CONTINUING DISCLOSURE REPORT
for the three months ended March 31, 2021

LIFESPACE
COMMUNITIES

OBLIGATED GROUP

Abbey Delray
Abbey Delray South
Beacon Hill
Claridge Court
Friendship Village of Bloomington
Friendship Village of South Hills
Grand Lodge
Harbour's Edge
Oak Trace
The Waterford
Village on the Green

The information contained herein is being filed by the Corporation for the purposes of complying with the Corporation's obligations under SEC Rule 15c2-12. The information contained herein is as of the date of this report.

LIFESPACE COMMUNITIES

May 14, 2021

US Bank
Belinda Doyle
Corporate Trust Dept.
Mail Code EX-FL-WWSJ
225 Water Street, Suite 700
Jacksonville, FL 32202

RE: Certificate in accordance with Section 415 (a) (ii) of the Master Trust Indenture dated November 1, 2010

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

Lifespace Communities Obligated Group

Are complete, correct and fairly present the financial conditions and results of operations for the three months ended March 31, 2021, subject to the year-end audit adjustments.

LIFESPACE COMMUNITES, INC.

DocuSigned by:
0FBD63BFF8124CA...

Nick Harshfield

Cc: Bankers Trust, Kristy Olesen
Cc: UMB Bank, Minda Barr and Beth Hock

Lifespace Communities, Inc.
Obligated Group
Management's Discussion and Analysis

Overview:

The legal and operating structure for Lifespace Communities, Inc. (“Lifespace” or the “Corporation”), is described in the December 31, 2020 annual report.

Lifespace is the sole member of Deerfield Retirement Community, Inc. (“Deerfield”) located in Des Moines, Iowa; Northwest Senior Housing Corporation, d/b/a Edgemere (“Edgemere”) located in Dallas, Texas; Barton Creek Senior Living Center, Inc., d/b/a Querencia at Barton Creek (“Querencia”) located in Austin, Texas; and Tarrant County Senior Living Center, Inc., d/b/a The Stayton at Museum Way (“The Stayton”) located in Ft. Worth, Texas. Deerfield, Edgemere, Querencia and The Stayton are separately financed and are not part of the Obligated Group.

Including Deerfield, Edgemere, Querencia and The Stayton, the Corporation operates 15 Life Plan Communities in eight states from a corporate offices located in Des Moines, Iowa and Addison, Texas. References to the “Communities” herein are the 11 Life Plan Communities owned or leased and operated by the Corporation that make up the Obligated Group.

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 and their combined results.

Operational Charts and Financials:

Summary of Units Operated per Community

	Residential Living Apartments	Villas, Carriage or Town Homes	Assisted Living	Health Center Private Room	Health Center Semi-Private Room	Memory Support	Total	CMS 5-Star Rating *
Abbey Delray	314	28	48	30	70	30	520	4
Abbey Delray South	240	44		12	78		374	4
Beacon Hill	374			26	84		484	5
Claridge Court	129			17	28		174	5
Friendship Village of Bloomington (1)	281	12	42	36	30	32	433	5
Friendship Village of South Hills	273	18	50	35	54	32	462	5
Grand Lodge	109		10				119	N/A
Harbour's Edge	266			50	4		320	5
Oak Trace	219	15	66	54	50	28	432	5
The Waterford	248	25		30	30		333	3 **
Village on the Green (2)	204	38	36	2	58		338	5
Total	2,657	180	252	292	486	122	3,989	

* The CMS 5-Star ratings are as of April 20, 2021.
** Lifespace expects these ratings to go up when the next survey results are released.

Change in units from December 31, 2020

(1) As a result of redevelopment efforts at Friendship Village of Bloomington, 42 assisted living and 32 memory support were added in first quarter 2021.
(2) As a result of redevelopment efforts at Village on the Green, 36 assisted living were added in first quarter 2021.

