

QUARTERLY REPORT
for the three months ended March 31, 2023

Newcastle Place

A Lifespace Community

May 12, 2023

Old National Bank
Kim McMahon
8750 West Bryn Mawr Ave., Suite 1300
Chicago, IL 60631


RE: Certificate in accordance with Loan Agreement dated July 1, 2021 - Section 8.9

The undersigned, Senior Vice President and Chief Financial Officer for Lifespace Communities, Incorporated, hereby certifies that the attached financial statements for:

Newcastle Place

Are complete, correct and fairly present the financial conditions and results of operations for the three months ended March 31, 2023, subject to the year-end audit adjustments. Lifespace Communities, Inc. has not become aware of any event of default or unmatured event of default that has occurred.

LIFESPACE COMMUNITES, INC.

DocuSigned by:

0FBD63BFF8124CA...

Nick Harshfield

Cc: Rachel Nelson



Newcastle Place

Apartments/Units Available

	Independent Living	Assisted Living		Health Center	Total	CMS 5-Star Rating *
	Apartments	Assisted Living	Memory Support			
Newcastle Place	158	36	16	47	257	4

* The CMS 5-Star rating is as of April 2023.

Average Occupancy

	Six Months ended	Year ended	Three months ended	
	December 31, 2021	December 31, 2022	March 31, 2022	2023
Independent Living	96.4%	91.8%	95.6%	89.8%
Assisted Living	97.0%	94.5%	90.5%	94.0%
Memory Support	97.5%	97.4%	97.9%	94.9%
Health Center	80.6%	80.9%	76.2%	84.3%

Health Center Average Payor Mix

	Six Months ended	Year ended	Three months ended	
	December 31, 2021	December 31, 2022	March 31, 2022	2023
Lifecare	18.9%	10.8%	15.8%	9.8%
Medicare	30.8%	33.0%	29.2%	31.2%
Non-Life Care Resident	50.3%	56.2%	55.0%	59.0%
Total Patient Mix	100.0%	100.0%	100.0%	100.0%

Entrance Fee Turnover Data

The number of closings, entrance fees proceeds and refunds are shown below:

	Six Months ended	Year ended	Three months ended	
	December 31, 2021	December 31, 2022	March 31, 2022	2023
Closings	7	28	4	8
Gross Entrance Fees	2,606	10,213	1,695	2,697
Refunds/Other	(982)	(7,539)	(1,653)	(3,054)
Net Entrance Fees	1,624	2,674	42	(357)

Wait List

Independent Living Wait List as of May 9, 2023 is 34.

**Newcastle Place
Balance Sheets
As of March 31 (Unaudited)
(Thousands of \$)**

	2023	2022
Assets		
Current Assets:		
Cash and Cash Equivalents	\$8,309	\$5,789
Accounts Receivable	326	1,910
Inventories	39	23
Prepaid Insurance & Other	201	155
Assets whose use is limited	5	3
Total Current Assets	8,880	7,880
Property and equipment, at cost:		
Land and improvements	4,470	4,202
Buildings and improvements	69,922	68,508
Furniture and equipment	1,964	1,625
	76,356	74,335
Less accum. deprec.	(5,684)	(2,558)
Net property and equipment	70,672	71,777
Swap Derivatives	4,265	-
Net goodwill	38,597	43,695
Net deferred assets	193	20
TOTAL ASSETS	\$122,607	\$123,372

**Newcastle Place
Balance Sheets
As of March 31 (Unaudited)
(Thousands of \$)**

	2023	2022
Liabilities and net assets		
Current liabilities:		
Accounts payable:		
Trade	611	\$313
Related Party	72	230
	683	543
Accrued liabilities:		
Employee compensation expense	693	628
Interest	2	714
Property taxes	583	824
Other	(127)	283
	1,151	2,449
Entrance fee refunds	544	309
Notes Payable Due within One Year	1,264	-
Obligation under Cap Lease due within One Year	8	-
Total current liabilities	3,650	3,301
Entrance fee deposits	25	5
Wait list deposits	199	186
Long-term Notes Payable and Related Party Payable	58,736	60,000
Long-term Related Party Payable	5,101	3,880
Long-term Bonds Due after One Year	8,423	7,134
Obligation under Cap Lease Due after One Year	51	-
Swap Derivative	-	306
Deferred entrance fees	5,476	5,885
Refundable entrance and membership fees	43,419	41,249
Total liabilities	125,080	121,946
Net assets without donor restrictions	(2,473)	1,426
TOTAL LIABILITIES AND NET ASSETS	\$122,607	\$123,372

