

**MONTHLY REPORT**  
**for the four months ended April 30, 2021**

THE  
**STAYTON**  
— AT MUSEUM WAY —

A Lifespace Community

June 4, 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 four months ended April 30, 2021, subject to the year-end audit adjustments.

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

\* The CMS 5-Star rating is as of May 26, 2021.

### Average Occupancy

	Fiscal Year Ended December 31,			Four Months ended April 30,	
	2018	2019	2020	2020	2021
Independent Living	96.9%	94.7%	92.9%	94.5%	91.1%
Assisted Living	91.7%	94.4%	96.3%	97.1%	94.1%
Memory Support	92.9%	88.3%	92.4%	96.9%	94.5%
Health Center	83.0%	90.9%	78.2%	83.9%	68.5%

### Residential Living Turnover Analysis

	Fiscal Year Ended December 31,			Four Months ended April 30,	
	2018	2019	2020	2020	2021
Beginning Independent Living Occupied	185	179	181	181	172
IL Move-Ins	15	18	6	1	1
Transfers to the Health Center	(11)	(7)	(5)	(2)	(2)
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 four months ended April 30, 2020 and 2021 are shown below:

	Fiscal Year Ended December 31,			Four Months ended April 30,	
	2018	2019	2020	2020	2021
Lifecare	28.1%	25.7%	27.5%	23.5%	24.6%
Medicare	36.9%	38.3%	33.8%	39.9%	27.1%
Non-Life Care Resident	35.0%	36.0%	38.7%	36.6%	48.3%
Total Patient Mix	100.0%	100.0%	100.0%	100.0%	100.0%

**The Stayton  
Balance Sheets  
As of April 30 (Unaudited)  
(Thousands of \$)**

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current Assets:		
Cash and Cash Equivalents	\$800	\$1,923
Investments	5,091	4,789
Accounts Receivable	1,286	1,226
Inventories	38	17
Prepaid Insurance & Other	214	312
Assets whose use is limited	3,049	2,375
Total Current Assets	10,478	10,642
Assets whose use is limited	8,910	9,783
Property and equipment, at cost:		
Land and improvements	4,934	4,932
Buildings and improvements	100,872	101,278
Furniture and equipment	2,057	2,006
	107,863	108,216
Less accum. deprec.	(6,357)	(3,410)
Net property and equipment	101,506	104,806
Net goodwill	41,101	46,836
Net deferred assets	50	61
Net intangible assets	9,118	10,391
<b>TOTAL ASSETS</b>	<b>\$171,163</b>	<b>\$182,519</b>

**The Stayton  
Balance Sheets  
As of April 30 (Unaudited)  
(Thousands of \$)**

	<b>2021</b>	<b>2020</b>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable:		
Trade	699	\$685
Related Party	258	430
	957	1,115
Accrued liabilities:		
Employee compensation expense	354	292
Interest	2,951	2,333
Other	85	7
	3,390	2,632
Entrance fee refunds	2,547	1,141
Total current liabilities	6,894	4,888
Entrance fee deposits	124	314
Long-term Bonds due after one year	112,261	112,261
Deferred entrance fees	6,599	7,089
Refundable entrance and membership fees	71,960	65,267
Future Service Obligation	5,424	-
Total liabilities	203,262	189,819
Net assets without donor restrictions	(32,099)	(7,300)
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$171,163</b>	<b>\$182,519</b>

**The Stayton**  
**Statements of Operations and Changes in Unrestricted Assets**  
**For the Four Months Ended April 30 (Unaudited)**  
**(Thousands of \$)**

	2021	2020
<b>Revenues</b>		
Independent living fees	\$3,560	\$3,617
Entrance fees earned	364	512
Skilled nursing, assisted living and memory support fees	2,983	3,662
Investment income	227	130
Other	-	425
	<u>7,134</u>	<u>8,346</u>
<b>Expenses</b>		
Operating expenses:		
Salaries and benefits	2,466	2,660
General and administrative	1,722	1,518
Plant operations	414	383
Housekeeping	47	35
Dietary	514	710
Medical and other resident care	148	672
Depreciation	1,253	1,219
Amortization	3,061	2,338
Interest	2,413	2,312
Loss on disposal of fixed assets	2	-
	<u>12,040</u>	<u>11,847</u>
Deficit of revenues over expenses	<u>(4,906)</u>	<u>(3,501)</u>
Contributions to Litespace Communities, Inc.	(39)	(7)
Changes in net assets	<u>(4,945)</u>	<u>(3,508)</u>
Net assets at beginning of year	(27,154)	(3,792)
Net assets at end of the period	<u><u>(\$32,099)</u></u>	<u><u>(\$7,300)</u></u>

