

**MONTHLY REPORT**  
**for the year ended December 31, 2021**

THE  
**STAYTON**  
— AT MUSEUM WAY —

A Lifespace Community

February 14, 2022

UMB Bank  
Julie Becker  
120 Sixth Street South, Suite 1400  
Minneapolis, MN 55402

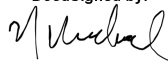
RE: Certificate in accordance with Master Trust Indenture Section 4.15(b) and Section 4.20

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, 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.

The Stayton failed to meet the debt service coverage ratio covenant at June 30 and December 31, 2021. As the debt service coverage ratio is less than 1.0 at December 31, 2021, this is considered an event of default. 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 disclosed in the November 30, 2021 filing, The Stayton, through counsel, has informed the Trustee of an impending covenant breach at December 31, 2021.

As of the date of filing this report, The Stayton currently has 11 warm and three hot leads. In January, the monthly marketing events for 2022 kicked off with Tales of the Rodeo. Bourbon tasting and resident panel discussions are planned for the remainder of the quarter. Throughout 2022 The Stayton plans to host a combination of educational and lifestyle monthly events. The Director of Sales joined the team at the end of December and has focused on internal marketing activities with re-engaging ambassadors and referral happy hour.

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.

## 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 January 2022.

### Average Occupancy

	Fiscal Year Ended December 31,			
	2018	2019	2020	2021
Independent Living	96.9%	94.7%	92.9%	90.1%
Assisted Living	91.7%	94.4%	96.3%	91.9%
Memory Support	92.9%	88.3%	92.4%	96.4%
Health Center	83.0%	90.9%	78.2%	77.9%

### Independent Living Turnover Analysis

	Fiscal Year Ended December 31,			
	2018	2019	2020	2021
Beginning Independent Living Occupied	185	179	181	172
IL Move-Ins	15	18	6	15
Transfers to the Health Center	(11)	(7)	(5)	(9)
IL Move-Outs and Death	(10)	(9)	(10)	(8)
Ending Independent Living Occupied	179	181	172	170
Ending Occupancy Percentage	95.2%	96.3%	91.5%	90.4%

### 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 2021 are shown below:

	Fiscal Year Ended December 31,			
	2018	2019	2020	2021
Lifecare	28.1%	25.7%	27.5%	20.0%
Medicare	36.9%	38.3%	33.8%	30.4%
Non-Life Care Resident	35.0%	36.0%	38.7%	49.6%
Total Patient Mix	100.0%	100.0%	100.0%	100.0%

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

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current Assets:		
Cash and Cash Equivalents	\$1,010	\$1,814
Investments	3,277	4,878
Accounts Receivable	569	1,397
Inventories	46	29
Prepaid Insurance & Other	345	208
Assets whose use is limited	850	866
Total Current Assets	6,097	9,192
Assets whose use is limited	9,388	8,747
Property and equipment, at cost:		
Land and improvements	4,947	4,934
Buildings and improvements	101,867	100,798
Furniture and equipment	2,166	2,065
	108,980	107,797
Less accum. deprec.	(8,812)	(5,108)
Net property and equipment	100,168	102,689
Net goodwill	37,278	43,013
Net deferred assets	85	53
Net intangible assets	8,270	9,542
<b>TOTAL ASSETS</b>	<b>\$161,286</b>	<b>\$173,236</b>

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

	<b>2021</b>	<b>2020</b>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable:		
Trade	943	\$792
Related Party	217	94
	1,160	886
Accrued liabilities:		
Employee compensation expense	379	237
Interest	538	538
Other	100	122
	1,017	897
Entrance fee refunds	3,246	1,861
Total current liabilities	5,423	3,644
Entrance fee deposits	105	124
Long-term Bonds due after one year	112,261	112,261
Deferred entrance fees	7,361	6,829
Refundable entrance and membership fees	72,536	72,108
Future Service Obligation	6,090	5,424
Total liabilities	203,776	200,390
Net assets without donor restrictions	(42,490)	(27,154)
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$161,286</b>	<b>\$173,236</b>

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

	<b>2021</b>	<b>2020</b>
<b>Revenues</b>		
Independent living fees	\$10,563	\$10,670
Entrance fees earned	1,630	1,387
Skilled nursing, assisted living and memory support fees	9,455	9,928
Investment income	378	867
Other	19	667
	<u>22,045</u>	<u>23,519</u>
<b>Expenses</b>		
Operating expenses:		
Salaries and benefits	7,784	7,942
General and administrative	4,268	3,959
Plant operations	1,450	1,297
Housekeeping	127	112
Dietary	1,857	2,166
Medical and other resident care	663	1,863
Depreciation	3,708	3,586
Amortization	10,344	14,093
Interest	6,455	6,399
Loss on disposal of fixed assets	2	16
Increase in obligation to provide future service	666	5,424
	<u>37,324</u>	<u>46,857</u>
Deficit of revenues over expenses	<u>(15,279)</u>	<u>(23,338)</u>
Contributions to Lifespace Communities, Inc.	(57)	(24)
Changes in net assets	<u>(15,336)</u>	<u>(23,362)</u>
Net assets at beginning of year	(27,154)	(3,792)
Net assets at end of the period	<u><u>(\$42,490)</u></u>	<u><u>(\$27,154)</u></u>

