MONTHLY REPORT
for the month ended January 31, 2021

THE STAYTON AT MUSEUM WAY

A Lifespace Community

LIFESPACE COMMUNITIES

March 3, 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 month ended January 31, 2021, 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. Lifespace Communities, Inc. ("Lifespace") an Iowa not-for-profit corporation, is the sole member of The Stayton.

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 February 17, 2021.

Average Occupancy

	Fiscal Year Ended December 31,			Month ended January 31,	
	2018	2019	2020	2020	2021
Independent Living	96.9%	94.7%	92.9%	95.4%	91.5%
Assisted Living	91.7%	94.4%	96.3%	96.2%	92.6%
Memory Support	92.9%	88.3%	92.4%	96.5%	95.0%
Health Center	83.0%	90.9%	78.2%	91.3%	69.8%

Residential Living Turnover Analysis

	Fiscal Year Ended December 31,			Month ended January 31,	
	2018	2019	2020	2020	2021
Beginning Independent Living Occupiec	185	179	181	181	172
IL Move-Ins	15	18	6	-	-
Transfers to the Health Center	(11)	(7)	(5)	-	-
IL Move-Outs and Death	(10)	(9)	(10)	(3)	-
Ending Independent Living Occupied	179	181	172	178	172
Ending Occupancy Percentage	95.2%	96.3%	91.5%	94.7%	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,			Month ended January 31,	
	2018	2019	2020	2020	2021
Lifecare	28.1%	25.7%	27.5%	19.1%	24.3%
Medicare	36.9%	38.3%	33.8%	39.4%	36.1%
Non-Life Care Resident	35.0%	36.0%	38.7%	41.5%	39.6%
Total Patient Mix	100.0%	100.0%	100.0%	100.0%	100.0%

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

	2021	2020
Assets		
Current Assets:		
Cash and Cash Equivalents	$521	$6,405
Investments	4,878	-
Accounts Receivable	2,087	1,824
Inventories	29	17
Prepaid Insurance & Other	207	368
Assets whose use is limited	1,397	540
Total Current Assets	9,119	9,154
Assets whose use is limited	8,663	9,325
Property and equipment, at cost:		
Land and improvements	4,934	4,910
Buildings and improvements	100,821	101,198
Furniture and equipment	2,054	1,983
	107,809	108,091
Less accum. deprec.	(5,421)	(2,497)
Net property and equipment	102,388	105,594
Net goodwill	42,535	48,582
Net deferred assets	52	63
Net intangible assets	9,436	10,709
TOTAL ASSETS	$172,193	$183,427

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

	2021	**2020**
Liabilities and net assets		
Current liabilities:		
Accounts payable:		
Trade	$717	$827
Related Party	8	452
	725	1,279
Accrued liabilities:		
Employee compensation expense	294	258
Interest	980	502
Other	114	6
	1,388	766
Entrance fee refunds	1,898	452
Total current liabilities	4,011	2,497
Entrance fee deposits	236	234
Long-term Bonds due after one year	112,261	112,261
Deferred entrance fees	6,739	7,408
Refundable entrance and membership fees	71,378	65,688
Future Service Obligation	5,424	-
Total liabilities	200,049	188,088
Net assets without donor restrictions	(27,856)	(4,661)
TOTAL LIABILITIES AND NET ASSETS	$172,193	$183,427

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

	2021	2020
Revenues		
Independent living fees	$886	$920
Entrance fees earned	90	123
Skilled nursing, assisted living and memory support fees, net	787	1,005
Investment income	209	16
	1,972	2,064
Expenses		
Operating expenses:		
Salaries and benefits	642	688
General and administrative	394	390
Plant operations	89	89
Housekeeping	6	6
Dietary	133	206
Medical and other resident care	39	184
Depreciation	314	305
Amortization	584	583
Interest	442	482
	2,643	2,933
Deficit of revenues over expenses	(671)	(869)
Contributions to Lifespace Communities, Inc.	(31)	-
Changes in net assets	(702)	(869)
Net assets at beginning of year	(27,154)	(3,792)
Net assets at end of the period	($27,856)	($4,661)