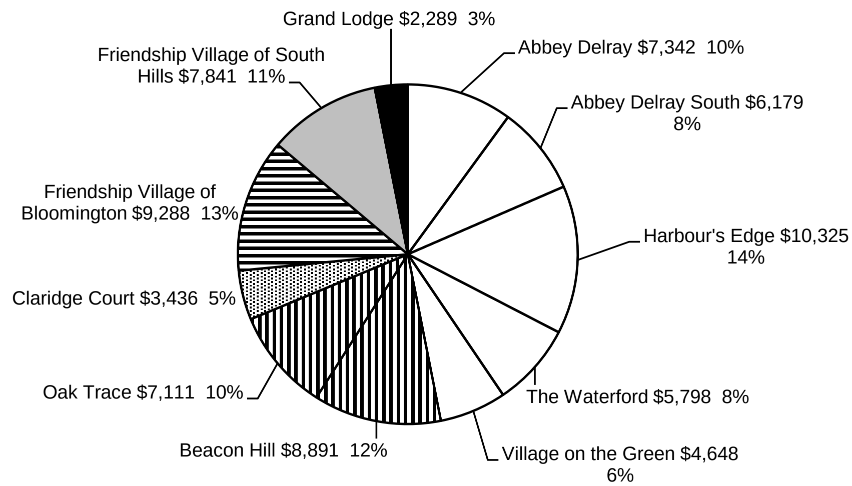
Lifespace Communities, Inc.
Average Occupancy of the Communities

	2018			2019				2020				Twelve months ended March 31, 2021			
Community	Living Units	Health Center	ALUs	Living Units	Health Center	ALUs	Memory Support	Living Units	Health Center	ALUs	Memory Support	Living Units	Health Center	ALUs	Memory Support
Abbey Delray, FL (a)	72.8%	91.2%	85.7%	71.6%	88.1%	85.7%	N/A	67.6%	92.5%	58.9%	36.0%	65.1%	92.3%	63.7%	40.8%
Abbey Delray South, FL	85.6%	88.7%	N/A	80.6%	82.9%	N/A	N/A	76.0%	73.4%	NA	NA	73.2%	68.2%	NA	NA
Beacon Hill, IL	94.4%	93.4%	N/A	94.1%	92.7%	N/A	N/A	92.4%	91.5%	NA	NA	90.9%	90.2%	NA	NA
Claridge Court, KS	90.0%	87.6%	N/A	89.2%	89.6%	N/A	N/A	87.3%	82.0%	NA	NA	85.5%	79.2%	NA	NA
Friendship Village of Bloomington, MN (b)	98.0%	89.4%	88.7%	96.3%	85.6%	86.8%	N/A	93.3%	82.0%	89.5%	NA	91.1%	78.9%	81.5%	86.4%
Friendship Village of South Hills, PA (c)	95.5%	95.8%	N/A	95.5%	94.4%	12.5%	20.0%	87.6%	81.2%	44.7%	63.8%	85.6%	79.3%	49.8%	75.3%
Grand Lodge, NE	92.7%	N/A	100.0%	92.7%	N/A	90.0%	N/A	86.2%	NA	80.1%	NA	85.6%	NA	78.4%	NA
Harbour's Edge, FL	91.4%	93.3%	N/A	89.8%	91.7%	N/A	N/A	86.8%	92.4%	NA	NA	85.4%	91.8%	NA	NA
Oak Trace, IL (d)	91.2%	63.5%	66.0%	88.6%	78.9%	72.1%	43.8%	83.6%	92.8%	83.2%	57.5%	84.7%	93.2%	74.8%	62.7%
The Waterford, FL	87.1%	94.0%	N/A	90.0%	96.3%	N/A	N/A	86.8%	86.2%	NA	NA	85.1%	82.2%	NA	NA
Village on the Green, FL (e)	86.1%	88.5%	N/A	83.9%	93.3%	N/A	N/A	82.4%	80.0%	NA	NA	81.5%	73.0%	0.2%	NA
Obligated Group	89.2%	87.2%	80.0%	88.0%	88.7%	76.7%	38.1%	84.3%	85.9%	71.2%	53.3%	82.7%	83.6%	68.0%	61.1%

(a) The new assisted living and memory support opened in February 2020.
(b) The new assisted living and memory support opened in February 2021.
(c) The new assisted living and memory support opened in November 2019.
(d) The new health center, assisted living and memory support opened in June 2019.
(e) The new assisted living opened in March 2021.

