MONTHLY REPORT
for the ten months ended October 31, 2021

THE STAYTON AT MUSEUM WAY

A Lifespace Community

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LIFESPACE COMMUNITIES

November 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 ten months ended October 31, 2021, subject to the year-end audit adjustments.

LIFESPACE COMMUNITES, INC.

DocuSigned by:
0FBD63BFF8124CA...

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.

The Stayton failed to meet the historical debt service coverage ratio covenant at June 30, 2021. The failure to satisfy the historical debt service coverage ratio covenant requires The Stayton to hire a consultant to make recommendations in order to increase the historical debt service coverage ratio in future periods. The Stayton has retained FTI Consulting, Inc. to, among other things, (i) evaluate operations and marketing strategies; and (ii) provide strategic advice on addressing financial issues. Additionally, The Stayton has retained Sidney Austin LLP as legal counsel.

As of the date of filing this report, The Stayton currently has seven warm and three hot leads. The Stayton had a marketing event in September where five model apartments were showcased for the Tour of Homes. In October and November there were two events featuring The Cliburn with a fun Halloween theme and the Frontier Ballet featuring the Nutcracker. Both performances were followed by tours of the model apartments. In December, two smaller events are planned and themed as A Taste of The Stayton where prospective residents can come for lunch with the Executive Director and Sales Counselor. In 2022 there are plans for educational and lifestyle events throughout the year including Tales of the Rodeo, resident panel discussions and a downsizing and realtor event.

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		
	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 October 31, 2021.

Average Occupancy

	Fiscal Year Ended December 31,			Ten Months ended October 31,	
	2018	2019	2020	2020	2021
Independent Living	96.9%	94.7%	92.9%	93.3%	90.2%
Assisted Living	91.7%	94.4%	96.3%	96.4%	93.0%
Memory Support	92.9%	88.3%	92.4%	92.1%	95.9%
Health Center	83.0%	90.9%	78.2%	79.5%	76.2%

Independent Living Turnover Analysis

	Fiscal Year Ended December 31,			Ten Months ended October 31,	
	2018	2019	2020	2020	2021
Beginning Independent Living Occupied	185	179	181	181	172
IL Move-Ins	15	18	6	4	9
Transfers to the Health Center	(11)	(7)	(5)	(4)	(8)
IL Move-Outs and Death	(10)	(9)	(10)	(9)	(6)
Ending Independent Living Occupied	179	181	172	172	167
Ending Occupancy Percentage	95.2%	96.3%	91.5%	91.5%	88.8%

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 ten months ended October 31, 2020 and 2021 are shown below:

	Fiscal Year Ended December 31,			Ten Months ended October 31,	
	2018	2019	2020	2020	2021
Lifecare	28.1%	25.7%	27.5%	26.8%	19.7%
Medicare	36.9%	38.3%	33.8%	34.6%	30.1%
Non-Life Care Resident	35.0%	36.0%	38.7%	38.6%	50.2%
Total Patient Mix	100.0%	100.0%	100.0%	100.0%	100.0%

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

	2021	2020
Assets		
Current Assets:		
Cash and Cash Equivalents	$0	$439
Investments	4,382	5,216
Accounts Receivable	592	1,329
Inventories	40	17
Prepaid Insurance & Other	148	177
Assets whose use is limited	3,142	3,024
Total Current Assets	8,304	10,202
Assets whose use is limited	7,977	9,473
Property and equipment, at cost:		
Land and improvements	4,937	4,934
Buildings and improvements	101,521	101,407
Furniture and equipment	2,076	2,032
	108,534	108,373
Less accum. deprec.	(8,212)	(5,217)
Net property and equipment	100,322	103,156
Net goodwill	38,234	43,969
Net deferred assets	64	58
Net intangible assets	8,482	9,755
TOTAL ASSETS	$163,383	$176,613

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

	2021	**2020**
Liabilities and net assets		
Current liabilities:		
Accounts payable:		
Trade	801	$819
Related Party	202	262
	1,003	1,081
Accrued liabilities:		
Employee compensation expense	478	436
Interest	2,766	2,841
Other	158	11
	3,402	3,288
Entrance fee refunds	845	726
Total current liabilities	5,250	5,095
Entrance fee deposits	352	127
Long-term Bonds due after one year	112,261	112,261
Deferred entrance fees	7,288	7,010
Refundable entrance and membership fees	72,792	65,309
Future Service Obligation	5,424	-
Total liabilities	203,367	189,802
Net assets without donor restrictions	(39,984)	(13,189)
TOTAL LIABILITIES AND NET ASSETS	$163,383	$176,613