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

	2023	2022
Revenues		
Independent living fees	\$2,456	\$2,350
Entrance fees earned	290	349
Skilled nursing, assisted living and memory support fees	2,678	2,335
	5,424	5,034
Expenses		
Operating expenses:		
Salaries and benefits	2,382	2,412
General and administrative	1,020	847
Plant operations	362	275
Housekeeping	13	29
Dietary	512	344
Medical and other resident care	224	56
Depreciation	877	854
Amortization	1,446	1,325
Interest	343	885
	7,179	7,027
Excess of revenues over expenses	(1,755)	(1,993)
Contributions to Lifespace Communities, Inc. (a)	(159)	(147)
Changes in net assets	(1,914)	(2,140)
Net assets at beginning of year	(559)	3,566
Net assets at end of the period	(\$2,473)	\$1,426

(a) Lifespace Communities, Inc. allocates home office charges to each of the communities based on percentage of revenues, which is higher than the 5% management fee allowed to be charged in accordance with the loan agreement. This difference is recorded as a long-term payable and equity contribution, and will be collected at a later date in accordance with the loan documents.

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

Operating activities	2023	2022
Changes in unrestricted net assets	(\$1,914)	(\$2,140)
Adjustments to reconcile changes to net cash provided in operating activities:		
Entrance fees earned	(290)	(349)
Proceeds from nonrefundable entrance fees and deposits	270	340
Depreciation and Amortization	2,323	2,179
Amortization of Financing Costs	37	41
Interest Applied to Long-Term Debt	393	-
Contributions to Lifespace Communities, Inc.	159	147
Change in entrance fee and wait list deposits	(53)	35
Changes in operating assets and liabilities:		
Accounts receivables, inventories, and prepaid insurance and other	142	(286)
Accounts payables and accrued liabilities	(567)	138
Net cash provided in operating activities	500	105
Investing activities		
Purchases of property and equipment	(375)	(143)
Financing activities		
Advance for Home Office Allocation	318	293
Contributions to Lifespace Communities, Inc.	(159)	(147)
Proceeds from refundable entrance fees and deposits	2,427	1,355
Refunds of entrance fees	(3,054)	(1,653)
Net cash used in financing activities	(468)	(152)
Net decrease in cash and cash equivalents	(343)	(190)
Cash and cash equivalents at beginning of year	8,652	5,982
Cash and cash equivalents at end of period	\$8,309	\$5,792

Newcastle Place
Selected Historical Financial Information
(Thousands of \$)

	Three Months Ended March 31 (Unaudited)		Year Ended December 31	Six Months Ended December 31
	2023	2022	2022	2021
Historical Debt Service Coverage				
Excess (deficit) of revenues over expenses	(1,755)	(1,993)	(3,527)	(4,145)
Less:				
Entrance fees earned	(290)	(349)	(1,441)	(641)
Gain on Derivative	-	-	(4,571)	-
Add:				
Depreciation	877	854	3,101	1,705
Amortization	1,446	1,325	6,306	2,934
Interest Expense	343	885	2,859	1,515
Loss on Derivative	-	-	-	306
Entrance fee proceeds (less refunds)	(357)	42	2,674	1,624
Income available for debt service	264	764	5,401	3,298
Maximum annual debt service payment	3,728	3,728	3,728	3,728
Annual debt service coverage (a)	1.3	1.5	1.4	1.8
Annual debt service coverage covenant	1.2	1.2	1.2	1.2
Days Cash on Hand				
Unrestricted cash and investments	8,309	5,789	8,652	5,630
Department operating expenses plus interest (Annualized)	19,424	19,392	19,272	18,304
Daily expenses	53	53	53	50
Days of unrestricted cash & investments on hand	156	109	164	112
Days of unrestricted cash & investments on hand covenant	75	60	75	60

(a) The annual debt service coverage uses a rolling 12 months for the Income Available for Debt Service except for the periods of the three months ended March 31, 2022 and December 31, 2021 when there had not been 12 months of activity to date. In those cases, the income available for debt service was annualized from what activity had occurred.

Newcastle Place
Statements of Operations and Changes in Unrestricted Assets
Comparison to Budget
For the Three Months Ended March 31, 2023 (Unaudited)
(Thousands of \$)

	Actual	Budget	Favorable/ (Unfavorable)
Revenues			
Independent living fees	\$2,456	\$2,558	(\$102)
Skilled nursing, assisted living and memory support fees	2,678	2,812	(134)
	<u>5,134</u>	<u>5,370</u>	<u>(236)</u>
Expenses			
Operating expenses:			
Salaries and benefits	2,382	2,611	229
General and administrative	1,020	1,018	(2)
Plant operations	362	361	(1)
Housekeeping	13	38	25
Dietary	512	529	17
Medical and other resident care	224	106	(118)
	<u>4,513</u>	<u>4,663</u>	<u>150</u>
Net operating margin	<u>621</u>	<u>707</u>	<u>(86)</u>