	Three months ended March 31, 2020				Three months ended March 31, 2021			
	Living Units	Health Center	ALUs	Memory Support	Living Units	Health Center	ALUs	Memory Support
Abbey Delray, FL	71.8%	93.9%	42.8%	20.0%	61.5%	93.5%	67.9%	47.4%
Abbey Delray South, FL	79.7%	88.4%	NA	NA	68.2%	67.3%	NA	NA
Beacon Hill, IL	94.2%	95.9%	NA	NA	88.2%	90.8%	NA	NA
Claridge Court, KS	88.9%	90.4%	NA	NA	81.5%	78.9%	NA	NA
Friendship Village of Bloomington, MN	97.3%	90.6%	87.9%	NA	88.1%	78.4%	57.8%	86.4%
Friendship Village of South Hills, PA	92.1%	87.0%	36.1%	38.6%	83.8%	79.2%	56.4%	84.8%
Grand Lodge, NE	87.1%	NA	90.2%	NA	84.8%	NA	83.3%	NA
Harbour's Edge, FL	89.8%	95.7%	NA	NA	84.2%	93.4%	NA	NA
Oak Trace, IL	82.5%	90.7%	96.8%	51.4%	87.0%	92.3%	62.9%	72.4%
The Waterford, FL	89.9%	97.1%	NA	NA	83.1%	81.0%	NA	NA
Village on the Green, FL	83.0%	94.0%	NA	NA	79.5%	65.6%	0.2%	NA
Obligated Group	86.9%	92.2%	71.9%	39.8%	80.4%	83.1%	59.1%	71.5%

Comparative Analysis of Gross Revenues
Three Months Ended March 31, 2021
($ in Thousands)



Gross revenues include residential living fees, skilled nursing and assisted living fees, entrance fees earned, and investment income.

Skilled Nursing Payer Mix and Occupancy

	Year-ended			Three Months Ended March 31,	
Payer	2018	2019	2020	2020	2021
Lifecare	18.0%	16.6%	14.6%	14.9%	12.7%
Private Pay	22.0%	23.8%	23.0%	22.9%	22.6%
Medicare	43.7%	42.4%	44.5%	45.2%	47.3%
Medicaid	10.2%	11.3%	10.7%	10.5%	10.0%
Other	6.1%	5.9%	7.2%	6.5%	7.4%
Total Patient Mix	100%	100%	100%	100%	100%
Year-To-Date Average Service Units Available	799	786	776	776	778
Year-To-Date Average Occupancy Percentage	87.2%	88.7%	85.9%	92.2%	83.1%

Lifespace Communities, Inc.
Obligated Group Balance Sheets
As of March 31 (Unaudited)
(Thousands of $)

	2021	2020
Assets		
Current Assets:		
Cash and Cash Equivalents	$11,286	$4,304
Investments	149,508	116,603
Accounts Receivable	11,786	15,847
Inventories	1,040	1,082
Prepaid Insurance & Other	2,286	2,965
Assets whose use is limited	49,126	140,442
Total Current Assets	225,032	281,243
Assets whose use is limited	81,145	83,417
Property and equipment, at cost:		
Land and improvements	63,098	60,912
Buildings and improvements	1,021,420	924,754
Furniture and equipment	79,720	69,337
	1,164,238	1,055,003
Less accum. deprec.	(504,345)	(459,631)
Net property and equipment	659,893	595,372
Net goodwill	40,938	46,220
Net deferred assets	1,109	989
Net intangible assets	2,755	2,755
TOTAL ASSETS	$1,010,872	$1,009,996

Lifespace Communities, Inc.
Obligated Group Balance Sheets
As of March 31 (Unaudited)
(Thousands of $)