The Stayton
Statements of Cash Flow
For the Month Ended January 31 (Unaudited)
(Thousands of $)

Operating activities	**2021**	**2020**
Changes in unrestricted net assets	($702)	($869)
Adjustments to reconcile changes in net asset to net cash used in operating activities:		
Entrance fees earned	(90)	(123)
Proceeds from nonrefundable entrance fees and deposits	-	21
Depreciation and Amortization	898	888
Interest applied to long term debt	-	6,466
Change in unrealized appreciation of investments	(176)	(13)
Net (purchases) sales of trading investments	176	13
Contributions to Lifespace Communities, Inc.	31	-
Change in entrance fee deposits	112	10
Changes in operating assets and liabilities:		
Accounts receivables, inventories, and prepaid insurance and other	(1,489)	(214)
Accounts payables and accrued liabilities	401	(7,326)
Net cash used in operating activities	(839)	(1,147)
Investing activities		
Purchases of property and equipment	(13)	(25)
Financing activities		
Contributions to Lifespace Communities, Inc.	(31)	-
Proceeds from refundable entrance fees and deposits	730	434
Refunds of entrance fees	(693)	(275)
Net cash provided in financing activities	6	159
Net decrease in cash, cash equivalents and restricted cash	(846)	(1,013)
Cash, cash equivalents and restricted cash at beginning of year	11,427	17,283
Cash, cash equivalents and restricted cash at end of period	$10,581	$16,270

Month Ended January 31, 2021 versus Month Ended January 31, 2020:

The average year-to-date independent living occupancy at January 31, 2021, was 172.0 independent living homes (91.5% of the 188 available homes). The average year-to-date occupancy at January 31, 2020 was 179.4 independent living homes (95.4% of the 188 available homes).

Revenues from independent living monthly fees and related charges amounted to $886,000 in 2021, a 3.7% decrease from $920,000 for the same revenue sources in 2020. The decrease is driven by lower occupancy in independent living and more hardship discounts. The decrease is offset by the monthly fee increases of 2.5% that were effective January 1, 2021.

Revenues from the health center, assisted living, and memory support fees, net of contractual allowances and pass-through therapy expenses were $787,000 in 2021 compared to $1,005,000 in 2020, a decrease of 21.7%. The decrease is driven by lower occupancy in all higher levels of living when comparing average year to date occupancy at January 31, 2021 and 2020. 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 3.5% effective January 1, 2021.

Total operating expenses, excluding depreciation and interest expense, were $1,303,000 in 2021, a decrease of $260,000 or 16.6% from comparable expenses of $1,563,000 in 2020. Salaries and benefits decreased $46,000 or 6.7% as a result of adjusting staffing to census levels and putting procedures in to place to reduce overtime. Dietary decreased $73,000 or 35.4% related to lower occupancy. Medical and other resident care decreased $145,000 or 78.8% as a result of financial statement reclassifications effective January 1, 2021. The reclassification moves administrative expenses that were recorded in the higher levels of living to general and administrative expense. This change in general and administrative is offset by the decrease in financing related costs in 2020 that would no longer going to occur going forward.

During 2020, 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 24 on a given day. As of the date of this disclosure, there are no resident cases.

Month Ended January 31, 2021 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	$886	$901	($15)
Skilled nursing, assisted living and memory support fees, net	787	859	(72)
	1,673	1,760	(87)
Expenses			
Operating expenses:			
Salaries and benefits	642	732	90
General and administrative	394	412	18
Plant operations	89	114	25
Housekeeping	6	12	6
Dietary	133	153	20
Medical and other resident care	39	45	6
	1,303	1,468	165
Net operating margin	370	292	78
Net entrance fees	37	-	37
Capital expenditures	13	119	106

Net operating margin is favorable to budget by $78,000.

Independent living fees are unfavorable to budget by $15,000 as a result of more apartment discounts.

Skilled nursing, assisted living and memory support fees are unfavorable to budget by $72,000 as a result lower health center occupancy. Year-to-date average health center occupancy is 69.8% compared to a budget of 84.8%.

Salaries and benefits costs are favorable to budget by $90,000, or 12.3%, due to lower census in the health center.

