

**QUARTERLY REPORT**  
**for the six months ended June 30, 2023**

# **Newcastle Place**

A Lifespace Community

August 14, 2023

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

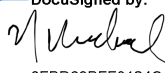
RE: Certificate in accordance with Loan Agreement dated July 1, 2021 - Section 8.9

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 six months ended June 30, 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:  
  
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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 July 2023.

### Average Occupancy

	Six Months ended December 31, 2021	Year ended December 31, 2022	Six months ended June 30,	
			2022	2023
Independent Living	96.4%	91.8%	94.0%	89.2%
Assisted Living	97.0%	94.5%	94.4%	94.5%
Memory Support	97.5%	97.4%	96.1%	96.3%
Health Center	80.6%	80.9%	80.1%	83.8%

### Health Center Average Payor Mix

	Six Months ended December 31, 2021	Year ended December 31, 2022	Six months ended June 30,	
			2022	2023
Lifecare	18.9%	10.8%	13.3%	12.4%
Medicare	30.8%	33.0%	32.1%	36.3%
Non-Life Care Resident	50.3%	56.2%	54.6%	51.3%
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 December 31, 2021	Year ended December 31, 2022	Six months ended June 30,	
			2022	2023
Closings	7	28	12	18
Gross Entrance Fees	2,606	10,213	4,357	6,400
Refunds/Other	(982)	(7,539)	(3,274)	(4,978)
Net Entrance Fees	1,624	2,674	1,083	1,422

### Wait List

Independent Living Wait List as of August 6, 2023 is 32.

**Newcastle Place  
Balance Sheets  
As of June 30 (Unaudited)  
(Thousands of \$)**

<b>Assets</b>	<b>2023</b>	<b>2022</b>
Current Assets:		
Cash and Cash Equivalents	\$10,218	\$6,399
Accounts Receivable	480	1,637
Inventories	39	29
Prepaid Insurance & Other	190	156
Assets whose use is limited	-	545
Total Current Assets	<u>10,927</u>	<u>8,766</u>
Property and equipment, at cost:		
Land and improvements	4,470	4,470
Buildings and improvements	70,142	68,903
Furniture and equipment	2,464	1,657
	<u>77,076</u>	<u>75,030</u>
Less accum. deprec.	<u>(6,614)</u>	<u>(3,440)</u>
Net property and equipment	<u>70,462</u>	<u>71,590</u>
Swap Derivative	4,265	-
Net goodwill	37,273	42,371
Net deferred assets	294	33
<b>TOTAL ASSETS</b>	<u><u>\$123,221</u></u>	<u><u>\$122,760</u></u>

**Newcastle Place  
Balance Sheets  
As of June 30 (Unaudited)  
(Thousands of \$)**

	<b>2023</b>	<b>2022</b>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable:		
Trade	\$911	\$823
Related Party	103	115
	1,014	938
Accrued liabilities:		
Employee compensation expense	569	484
Interest	-	313
Property taxes	649	972
Other	125	123
	1,343	1,892
Entrance fee refunds	2,424	309
Notes Payable Due within One Year	1,264	-
Obligation under Cap Lease due within One Year	5	-
Total current liabilities	6,050	3,139
Entrance fee deposits	2	-
Wait list deposits	192	158
Long-term Notes Payable and Related Party Payable	58,736	60,000
Long-term Related Party Payable	5,446	4,180
Long-term Bonds Due after One Year	8,438	7,162
Obligation under Cap Lease Due after One Year	50	-
Swap Derivative	-	306
Deferred entrance fees	5,607	5,735
Refundable entrance and membership fees	43,056	42,025
Total liabilities	127,577	122,705
Net assets without donor restrictions	(4,356)	55
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$123,221</b>	<b>\$122,760</b>

**Newcastle Place**  
**Statements of Operations and Changes in Unrestricted Assets**  
**For the Six Months Ended June 30 (Unaudited)**  
**(Thousands of \$)**