	2021	2020
Liabilities and net assets		
Current liabilities:		
Accounts payable:		
Trade	$9,797	$7,424
Intercompany	2,092	1,847
	11,889	9,271
Accrued liabilities:		
Employee compensation expense	9,070	8,905
Interest	7,580	7,775
Property taxes	2,253	2,783
Other	3,066	2,522
	21,969	21,985
Entrance fee refunds	3,475	5,398
Reserve for health center refunds	28,003	32,684
Long-term debt due within one year	9,828	6,912
Obligation under cap lease due within one yr	732	646
Total current liabilities	75,896	76,896
Entrance fee deposits	12,065	12,479
Wait list deposits	1,511	1,807
Long-term debt due after one year	467,172	473,302
Obligation under cap lease due after one year	958	1,230
Deferred entrance fees	141,226	155,647
Refundable entrance and membership fees	398,528	398,230
Total liabilities	1,097,356	1,119,591
Net assets without donor restrictions	(86,484)	(109,595)
TOTAL LIABILITIES AND NET ASSETS	$1,010,872	$1,009,996

Lifespace Communities, Inc.
Obligated Group Statements of Operations and Changes in Unrestricted Assets
For the Three Months Ended March 31 (Unaudited)
(Thousands of $)

	2021	2020
Revenues		
Independent Living Fees	$29,881	$31,671
Entrance fees earned/cancellation penalties	6,957	7,410
Skilled nursing, assisted living and memory support fees	25,102	24,155
Investment Income	10,223	(12,089)
Other	985	-
	73,148	51,147
Expenses		
Operating expenses:		
Salaries and benefits	26,705	28,541
General and administrative	14,612	12,720
Plant operations	3,675	3,512
Housekeeping	271	381
Dietary	4,166	6,063
Medical and other resident care	2,148	2,336
Depreciation	11,739	10,440
Amortization	1,381	1,375
Interest	2,883	3,114
Loss on disposal of fixed assets	55	125
	67,635	68,607
Excess of revenues over expenses	5,513	(17,460)
Contributions to Lifespace Communities, Inc.	(346)	(136)
Changes in net assets	5,167	(17,596)
Net assets at beginning of year	(91,651)	(91,999)
Net assets at end of the period	($86,484)	($109,595)

Lifespace Communities, Inc.
Obligated Group Statements of Cash Flow
For the Three Months Ended March 31 (Unaudited)
(Thousands of $)

Operating activities	**2021**	**2020**
Changes in unrestricted net assets	$5,167	($17,596)
Adjustments to reconcile changes in net asset to net cash used in operating activities:		
Entrance fees earned	(6,955)	(7,406)
Proceeds from nonrefundable entrance fees and deposits	4,365	4,316
Refunds of entrance fees	(1,655)	(1,030)
Depreciation and Amortization	13,120	11,815
Amortization of Financing Costs	170	103
Net accretion of original issue premium/discounts	(301)	(329)
Change in unrealized appreciation of investments	(9,066)	13,083
Net sales of trading investments	13,359	9,256
Contributions to Lifespace Communities, Inc.	346	136
Loss on disposal of property and equipment	55	125
Change in wait lists and deposits	594	-
Changes in operating assets and liabilities:		
Accounts receivables, inventories, and prepaid insurance and other	1,942	(2,579)
Accounts payables and accrued liabilities	(4,620)	(767)
Net cash provided in operating activities	16,521	9,127
Investing activities		
Purchases of property and equipment	(14,271)	(13,194)
Financing activities		
Repayment of long-term debt	(1,155)	(1,053)
Proceeds from Line of Credit	856	-
Contributions to Lifespace Communities, Inc.	(346)	(136)
Payments on Finance Leases	(97)	(27)
Proceeds from refundable entrance fees and deposits	4,458	6,928
Refunds of entrance fees	(8,188)	(9,062)
Net cash used in financing activities	(4,472)	(3,350)
Net decrease in cash and cash equivalents	(2,222)	(7,417)
Cash and cash equivalents at beginning of year	13,508	11,721
Cash and cash equivalents at end of period	$11,286	$4,304

