

MONTHLY REPORT
for the three months ended March 31, 2021



A Lifespace Community

April 29, 2021

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

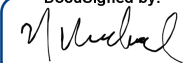
RE: Certificate in accordance with Master Trust Indenture Section 4.15(b) and Section 4.20

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 three months ended March 31, 2021, subject to the year-end audit adjustments.

LIFESPACE COMMUNITIES, 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, 2020 and prior 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	Memory Support	Health Center	Total	CMS 5-Star Rating *
The Stayton	188	42	20	46	296	5

* The CMS 5-Star rating is as of April 20, 2021.

Average Occupancy

	Fiscal Year Ended December 31,			Three Months ended March 31,	
	2018	2019	2020	2020	2021
Independent Living	96.9%	94.7%	92.9%	94.6%	91.2%
Assisted Living	91.7%	94.4%	96.3%	97.0%	94.4%
Memory Support	92.9%	88.3%	92.4%	97.3%	93.2%
Health Center	83.0%	90.9%	78.2%	89.6%	68.2%

Residential Living Turnover Analysis

	Fiscal Year Ended December 31,			Three Months ended March 31,	
	2018	2019	2020	2020	2021
Beginning Independent Living Occupied	185	179	181	181	172
IL Move-Ins	15	18	6	1	-
Transfers to the Health Center	(11)	(7)	(5)	(2)	(1)
IL Move-Outs and Death	(10)	(9)	(10)	(3)	-
Ending Independent Living Occupied	179	181	172	177	171
Ending Occupancy Percentage	95.2%	96.3%	91.5%	94.1%	91.0%

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, 2018 through 2020 and the three months ended March 31, 2020 and 2021 are shown below:

	Fiscal Year Ended December 31,			Three Months ended March 31,	
	2018	2019	2020	2020	2021
Lifecare	28.1%	25.7%	27.5%	21.9%	26.1%
Medicare	36.9%	38.3%	33.8%	40.9%	27.3%
Non-Life Care Resident	35.0%	36.0%	38.7%	37.2%	46.6%
Total Patient Mix	100.0%	100.0%	100.0%	100.0%	100.0%

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

	2021	2020
Assets		
Current Assets:		
Cash and Cash Equivalents	\$1,537	\$6,231
Investments	5,028	-
Accounts Receivable	965	1,501
Inventories	39	17
Prepaid Insurance & Other	198	333
Assets whose use is limited	2,519	1,274
Total Current Assets	<u>10,286</u>	<u>9,356</u>
Assets whose use is limited	7,753	9,772
Property and equipment, at cost:		
Land and improvements	4,934	4,926
Buildings and improvements	100,867	101,253
Furniture and equipment	2,057	1,992
	<u>107,858</u>	<u>108,171</u>
Less accum. deprec.	(6,045)	(3,106)
Net property and equipment	<u>101,813</u>	<u>105,065</u>
Net goodwill	41,579	47,246
Net deferred assets	51	62
Net intangible assets	9,224	10,497
TOTAL ASSETS	<u><u>\$170,706</u></u>	<u><u>\$181,998</u></u>

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

	2021	2020
Liabilities and net assets		
Current liabilities:		
Accounts payable:		
Trade	827	\$503
Related Party	251	420
	<u>1,078</u>	<u>923</u>
Accrued liabilities:		
Employee compensation expense	355	338
Interest	2,387	1,769
Other	98	23
	<u>2,840</u>	<u>2,130</u>
Entrance fee refunds	1,206	790
Total current liabilities	<u>5,124</u>	<u>3,843</u>
Entrance fee deposits	124	324
Long-term Bonds due after one year	112,261	112,261
Deferred entrance fees	6,542	7,187
Refundable entrance and membership fees	71,372	65,618
Future Service Obligation	5,424	-
Total liabilities	<u>200,847</u>	<u>189,233</u>
Net assets without donor restrictions	<u>(30,141)</u>	<u>(7,235)</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$170,706</u></u>	<u><u>\$181,998</u></u>

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

	2021	2020
Revenues		
Independent living fees	\$2,663	\$2,767
Entrance fees earned	287	419
Skilled nursing, assisted living and memory support fees, net	2,224	2,807
Investment income	350	(12)
	<u>5,524</u>	<u>5,981</u>
Expenses		
Operating expenses:		
Salaries and benefits	1,829	2,088
General and administrative	1,226	1,431
Plant operations	359	281
Housekeeping	38	31
Dietary	380	595
Medical and other resident care	103	584
Depreciation	940	914
Amortization	1,753	1,751
Interest	1,850	1,749
Loss on disposal of fixed assets	2	-
	<u>8,480</u>	<u>9,424</u>
Deficit of revenues over expenses	<u>(2,956)</u>	<u>(3,443)</u>
Contributions to Lifespace Communities, Inc.	(31)	-
Changes in net assets	<u>(2,987)</u>	<u>(3,443)</u>
Net assets at beginning of year	<u>(27,154)</u>	<u>(3,792)</u>
Net assets at end of the period	<u><u>(\$30,141)</u></u>	<u><u>(\$7,235)</u></u>