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

	2021	2020
Revenues		
Independent living fees	$8,786	$8,935
Entrance fees earned	1,165	1,111
Skilled nursing, assisted living and memory support fees	7,833	8,554
Investment income	326	592
Other	-	667
	18,110	19,859
Expenses		
Operating expenses:		
Salaries and benefits	6,316	6,730
General and administrative	4,142	3,438
Plant operations	1,168	1,051
Housekeeping	110	83
Dietary	1,487	1,847
Medical and other resident care	510	1,713
Depreciation	3,108	3,040
Amortization	8,584	5,839
Interest	5,456	5,475
Loss on disposal of fixed assets	2	16
	30,883	29,232
Deficit of revenues over expenses	(12,773)	(9,373)
Contributions to Lifespace Communities, Inc.	(57)	(24)
Changes in net assets	(12,830)	(9,397)
Net assets at beginning of year	(27,154)	(3,792)
Net assets at end of the period	($39,984)	($13,189)

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

Operating activities	**2021**	**2020**
Changes in unrestricted net assets	($12,830)	($9,397)
Adjustments to reconcile changes in net asset to net cash used in operating activities:		
Entrance fees earned	(1,165)	(1,111)
Proceeds from nonrefundable entrance fees and deposits	1,266	611
Depreciation and Amortization	11,692	8,879
Interest applied to long term debt	-	6,466
Change in unrealized appreciation of investments	(295)	(4)
Net purchases of trading investments	791	(5,212)
Contributions to Lifespace Communities, Inc.	57	24
Loss on disposal of property and equipment	2	16
Change in entrance fee deposits	228	(97)
Changes in operating assets and liabilities:		
Accounts receivables, inventories, and prepaid insurance and other	414	1,002
Accounts payables and accrued liabilities	2,622	(5,002)
Net cash provided (used) in operating activities	2,782	(3,825)
Investing activities		
Purchases of property and equipment	(743)	(338)
Financing activities		
Contributions to Lifespace Communities, Inc.	(57)	(24)
Proceeds from refundable entrance fees and deposits	5,364	1,730
Refunds of entrance fees	(7,654)	(1,890)
Net cash used in financing activities	(2,347)	(184)
Net decrease in cash, cash equivalents and restricted cash	(308)	(4,347)
Cash, cash equivalents and restricted cash at beginning of year	11,427	17,283
Cash, cash equivalents and restricted cash at end of period	$11,119	$12,936

Ten Months Ended October 31, 2021 versus Ten Months Ended October 31, 2020:

The average year-to-date independent living occupancy at October 31, 2021, was 169.6 independent living homes (90.2% of the 188 available homes). The average year-to-date occupancy at October 31, 2020 was 175.5 independent living homes (93.3% of the 188 available homes).

Revenues from independent living monthly fees and related charges amounted to $8,786,000 in 2021, a 1.7% decrease from $8,935,000 for the same revenue sources in 2020. The decrease is driven by lower occupancy in independent living and more apartment 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 $7,833,000 in 2021 compared to $8,554,000 in 2020, a decrease of 8.4%. The decrease is driven by lower occupancy in assisted living and the health center when comparing average year to date occupancy at October 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.

During the second quarter in 2020, 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 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 October 31, 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 $13,733,000 in 2021, a decrease of $1,129,000 or 7.6% from comparable expenses of $14,862,000 in 2020. Salaries and benefits decreased $414,000 or 6.2% due to staffing to lower occupancy levels and increased team member use of vacation. General and administrative expense increased $704,000 or 20.5% as a result of the winter storm costs incurred in the first quarter of 2021, consulting costs, marketing costs and property insurance. 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. Plant increased $117,000, or 11.1% due to the winter storm costs in first quarter and more repairs and maintenance costs. Dietary and medical and other resident care decreased as a result of lower occupancy in assisted living 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 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 32 on a given day. As of the date of this disclosure, there are no resident cases.

Ten Months Ended October 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	$8,786	$8,943	($157)
Skilled nursing, assisted living and memory support fees	7,833	8,550	(717)
	16,619	17,493	(874)
Expenses			
Operating expenses:			
Salaries and benefits	6,316	7,375	1,059
General and administrative	4,142	4,114	(28)
Plant operations	1,168	1,065	(103)
Housekeeping	110	177	67
Dietary	1,487	1,509	22
Medical and other resident care	510	481	(29)
	13,733	14,721	988
Net operating margin	2,886	2,772	114
Net entrance fees	(1,024)	694	(1,718)
Capital expenditures	743	1,193	450

Net operating margin is favorable to budget by $114,000.

Independent living fees are unfavorable to budget by $157,000 as a result of more apartments discounts than budgeted.

Skilled nursing, assisted living and memory support fees are unfavorable to budget by $717,000 as a result of lower health center occupancy. Year-to-date average health center occupancy is 76.2% compared to a budget of 87.0%.