Three Months Ended March 31, 2021 versus Three Months Ended March 31, 2020:

The average year-to-date independent living occupancy at March 31, 2021, was 2,281 independent living homes (80.4% of the 2,837 average available homes). The average year-to-date occupancy at March 31, 2020 was 2,471 independent living homes (86.9% of the 2,843 average available homes). The decrease in average available homes from March 31, 2021 to the same period in 2020 is due primarily to taking apartments out of service at two communities to support the redevelopment efforts discussed under Liquidity and Capital Requirements.

Revenues from independent living monthly fees and related charges amounted to $29,881,000 in 2021, a 5.7% decrease over the $31,671,000 from the same revenue sources in 2020. Monthly fees increased in the range of 2.0% to 4.0% on January 1, 2021. The increase in monthly fees is offset by lower occupancy levels and taking apartments out of service due to redevelopment.

Revenues from the health center, assisted living, and memory support fees were $25,102,000 in 2021 compared to $24,155,000 in 2020, an increase of 3.9%. This increase is the result of the monthly fee increases effective January 1, 2021 and the occupancies related to the completion and openings of the redevelopment projects. The Friendship Village of Bloomington redevelopment project opened in February of 2021. This added assisted living and memory support rooms while eliminating boarding care. The Village on the Green redevelopment project opened at the end of March of 2021. This added assisted living rooms.

During the first quarter in 2021, the Obligated Group received $985,000 in infection quality control payments from the Department of Health and Human Services. The Department of Health and Human Services continues to update guidance regarding the distribution of these funds.

Total operating expenses, excluding depreciation, amortization, interest expense, and loss on disposal of property were $51,577,000 in 2021, a decrease of $1,976,000 or 3.7% from comparable expenses of $53,553,000 in 2020. Salaries and benefits decreased $1,836,000 or 6.4% as a result of adjusting staffing to lower census. General and administrative expense increased $1,892,000 or 14.9% as a result of financial statement reclassifications. 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 expense increased $163,000 or 4.6% due to higher costs in cable television and utilities. Dietary costs decreased $1,897,000 or 31.3%, due to lower occupancy. Medical and other resident care decreased $188,000 or 8.0%. The financial reclassification mentioned earlier is impacting medical and other resident care. Offsetting that is higher expenses due to the opening of the redevelopment projects.

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.

COVID-19 is impacting each of the communities in the Obligated Group at different levels which change on a daily basis. At any point in time, a given community can experience a resident or team member with a positive COVID-19 test. Lifespace has established protocols to comply with all federal, state and local requirements. Any suspected COVID-19 cases are subject to self-isolation and monitored. All communities have seen an increase in costs for personal protection equipment and inventories of these supplies have been increased in anticipation of their continued need. Where cases have been identified, there have also been additional compensation plans for team members put in place.

The number of COVID-19 positive results across the Obligated Group has ranged from zero to 77 at any single community on a given day. As of the date of this disclosure, the cases range from zero to four.

Three Months Ended March 31, 2020 versus Three Months Ended March 31, 2019:

The average year-to-date independent living occupancy at March 31, 2020, was 2,471 independent living homes (86.9% of the 2,843 average available homes). The average year-to-date occupancy at March 31, 2019 was 2,544 independent living homes (89.2% of the 2,853 average available homes). The decrease in average available homes from March 31, 2019 to the same period in 2020 is due primarily to taking apartments out of service at two communities to support the redevelopment efforts discussed under Liquidity and Capital Requirements. There was one community that combined smaller apartments. Occupancy continues to be challenged in the more modestly priced Florida communities.

Revenues from independent living monthly fees and related charges amounted to $31,671,000 in 2020, a 1.1% increase over the $31,335,000 from the same revenue sources in 2019. Monthly fees increased in the range of 3.5% to 4.0% on January 1, 2020. The increase in monthly fees is offset by lower occupancy levels and taking apartments out of service due to redevelopment.