	<b>2023</b>	<b>2022</b>
<b>Revenues</b>		
Independent living fees	\$5,161	\$4,621
Entrance fees earned	556	765
Skilled nursing, assisted living and memory support fees	5,529	4,911
	11,246	10,297
<b>Expenses</b>		
Operating expenses:		
Salaries and benefits	4,670	4,717
General and administrative	2,236	1,675
Plant operations	691	544
Housekeeping	42	72
Dietary	1,011	780
Medical and other resident care	528	170
Depreciation	1,807	1,736
Amortization	2,921	2,650
Interest	806	1,168
	14,712	13,512
Deficit of revenues over expenses	(3,466)	(3,215)
Contributions to Lifespace Communities, Inc. (a)	(331)	(296)
Changes in net assets	(3,797)	(3,511)
Net assets at beginning of year	(559)	3,566
Net assets at end of the period	(\$4,356)	\$55

(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 Six Months Ended June 30 (Unaudited)**  
**(Thousands of \$)**

<b>Operating activities</b>	<b>2023</b>	<b>2022</b>
Changes in unrestricted net assets	(\$3,797)	(\$3,511)
Adjustments to reconcile changes to net cash provided in operating activities:		
Entrance fees earned	(556)	(765)
Proceeds from nonrefundable entrance fees and deposits	712	606
Refunds of entrance fees	-	(34)
Depreciation and Amortization	4,728	4,386
Amortization of Financing Costs	52	69
Interest Applied to Long-Term Debt	393	-
Net purchases of trading investments	4	-
Contributions to Lifespace Communities, Inc.	331	296
Change in entrance fee and wait list deposits	(83)	2
Changes in operating assets and liabilities:		
Accounts receivables, inventories, and prepaid insurance and other	(116)	(33)
Accounts payables and accrued liabilities	(44)	(24)
Net cash provided in operating activities	<u>1,624</u>	<u>992</u>
<b>Investing activities</b>		
Purchases of property and equipment	(1,095)	(838)
<b>Financing activities</b>		
Advance for Home Office Allocation	663	593
Payments on Leases	(5)	-
Contributions to Lifespace Communities, Inc.	(331)	(296)
Proceeds from refundable entrance fees and deposits	5,688	3,751
Refunds of entrance fees	(4,978)	(3,240)
Net cash used in financing activities	<u>1,037</u>	<u>808</u>
Net decrease in cash and cash equivalents	1,566	962
Cash and cash equivalents at beginning of year	8,652	5,982
Cash and cash equivalents at end of period	<u>\$10,218</u>	<u>\$6,944</u>

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

	Six Months Ended June 30 (Unaudited)		Year Ended December 31	Six Months Ended December 31
	2023	2022	2022	2021
<b>Historical Debt Service Coverage</b>				
Excess (deficit) of revenues over expenses	(3,466)	(3,215)	(3,527)	(4,145)
Less:				
Entrance fees earned	(556)	(765)	(1,441)	(641)
Gain on Derivative	-	-	(4,571)	-
Add:				
Depreciation	1,807	1,736	3,101	1,705
Amortization	2,921	2,650	6,306	2,934
Interest Expense	806	1,168	2,859	1,515
Loss on Derivative	-	-	-	306
Entrance fee proceeds (less refunds)	1,422	1,083	2,674	1,624
Income available for debt service	2,934	2,657	5,401	3,298
Maximum annual debt service payment	3,728	3,728	3,728	3,728
Annual debt service coverage (a)	1.5	1.6	1.4	1.8
Annual debt service coverage covenant	1.2	1.2	1.2	1.2
<b>Days Cash on Hand</b>				
Unrestricted cash and investments	10,218	6,399	8,652	5,630
Department operating expenses plus interest (Annualized)	19,968	18,252	19,272	18,304
Daily expenses	55	50	53	50
Days of unrestricted cash & investments on hand	187	128	164	112
Days of unrestricted cash & investments on hand covenant	90	75	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 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 Six Months Ended June 30, 2023 (Unaudited)**  
**(Thousands of \$)**

	Actual	Budget	Favorable/ (Unfavorable)
<b>Revenues</b>			
Independent living fees	\$5,161	\$5,161	\$0
Skilled nursing, assisted living and memory support fees	5,529	5,643	(114)
	<u>10,690</u>	<u>10,804</u>	<u>(114)</u>
<b>Expenses</b>			
Operating expenses:			
Salaries and benefits	4,670	5,154	484
General and administrative	2,236	2,086	(150)
Plant operations	691	723	32
Housekeeping	42	75	33
Dietary	1,011	1,061	50
Medical and other resident care	528	214	(314)
	<u>9,178</u>	<u>9,313</u>	<u>135</u>
Net operating margin	<u>1,512</u>	<u>1,491</u>	<u>21</u>