six closings for the year ended December 31, 2020 and 18 closings for the same period ended 2019. The Stayton pays out refunds in the order of the refund queue. The timing of refunds according to the queue heavily influences the net entrance fees.

Daily operating expenses for December 31, 2020 decreased to $65,000 from $81,000 for December 31, 2019, a change of 18.9%. 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 December 31, 2019 to $6,692,000 at December 31, 2020, a change of 28.4%. 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 December 31, 2020.

Capital expenditures for the community for the year ended December 31, 2020 were $402,000, while depreciation expense for the same period was $3,586,000. Capital expenditures for the community for the year ended December 31, 2019 were $613,000, while depreciation expense for the same period was $3,999,000.

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%. 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	**Year Ended December 31 (Unaudited) 2020**	**Year Ended December 31 (Audited) 2019**
Excess (deficit) of revenues over expenses	(23,556)	(8,592)
Less:		
Entrance fees earned	(1,372)	(2,247)
Add:		
Depreciation	3,586	3,999
Amortization	14,087	3,734
Interest Expense	6,399	9,283
Unrealized (gain) loss on securities	(197)	(82)
Realized loss on sale of assets	16	3
Deferred management fee	0	160
Change in future service obligation	5,424	(5,598)
Entrance fee proceeds (less refunds)	1,580	4,476
Income available for debt service	5,967	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	6,692	9,344
Liquidity support agreement (e)	6,000	6,000
	12,692	15,344
Department operating expenses plus interest	23,947	29,459
Daily expenses	65	81
Days of unrestricted cash & investments on hand (a)(b)(c)	194	190
Days of unrestricted cash & investments on hand covenant	120	N/A

Occupancy		
Actual occupancy as of December 31, 2020 (a)	91.5%	
Occupancy covenant	88.0%	

Other Ratios		
Net operating margin (b)(c)	17.5%	1.7%
Net operating margin, adjusted (b)(c)	23.2%	19.3%
Adjusted debt to capitalization (b)(c)	122.4%	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)	-
April	-	(741,332)	(3,600,680)	-
May	-	-	(3,600,680)	-
June	-	(855,743)	(4,456,422)	-
July	335,233	-	(4,121,189)	-
August	-	(779,900)	(4,901,089)	-
September	501,168	-	(4,399,921)	-
October	-	(570,879)	(4,970,800)	-
November	-	-	(4,970,800)	-
December	1,135,036	(1,299,600)	(5,135,364)	-
YTD 2020				-

	Other Accounts Impacting Net Entrance Fees
Change in refunds in process	1,586,000
Change in Lifecare Hardship and Unpaid Balances	(5,000)
Rounding/Immaterial	(1,000)
Net Entrance Fees	1,580,000