Revenues from the health center, assisted living, and memory support fees were $24,155,000 in 2020 compared to $19,907,000 in 2019, an increase of 21.3%. This increase is the result of the monthly fee increases effective January 1, 2020, increased occupancies in the Health Centers and the occupancies related to the completion and openings of the redevelopment projects. The Oak Trace phase I redevelopment project opened in June of 2019. This added assisted living and memory support rooms while decreasing the health center and catered living rooms available. Friendship Village of South Hills redevelopment project opened in November of 2019. This added assisted living and memory support rooms. Abby Delray opened in February of 2020. This added assisted living and memory support rooms.

Total operating expenses, excluding depreciation, amortization, interest expense, and loss on disposal of property were $53,553,000 in 2020, an increase of $4,156,000 or 8.4% from comparable expenses of $49,397,000 in 2019. Salaries and benefits increased $2,650,000 or 10.2% as a result of annual merit and market adjustments, filling positions that are necessary as the redevelopment projects have opened for several communities, increased staffing for home health with more utilization and higher benefit and tax costs of $670,000. General and administrative expense increased $1,093,000 or 9.4% due to increases in application and software expense of $310,000, marketing expenses of $327,000, and consulting/outsourcing services of $271,000.

Plant operations increased $62,000 or 1.8% as a result of higher outsourcing services compared to the same period in 2019. Dietary costs increased $334,000 or 5.8%, which is in line with the budget.

Three Months Ended March 31, 2021 Actual versus Budget:

The Lifespace Board of Directors annually approves the budget that results in an accepted net operating margin, net entrance fees and capital expenditures. 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	$29,881	$30,746	($865)
Skilled nursing, assisted living and memory support fees	25,102	24,277	825
Other	985	-	985
	55,968	55,023	945
Expenses			
Operating expenses:			
Salaries and benefits	26,705	28,834	2,129
General and administrative	14,612	14,968	356
Plant operations	3,675	3,791	116
Housekeeping	271	322	51
Dietary	4,166	4,885	719
Medical and other resident care	2,148	1,565	(583)
	51,577	54,365	2,788
Net operating margin	4,391	658	3,733
Net entrance fees, excluding initial entrance fees	(1,020)	(4,352)	3,332
Capital expenditures, financed with bond proceeds	9,477	12,780	3,303
Capital expenditures, routine	4,794	8,771	3,977

Net operating margin is favorable to budget by $3,733,000.

Independent living fees are unfavorable to budget by $865,000, which is primarily driven by fewer closings resulting in fewer processing fees. The budget for the three months ended March 31, 2021 had 52 closings compared to the actual closings of 24. In addition, there are more apartment discounts than budgeted.

Skilled nursing, assisted living and memory support fees are favorable to budget by $825,000 due to higher home health usage than budgeted.

Other revenue is favorable to budget by $985,000 as a result of the infection quality control payments from the Department of Health and Human Services. Receipt of these funds were not budgeted.

Salaries and benefits are $2,129,000, or 7.4%, favorable to budget due to staffing to lower occupancy levels and the COVID wages reclassed to other department expenses.

General and administrative expense is favorable to budget by $356,000, or 2.4%, as a result of timing as some of the expenses budgeted in first quarter will be incurred later in the year.

Plant operations expense is favorable to budget by $116,000, or 3.1%, as a result of lower repairs and maintenance than budgeted.

Dietary expense is favorable to budget by $719,000, or 14.7%, as a result of COVID restrictions. As dining venues continue to reopen we will see this expense increase.

Medical and other resident care expense is unfavorable to budget by $583,000, or 37.3%, as a result of higher use of agency than budgeted.