**The Stayton**  
**Statements of Cash Flow**  
**For the Four Months Ended April 30 (Unaudited)**  
**(Thousands of \$)**

<b>Operating activities</b>	<b>2021</b>	<b>2020</b>
Changes in unrestricted net assets	(\$4,945)	(\$3,508)
Adjustments to reconcile changes in net asset to net cash used in operating activities:		
Entrance fees earned	(364)	(512)
Proceeds from nonrefundable entrance fees and deposits	134	91
Depreciation and Amortization	4,314	3,557
Interest applied to long term debt	-	6,466
Change in unrealized appreciation of investments	(180)	(121)
Net purchases of trading investments	(33)	(4,668)
Contributions to Lifespace Communities, Inc.	39	7
Loss on disposal of property and equipment	2	-
Change in entrance fee deposits	-	90
Changes in operating assets and liabilities:		
Accounts receivables, inventories, and prepaid insurance and other	(635)	400
Accounts payables and accrued liabilities	2,564	(5,624)
Net cash provided (used) in operating activities	<u>896</u>	<u>(3,822)</u>
 <b>Investing activities</b>		
Purchases of property and equipment	(72)	(151)
 <b>Financing activities</b>		
Contributions to Lifespace Communities, Inc.	(39)	(7)
Proceeds from refundable entrance fees and deposits	1,938	1,417
Refunds of entrance fees	(1,391)	(639)
Net cash provided in financing activities	<u>508</u>	<u>771</u>
 Net increase (decrease) in cash, cash equivalents and restricted cash	1,332	(3,202)
Cash, cash equivalents and restricted cash at beginning of year	11,427	17,283
Cash, cash equivalents and restricted cash at end of period	<u>\$12,759</u>	<u>\$14,081</u>



## **The Stayton Management's Discussion and Analysis**

### **Four Months Ended April 30, 2021 versus Four Months Ended April 30, 2020:**

The average year-to-date independent living occupancy at April 30, 2021, was 171.3 independent living homes (91.1% of the 188 available homes). The average year-to-date occupancy at April 30, 2020 was 177.7 independent living homes (94.5% of the 188 available homes).

Revenues from independent living monthly fees and related charges amounted to \$3,560,000 in 2021, a 1.6% decrease from \$3,617,000 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 \$2,983,000 in 2021 compared to \$3,662,000 in 2020, a decrease of 18.5%. The decrease is driven by lower occupancy in all higher levels of living when comparing average year to date occupancy at April 30, 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.

In April 2020, The Stayton received approximately \$425,000 from the Department of Health and Human Services as a relief under the CARES Act's Public Health and Social Services Relief Fund. The relief funds were subject to certain restrictions on eligible expenses or uses and reporting requirements. The Stayton determined the conditions on which they depend were met. As of April 30, 2021 there has been no relief funds received. The Department of Health and Human Services continues to update guidance regarding the distribution of these funds.

Total operating expenses, excluding depreciation and interest expense, were \$5,311,000 in 2021, a decrease of \$667,000 or 11.2% from comparable expenses of \$5,978,000 in 2020. Salaries and benefits decreased \$194,000 or 7.3% as a result of adjusting staffing to census levels and putting procedures in to place to reduce overtime. General and administrative expense increased \$204,000 or 13.4% as a result of the winter storm costs incurred in the first quarter of 2021. In addition, there was a financial statement reclassification effective January 1, 2021. The reclassification moves general and administrative costs that were previously in the medical and other resident care expenses for higher levels of living into the general and administrative expenses. This financial statement reclassification in general and administrative expense is offset by the decrease in financing related costs in 2020 that will no longer occur going forward. Dietary and medical and other resident care decreased as a result of lower occupancy in assisted living, memory support and the health center. In addition, medical and other resident care decreased as a result of the financial statement reclassification mentioned earlier.

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

## The Stayton Management's Discussion and Analysis

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.

### Four Months Ended April 30, 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)
<b>Revenues</b>			
Independent Living Fees	\$3,560	\$3,564	(\$4)
Skilled nursing, assisted living and memory support fees	2,983	3,329	(346)
	6,543	6,893	(350)
<b>Expenses</b>			
Operating expenses:			
Salaries and benefits	2,466	2,926	460
General and administrative	1,722	1,647	(75)
Plant operations	414	427	13
Housekeeping	47	91	44
Dietary	514	593	79
Medical and other resident care	148	180	32
	5,311	5,864	553
Net operating margin	1,232	1,029	203
Net entrance fees	681	112	569
Capital expenditures	72	477	405

Net operating margin is favorable to budget by \$203,000.