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

Operating activities	2021	2020
Changes in unrestricted net assets	(\$2,987)	(\$3,443)
Adjustments to reconcile changes in net asset to net cash used in operating activities:		
Entrance fees earned	(287)	(419)
Proceeds from nonrefundable entrance fees and deposits	-	91
Depreciation and Amortization	2,693	2,665
Interest applied to long term debt	-	6,466
Change in unrealized appreciation of investments	(270)	2
Net (purchases) sales of trading investments	120	(2)
Contributions to Lifespace Communities, Inc.	31	-
Loss on disposal of property and equipment	2	-
Change in entrance fee deposits	-	100
Changes in operating assets and liabilities:		
Accounts receivables, inventories, and prepaid insurance and other	(297)	174
Accounts payables and accrued liabilities	2,135	(6,318)
Net cash provided (used) in operating activities	<u>1,140</u>	<u>(684)</u>
Investing activities		
Purchases of property and equipment	(66)	(105)
Financing activities		
Contributions to Lifespace Communities, Inc.	(31)	-
Proceeds from refundable entrance fees and deposits	730	1,423
Refunds of entrance fees	(1,391)	(640)
Net cash (used) provided in financing activities	<u>(692)</u>	<u>783</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	382	(6)
Cash, cash equivalents and restricted cash at beginning of year	<u>11,427</u>	<u>17,283</u>
Cash, cash equivalents and restricted cash at end of period	<u>\$11,809</u>	<u>\$17,277</u>

The Stayton Management's Discussion and Analysis

Three Months Ended March 31, 2021 versus Three Months Ended March 31, 2020:

The average year-to-date independent living occupancy at March 31, 2021, was 171.4 independent living homes (91.2% of the 188 available homes). The average year-to-date occupancy at March 31, 2020 was 177.9 independent living homes (94.6% of the 188 available homes).

Revenues from independent living monthly fees and related charges amounted to \$2,663,000 in 2021, a 3.8% decrease from \$2,767,000 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 were \$2,224,000 in 2021 compared to \$2,807,000 in 2020, a decrease of 20.8%. The decrease is driven by lower occupancy in all higher levels of living when comparing average year to date occupancy at March 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 \$3,935,000 in 2021, a decrease of \$1,075,000 or 21.5% from comparable expenses of \$5,010,000 in 2020. Salaries and benefits decreased \$259,000 or 12.4% as a result of adjusting staffing to census levels and putting procedures in to place to reduce overtime. Plant Operations increased \$78,000 or 27.8% due to the winter storm in first quarter 2021. Dietary decreased \$215,000 or 36.1% related to lower occupancy. Medical and other resident care decreased \$481,000 or 82.4% 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 will no longer 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 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.

The Stayton Management's Discussion and Analysis

Three Months Ended March 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	\$2,663	\$2,674	(\$11)
Skilled nursing, assisted living and memory support fees, net	2,224	2,499	(275)
	4,887	5,173	(286)
Expenses			
Operating expenses:			
Salaries and benefits	1,829	2,195	366
General and administrative	1,226	1,222	(4)
Plant operations	359	312	(47)
Housekeeping	38	78	40
Dietary	380	444	64
Medical and other resident care	103	136	33
	3,935	4,387	452
Net operating margin	952	786	166
Net entrance fees	(661)	724	(1,385)
Capital expenditures	66	358	292

Net operating margin is favorable to budget by \$166,000.

Skilled nursing, assisted living and memory support fees are unfavorable to budget by \$275,000 as a result lower health center occupancy. Year-to-date average health center occupancy is 68.2% compared to a budget of 84.8%.

Salaries and benefits costs are favorable to budget by \$366,000, or 16.7%, due to staffing to lower census in the health center.

Plant operations costs are unfavorable to budget by \$47,000, or 15.1%, due to the winter storm that occurred in the first quarter of the year. That increase in costs was offset by lower general repairs and maintenance.

Housekeeping, dietary, and medical and other resident care costs are favorable to budget as a result of lower than budgeted census in the higher levels of care.

The Stayton Management's Discussion and Analysis

Net entrance fees are unfavorable to budget by \$1,385,000. There were no closings for the three months ended March 31, 2021 however there was one closing budgeted. The Stayton did collect two deferral entrance fees from prior year and had two entrance fee refunds creating the net entrance fees of (\$661,000).