General and administrative costs are favorable to budget by $18,000, or 4.4%, due to lower marketing and agency expenses than budgeted.

Plant operations costs are favorable to budget by $25,000, or 21.9% as a result of lower repairs and maintenance and utilities.

Dietary costs are favorable to budget by $20,000, or 13.1% as a result of lower occupancy in the health center when compared to budget.

Net entrance fees are favorable to budget by $37,000. There were no closings for the month ended January 31, 2021 and the budget. However, The Stayton did collect one deferral entrance fee from prior year and had an entrance fee refund creating the net entrance fees of $37,000.

Capital expenditures are favorable to budget by $106,000 as a result of timing.

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 2021 is $6,445,000. Maximum annual debt service is $7,520,000.

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 – Month Ended January 31, 2021 versus Month Ended January 31, 2020:

Cash proceeds from entrance fees and deposits (refundable and non-refundable), net of refunds, were $37,000 in 2021 compared to $180,000 in 2020. There were no closings for the month ended January 31, 2021 and 2020. As stated earlier, there was a deferral collection and refund that netted to $37,000 as of January 31, 2020. In January 2019, there was a deferral collection, an internal transfer and one refund, netting to $180,000.

Daily operating expenses for January 31, 2021 decreased to $56,000 from $66,000 for January 31, 2020, a change of 15.2%. The change is driven by decreased occupancy in 2021 than 2020. The overall unrestricted cash position decreased from $6,405,000 at January 31, 2020 to $5,399,000 at January 31, 2021, a change of 15.7%. 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 January 31, 2021.

Capital expenditures for the community for the month ended January 31, 2021 were $13,000, while depreciation expense for the same period was $314,000. Capital expenditures for the community for the month ended January 31, 2020 were $25,000, while depreciation expense for the same period was $305,000.

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 $)

	Month Ended January 31 (Unaudited)		Year Ended December 31 (Unaudited)	(Audited)
Historical Debt Service Coverage	**2021**	**2020**	**2020**	**2019**
Excess (deficit) of revenues over expenses	(671)	(869)	(23,556)	(8,592)
Less:				
Entrance fees earned	(90)	(123)	(1,372)	(2,247)
Add:				
Depreciation	314	305	3,586	3,999
Amortization	584	583	14,087	3,734
Interest Expense	442	482	6,399	9,283
Unrealized (gain) loss on securities	(176)	(13)	(197)	(82)
Realized loss on sale of assets	-	-	16	3
Deferred management fee	-	-	-	160
Change in future service obligation	-	-	5,424	(5,598)
Entrance fee proceeds (less refunds)	37	180	1,580	4,476
Income available for debt service	440	545	5,967	5,136
Annual debt service payment	6,455	5,882	5,882	9,513
Annual debt service coverage (b)(c)	0.8	1.1	1.0	0.5
Annual debt service coverage - rolling 12 months (a)(c)	0.9			
Annual debt service coverage covenant (d)	1.1	1.1	1.1	1.2
Days Cash on Hand				
Unrestricted cash and investments	5,399	6,405	6,692	9,344
Liquidity support agreement (e)	6,000	6,000	6,000	6,000
	11,399	12,405	12,692	15,344
Department operating expenses plus interest	1,745	2,045	23,947	29,459
Daily expenses	56	66	65	81
Days of unrestricted cash & investments on hand (a)(b)(c)	203	188	194	190
Days of unrestricted cash & investments on hand covenant	120	120	120	N/A
Occupancy				
Actual occupancy as of January 31, 2021 (a)	91.5%			
Occupancy covenant	88.0%			
Other Ratios				
Net operating margin (b)(c)	22.1%	18.8%	17.5%	1.7%
Net operating margin, adjusted (b)(c)	23.8%	25.7%	23.2%	19.3%
Adjusted debt to capitalization (b)(c)	123.2%	97.6%	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 2020			(5,135,364)	-
January	730,491	(517,500)	(4,922,373)	-
YTD 2021				-
	Other Accounts Impacting Net Entrance Fees			
Change in refunds in process				37,000
Net Entrance Fees				37,000