Skilled nursing, assisted living and memory support fees are unfavorable to budget by \$346,000 as a result lower health center occupancy. Year-to-date average health center occupancy is 68.5% compared to a budget of 84.8%.

Salaries and benefits costs are favorable to budget by \$460,000, or 15.7%, due to staffing to lower census in the health center.

## **The Stayton Management's Discussion and Analysis**

General and administrative costs are unfavorable to budget by \$75,000, or 4.6%, due to the winter storm that occurred in first quarter 2021.

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

Net entrance fees are favorable to budget by \$569,000. There was one closing for the four months ended April 30, 2021 and three closings budgeted. In addition, The Stayton collected two deferral entrance fees from prior year which were not budgeted.

Capital expenditures are favorable to budget by \$405,000 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 – Four Months Ended April 30, 2021 versus Four Months Ended April 30, 2020:**

Cash proceeds from entrance fees and deposits (refundable and non-refundable), net of refunds, were \$681,000 in 2021 compared to \$869,000 in 2020. There was one closing for the four months ended April 30, 2021 and 2020. There were also two deferrals collected for the four months ended April 30, 2021 and 2020.

Daily operating expenses for April 30, 2021 decreased to \$64,000 from \$69,000 for April 30, 2020, a change of 6.1%. The change is driven by decreased occupancy in 2021 than 2020. The overall unrestricted cash position decreased from \$6,712,000 at April 30, 2020 to \$5,891,000 at April 30, 2021, a change of 12.2%. 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 April 30, 2021.

Capital expenditures for the community for the four months ended April 30, 2021 were \$72,000, while depreciation expense for the same period was \$1,253,000. Capital expenditures for

## **The Stayton Management's Discussion and Analysis**

the community for the four months ended April 30, 2020 were \$151,000, while depreciation expense for the same period was \$1,219,000.

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, 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 \$)

	Four Months Ended April 30 (Unaudited)		Year Ended December 31 (Audited)	
	2021	2020	2020	2019
<b>Historical Debt Service Coverage</b>				
Excess (deficit) of revenues over expenses	(4,906)	(3,501)	(23,338)	(8,592)
Less:				
Entrance fees earned	(364)	(512)	(1,387)	(2,247)
Add:				
Depreciation	1,253	1,219	3,586	3,999
Amortization	3,061	2,338	14,093	3,734
Interest Expense	2,413	2,312	6,399	9,283
Unrealized (gain) loss on securities	(180)	(121)	(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)	681	869	1,588	4,476
Income available for debt service	<u>1,960</u>	<u>2,604</u>	<u>6,184</u>	<u>5,136</u>
Annual debt service payment	6,455	5,882	5,882	9,513
Annual debt service coverage (b)(c)	0.9	1.3	1.1	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
<b>Days Cash on Hand</b>				
Unrestricted cash and investments	5,891	6,712	6,692	9,344
Liquidity support agreement (e)	6,000	6,000	6,000	6,000
	<u>11,891</u>	<u>12,712</u>	<u>12,692</u>	<u>15,344</u>
Department operating expenses plus interest	7,724	8,290	23,738	29,459
Daily expenses	64	69	65	81
Days of unrestricted cash & investments on hand (a)(b)(c)	185	186	195	190
Days of unrestricted cash & investments on hand covenant	120	120	120	N/A
<b>Occupancy</b>				
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%
<b>Other Ratios</b>				
Net operating margin (b)(c)	18.8%	22.4%	18.5%	1.7%
Net operating margin, adjusted (b)(c)	26.5%	30.3%	24.1%	19.3%
Adjusted debt to capitalization (b)(c)	129.4%	100.2%	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 Lifespace.

(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) 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**

	<b>Entrance Fee Receipts</b>	<b>Monthly Additions to Refund Queue</b>	<b>Remaining Unfunded</b>	<b>Entrance Fee Turnover</b>
End of 2020			(5,135,364)	-
January	730,491	(517,500)	(4,922,373)	-
February	-	(513,378)	(5,435,751)	-
March	-	(889,447)	(6,325,198)	-
April	1,341,543	(310,000)	(5,293,655)	-
YTD 2021				-

**Other Accounts Impacting Net Entrance Fees**

Change in refunds in process	686,000
Change in Lifecare Hardship and Unpaid Balances	(6,000)
Rounding/Immaterial	1,000
Net Entrance Fees	<u>681,000</u>