Salaries and benefits costs are favorable to budget by $1,059,000, or 14.4%, due to staffing to lower census in the health center. The biggest impacted categories are culinary and nursing wages.

Plant operations costs are unfavorable to budget by $103,000, or 9.7%, as a result of the winter storm that occurred in the first quarter of the year and higher repairs and maintenance. The increase in costs were offset by lower utilities.

Housekeeping costs are favorable to budget by $67,000, or 37.9%, as a result of lower than budgeted census in the health center and repairs and maintenance.

Net entrance fees are unfavorable to budget by $1,718,000. There were nine closings for the ten months ended October 31, 2021 and 14 closings budgeted. 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.

Capital expenditures are favorable to budget by $450,000 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 $6,455,000. Maximum annual debt service is $7,520,000.

The Series 2020 Bonds have an occupancy covenant, historical 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 historical 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. At June 30, 2021 The Stayton was in compliance with the occupancy covenant and the liquidity covenant, and was not in compliance with the historical debt service coverage requirement.

Liquidity and Capital Requirements – Ten Months Ended October 31, 2021 versus Ten Months Ended October 31, 2020:

Cash proceeds from entrance fees and deposits (refundable and non-refundable), net of refunds, were ($1,024,000) in 2021 compared to $451,000 in 2020. There were nine closings for the ten months ended October 31, 2021 and four closings for the same period ended 2020. 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 October 31, 2021 decreased to $63,000 from $67,000 for October 31, 2020, a change of 5.3%. The overall unrestricted cash position decreased from $5,655,000 at October 31, 2020 to $4,382,000 at October 31, 2021, a change of 22.5%. 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 October 31, 2021.

Capital expenditures for the community for the ten months ended October 31, 2021 were $743,000, while depreciation expense for the same period was $3,108,000. Capital expenditures for the community for the ten months ended October 31, 2020 were $338,000, while depreciation expense for the same period was $3,040,000.

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 $)

	Ten Months Ended October 31 (Unaudited)		Year Ended December 31 (Audited)	
Historical Debt Service Coverage	**2021**	**2020**	**2020**	**2019**
Excess (deficit) of revenues over expenses	(12,773)	(9,373)	(23,338)	(8,592)
Less:				
Entrance fees earned	(1,165)	(1,111)	(1,387)	(2,247)
Add:				
Depreciation	3,108	3,040	3,586	3,999
Amortization	8,584	5,839	14,093	3,734
Interest Expense	5,456	5,475	6,399	9,283
Unrealized (gain) loss on securities	(295)	(4)	(197)	(82)
Realized loss on sale of assets	2	16	16	3
Deferred management fee	-	-	-	160
Change in future service obligation	-	-	5,424	(5,598)
Entrance fee proceeds (less refunds)	(1,024)	451	1,588	4,476
Income available for debt service	1,893	4,333	6,184	5,136
Annual debt service payment	6,455	5,882	5,882	9,513
Annual debt service coverage (b)(c)	0.4	0.9	1.1	0.5
Annual debt service coverage - rolling 12 months (a)(c)	0.6			
Annual debt service coverage covenant (d)	1.1	1.1	1.1	1.2
Days Cash on Hand				
Unrestricted cash and investments	4,382	5,655	6,692	9,344
Liquidity support agreement (e)	6,000	6,000	6,000	6,000
	10,382	11,655	12,692	15,344
Department operating expenses plus interest	19,189	20,337	23,738	29,459
Daily expenses	63	67	65	81
Days of unrestricted cash & investments on hand (a)(b)(c)	164	175	195	190
Days of unrestricted cash & investments on hand covenant	120	120	120	N/A
Occupancy				
Actual occupancy as of period end (a)	88.8%	91.5%	91.5%	96.3%
Occupancy covenant	88.0%	88.0%	88.0%	88.0%
Other Ratios				
Net operating margin (b)(c)	17.4%	18.1%	18.5%	1.7%
Net operating margin, adjusted (b)(c)	11.9%	20.1%	24.1%	19.3%
Adjusted debt to capitalization (b)(c)	141.1%	105.8%	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			
	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)	(6,325,198)	-
April	1,341,543	(310,000)	(5,293,655)	-
May	1,077,456	-	(4,216,199)	-
June	1,485,071	-	(2,731,128)	-
July	-	(2,241,573)	(4,972,701)	-
August	-	-	(4,972,701)	-
September	750,971	(317,322)	(4,539,052)	-
October	1,244,797	(449,910)	(3,744,165)	-
YTD 2021				-

	Other Accounts Impacting Net Entrance Fees
Change in refunds in process	(1,016,000)
Change in Lifecare Hardship and Unpaid Balances	(7,600)
Net Entrance Fees	(1,023,600)