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

<b>Operating activities</b>	<b>2021</b>	<b>2020</b>
Changes in unrestricted net assets	(\$15,336)	(\$23,362)
Adjustments to reconcile changes in net asset to net cash used in operating activities:		
Entrance fees earned	(1,630)	(1,387)
Proceeds from nonrefundable entrance fees and deposits	1,804	707
Depreciation and Amortization	14,052	17,679
Interest applied to long term debt	-	6,466
Change in unrealized appreciation of investments	(158)	(197)
Net purchases of trading investments	1,759	(4,681)
Contributions to Lifespace Communities, Inc.	57	24
Loss on disposal of property and equipment	2	16
Increase in Obligation to Provide Future Services	666	5,424
Change in entrance fee deposits	(19)	(100)
Changes in operating assets and liabilities:		
Accounts receivables, inventories, and prepaid insurance and other	(99)	704
Accounts payables and accrued liabilities	394	(7,589)
Net cash provided (used) in operating activities	<u>1,492</u>	<u>(6,296)</u>
<b>Investing activities</b>		
Purchases of property and equipment	(1,188)	(417)
<b>Financing activities</b>		
Contributions to Lifespace Communities, Inc.	(57)	(24)
Proceeds from refundable entrance fees and deposits	8,788	2,769
Refunds of entrance fees	(9,214)	(1,888)
Net cash (used) provided in financing activities	<u>(483)</u>	<u>857</u>
Net decrease in cash, cash equivalents and restricted cash	(179)	(5,856)
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>\$11,248</u>	<u>\$11,427</u>



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

### **Year Ended December 31, 2021 versus Year Ended December 31, 2020:**

The average year-to-date independent living occupancy through December 30, 2021, was 169.3 independent living homes (90.1% of the 188 available homes). The average year-to-date occupancy through December 31, 2020 was 174.7 independent living homes (92.9% of the 188 available homes).

Revenues from independent living monthly fees and related charges amounted to \$10,563,000 in 2021, a 1.0% decrease from \$10,670,000 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. Monthly fees will increase 6.0% starting January 1, 2022.

Revenues from the health center, assisted living, and memory support fees were \$9,455,000 in 2021 compared to \$9,928,000 in 2020, a decrease of 4.8%. The decrease is driven by lower occupancy in assisted living and the health center when comparing average year to date occupancy through December 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. Monthly fees will increase 6.0% starting January 1, 2022.

During 2020, The Stayton received \$667,000 in COVID relief funds. The Stayton received \$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 and \$77,000 from the Department of Health and Human Services as a targeted distribution to skilled nursing facilities. 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 December 31, 2021, there has been \$19,000 of stimulus payments 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 \$16,149,000 in 2021, a decrease of \$1,190,000 or 6.9% from comparable expenses of \$17,339,000 in 2020. Salaries and benefits decreased \$158,000 or 2.0% due to staffing to lower occupancy levels and increased team member use of vacation. This decrease was offset by wage increases for culinary, nursing and housekeeping team members that took effect November 1, 2021. General and administrative expense increased \$309,000 or 7.8% 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 \$153,000, or 11.8% due to the winter storm costs in first quarter and 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. However the medical and other resident care decrease would be offset by an increase in agency spending. In addition, medical and other resident care decreased as a result of the financial statement reclassification mentioned earlier.

## The Stayton Management's Discussion and Analysis

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 67 on a given day. As of the date of this disclosure, there are 13 resident cases.

### Year Ended December 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)
<b>Revenues</b>			
Independent Living Fees	\$10,563	\$10,762	(\$199)
Skilled nursing, assisted living and memory support fees	9,455	10,276	(821)
	20,018	21,038	(1,020)
<b>Expenses</b>			
Operating expenses:			
Salaries and benefits	7,784	8,905	1,121
General and administrative	4,268	4,945	677
Plant operations	1,450	1,259	(191)
Housekeeping	127	210	83
Dietary	1,857	1,813	(44)
Medical and other resident care	663	580	(83)
	16,149	17,712	1,563
Net operating margin	3,869	3,326	543
Net entrance fees	1,378	1,128	250
Capital expenditures	1,188	1,432	244

Net operating margin is favorable to budget by \$543,000.

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

Independent living fees are unfavorable to budget by \$199,000 as a result of more apartments discounts than budgeted.