Capital expenditures are favorable to budget by \$292,000 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 an occupancy covenant, debt service coverage ratio covenant and a liquidity covenant. The occupancy covenant is 88% independent living apartments and is tested quarterly. The testing dates for the debt service coverage ratio and the liquidity covenant are June 30 and December 31 and begin on June 30, 2021. 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 the \$6.0 million liquidity support agreement provided by Lifespace.

Liquidity and Capital Requirements – Three Months Ended March 31, 2021 versus Three Months Ended March 31, 2020:

Cash proceeds from entrance fees and deposits (refundable and non-refundable), net of refunds, were (\$661,000) in 2021 compared to \$874,000 in 2020. There were no closings for the three months ended March 31, 2021 and one closing for the three months ended March 31, 2020. As stated earlier, there were two deferral collections and two refunds that netted to (\$661,000) as of March 31, 2021. There was one closing, one deferral collection, two internal transfers and one refund, netting to \$874,000 as of March 31, 2020.

Daily operating expenses for March 31, 2021 decreased to \$64,000 from \$74,000 for March 31, 2020, a change of 13.5%. The change is driven by decreased occupancy in 2021 than 2020. The overall unrestricted cash position increased from \$6,231,000 at March 31, 2020 to \$6,565,000 at March 31, 2021, a change of 5.4%. 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 March 31, 2021.

Capital expenditures for the community for the three months ended March 31, 2021 were \$66,000, while depreciation expense for the same period was \$940,000. 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.

The Stayton Management's Discussion and Analysis

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, 2020 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 \$)

	Three Months Ended March 31 (Unaudited)		Year Ended December 31 (Audited)	
Historical Debt Service Coverage	2021	2020	2020	2019
Excess (deficit) of revenues over expenses	(2,956)	(3,443)	(23,338)	(8,592)
Less:				
Entrance fees earned	(287)	(419)	(1,387)	(2,247)
Add:				
Depreciation	940	914	3,586	3,999
Amortization	1,753	1,751	14,093	3,734
Interest Expense	1,850	1,749	6,399	9,283
Unrealized (gain) loss on securities	(270)	2	(197)	(82)
Realized loss on sale of assets	2	-	16	3
Deferred management fee	-	-	-	160
Change in future service obligation	-	-	5,424	(5,598)
Entrance fee proceeds (less refunds)	(661)	874	1,588	4,476
Income available for debt service	371	1,428	6,184	5,136
Annual debt service payment	6,455	5,882	5,882	9,513
Annual debt service coverage (b)(c)	0.2	1.0	1.1	0.5
Annual debt service coverage - rolling 12 months (a)(c)	0.8			
Annual debt service coverage covenant (d)	1.1	1.1	1.1	1.2
Days Cash on Hand				
Unrestricted cash and investments	6,565	6,231	6,692	9,344
Liquidity support agreement (e)	6,000	6,000	6,000	6,000
	12,565	12,231	12,692	15,344
Department operating expenses plus interest	5,785	6,759	23,738	29,459
Daily expenses	64	74	65	81
Days of unrestricted cash & investments on hand (a)(b)(c)	195	165	195	190
Days of unrestricted cash & investments on hand covenant	120	120	120	N/A
Occupancy				
Actual occupancy as of period end (a)	91.0%	94.1%	91.5%	96.3%
Occupancy covenant	88.0%	88.0%	88.0%	88.0%
Other Ratios				
Net operating margin (b)(c)	19.5%	10.1%	18.5%	1.7%
Net operating margin, adjusted (b)(c)	6.9%	22.3%	24.1%	19.3%
Adjusted debt to capitalization (b)(c)	126.6%	100.0%	122.1%	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 Litespace.

(c) Latest FITCH for Investment Grade medians used as benchmarks are as follows: net operating margin of 6.5%, net operating margin, adjusted of 22.5%, maximum annual debt service of 2.5 times, days cash on hand of 528 and adjusted debt to capitalization of 54.0%. The latest "BBB" ratings are as follows: net operating margin of 6.7%, net operating margin, adjusted of 23.0%, maximum annual debt service of 2.2 times, days cash on hand of 496 and adjusted debt to capitalization of 61.1%.

(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) Litespace 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)	-
February	-	(513,378)	(5,435,751)	-
March	-	(889,447)	(6,235,198)	-
YTD 2021				-
Other Accounts Impacting Net Entrance Fees				
Change in refunds in process				(655,000)
Change in Lifecare Hardship and Unpaid Balances				(6,000)
Net Entrance Fees				(661,000)