Skilled nursing, assisted living and memory support fees are unfavorable to budget by \$821,000 as a result of lower assisted living and health center occupancy. Year-to-date average assisted living occupancy is 91.9% compared to a budget of 93.1%. Year-to-date average health center occupancy is 77.9% compared to a budget of 87.1%.

Salaries and benefits costs are favorable to budget by \$1,121,000, or 12.6%, due to staffing to lower census in the health center. The biggest impacted categories are culinary and nursing wages. This favorable variance is offset by the team member wage increases mentioned previously that took effect November 1, 2021.

General and administrative costs are favorable to budget by \$677,000, or 13.7%, due to lower agency and license and fees.

Plant operation costs are unfavorable to budget by \$191,000, or 15.2%, due to consulting services and repairs and maintenance.

Housekeeping costs are favorable to budget by \$83,000, or 39.5%, as a result of lower than budgeted census in the health center and repairs and maintenance.

Medical and other resident care costs are unfavorable to budget by \$83,000, or 14.3%, as a result of agency spend in the higher levels of living.

Net entrance fees are favorable to budget by \$250,000. There were 15 closings for the year ended December 31, 2021 and 18 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 \$244,000 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 began on June 30, 2021. The debt service coverage

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

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 and December 31, 2021, The Stayton was in compliance with the occupancy covenant and the liquidity covenant, and was not in compliance with the debt service coverage requirement.

### **Liquidity and Capital Requirements – Year Ended December 31, 2021 versus Year Ended December 31, 2020:**

Cash proceeds from entrance fees and deposits (refundable and non-refundable), net of refunds, were \$1,378,000 in 2021 compared to \$1,588,000 in 2020. There were 15 closings for the year ended December 31, 2021 and six 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 December 31, 2021 decreased to \$62,000 from \$65,000 for December 31, 2020, a change of 12.6%. The overall unrestricted cash position decreased from \$6,692,000 at December 31, 2020 to \$4,287,000 at December 31, 2021, a change of 35.9%. 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, 2021.

Capital expenditures for the community for the year ended December 31, 2021 were \$1,188,000, while depreciation expense for the same period was \$3,708,000. Capital expenditures for the community for the year ended December 31, 2020 were \$417,000, while depreciation expense for the same period was \$3,586,000.

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

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

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 \$)**

<b>Historical Debt Service Coverage</b>	<b>Year Ended</b>	<b>Year Ended December 31</b>	
	<b>December 31</b>	<b>(Audited)</b>	
	<b>(Unaudited)</b>	<b>2020</b>	<b>2019</b>
	<b>2021</b>		
Excess (deficit) of revenues over expenses	(15,279)	(23,338)	(8,592)
Less:			
Entrance fees earned	(1,630)	(1,387)	(2,247)
Add:			
Depreciation	3,708	3,586	3,999
Amortization	10,344	14,093	3,734
Interest Expense	6,455	6,399	9,283
Unrealized (gain) loss on securities	(158)	(197)	(82)
Realized loss on sale of assets	2	16	3
Deferred management fee	-	-	160
Change in future service obligation	666	5,424	(5,598)
Entrance fee proceeds (less refunds)	1,378	1,588	4,476
Income available for debt service	<u>5,486</u>	<u>6,184</u>	<u>5,136</u>
Annual debt service payment	6,455	5,882	9,513
Annual debt service coverage (b)(c)	0.8	1.1	0.5
Annual debt service coverage covenant (d)	1.1	1.1	1.2
 <b>Days Cash on Hand</b>			
Unrestricted cash and investments	4,287	6,692	9,344
Liquidity support agreement (e)	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>
	<u>10,287</u>	<u>12,692</u>	<u>15,344</u>
Department operating expenses plus interest	22,604	23,738	29,459
Daily expenses	62	65	81
Days of unrestricted cash & investments on hand (a)(b)(c)	166	195	190
Days of unrestricted cash & investments on hand covenant	120	120	N/A
 <b>Occupancy</b>			
Actual occupancy as of period end (a)	90.4%	91.5%	96.3%
Occupancy covenant	88.0%	88.0%	88.0%
 <b>Other Ratios</b>			
Net operating margin (b)(c)	19.4%	18.5%	1.7%
Net operating margin, adjusted (b)(c)	24.6%	24.1%	19.3%
Adjusted debt to capitalization (b)(c)	145.5%	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.

<b>Net Entrance Fee Turnover</b>				
<b>Fundings per the queue</b>				
	<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)	-
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)	-
November	731,296	-	(3,012,868)	-
December	3,230,482	(1,230,032)	(1,012,418)	-
YTD 2021				-
<b>Other Accounts Impacting Net Entrance Fees</b>				
Change in refunds in process				1,385,000
Change in Lifecare Hardship and Unpaid Balances				(7,000)
Net Entrance Fees				<u>1,378,000</u>