Net entrance fees, excluding initial entrance fees, are favorable to budget by $3,332,000 which is primarily the result of fewer refunds paid than budgeted. Approximately $8,463,000 in refunds was paid in the three months ended March 31, 2021 where there was no corresponding entrance fee received. These refunds consist of approximately $2,857,000 paid in 2021 for prior year closings, approximately $3,007,000 in refunds for residents who passed away that were permanently assigned to higher levels of care (and the apartment had previously been resold), approximately $1,616,000 in refunds for satisfaction guarantees, and approximately $983,000 in refunds due according to the residency contract requirement (refunds are to be paid in a certain number of months which can sometime be before the apartment is resold). In addition, as of March 31, 2021 there was $425,000 in entrance fee deferrals received which has a positive impact on net entrance fees. As mentioned earlier, the budget for the three months ended March 31, 2021 had 52 closings compared to the actual closings of 24.

Capital expenditures financed with bond proceeds are approximately $3,332,000 less than budgeted. This is the result of timing. Approximately $3,977,000 less was spent on routine capital expenditures than budgeted. This is the result of timing and fewer apartment turnovers.

Ratios:

The Net Operating Margin Ratio increased from 4.1% at March 31, 2020 to 7.8% at March 31, 2021 which is above the benchmark of 6.5%. The Net Operating Margin, Adjusted Ratio decreased from 6.3% at March 31, 2020 to 6.1% at March 31, 2021 which is below the benchmark of 22.5%. The annual debt service coverage ratio decreased from 0.9 times at March 31, 2020 to 0.7 times at March 31, 2021, which is below the benchmark. The Net Operating Margin, Adjusted and the Debt Service Coverage Ratio are impacted by the decrease in net entrance fees. Further details on net entrance fees is stated in the Liquidity and Capital Requirements section below. Other impacts are the lower occupancies in independent living causing strain on the net operating margin.

Investment income increased when comparing the three months ended March 31, 2021 to the same period in 2020. Excluding the unrealized gain/loss, investment income represents an increase of $163,000, which impacts the debt service coverage ratio in a positive manner. The following chart shows the components of investment income in thousands of dollars.

	March 31, 2021	March 31, 2020
Interest and Dividend Income	$952	$1,181
Realized Gain/(Loss)	205	(187)
Unrealized Gain/(Loss)	9,066	(13,083)
Total	$10,223	($12,089)

The Adjusted Debt to Capitalization decreased from 91.2% at March 31, 2020 to 89.7% at March 31, 2021. Both periods are above the benchmark.

Liquidity and Capital Requirements – Three Months Ended March 31, 2021 versus Three Months Ended March 31, 2020:

Cash proceeds from entrance fees and deposits (refundable and non-refundable), net of refunds, were ($1,020,000) for the three months ended March 31, 2021 compared to $1,152,000 for the same period in 2020. The decrease is driven by reoccupancies of 24 in the three months ended March 31, 2021 versus 43 reoccupancies in the three months ended March 31, 2020. As mentioned previously, in the three months ended March 31, 2021 approximately $8,463,000 in refunds had been issued with no corresponding entrance fee and $5,824,000 for the same period in 2020. In addition, entrance fees deferrals were received of $425,000 in the three months ended March 31, 2021 and entrance fee deferrals were given of $923,000 for the same period in 2020. The deferrals received in 2021 has a positive impact on net entrance fees versus the deferrals given for the same period in 2020 which has a negative impact on net entrance fees.

Daily operating expenses for 2021 decreased to $602,000 from $617,000 in 2020, a decrease of 2.4%. The overall unrestricted cash position increased from $153,119,000 at March 31, 2020 to $194,505,000 at March 31, 2021, a change of 27.0%. The Days Cash on Hand Ratio increased from 248 days at March 31, 2020 to 323 days at March 31, 2021.

Capital expenditures for the communities for the three months ended March 31, 2021 were $14,271,000, while depreciation expense for the same period was $11,739,000. The five redevelopment projects mentioned below account for $9,477,000 of this year-to-date 2021 expenditure balance. Capital expenditures for the communities for the three months ended March 31, 2020 were $13,194,000, while depreciation expense for the same period was $10,440,000. As stated below, the five redevelopment projects account for $8,587,000 of this year-to-date 2020 expenditure balance.

To evaluate the financial aspect of the needed re-investment in the communities, management targets capital expenditures as a percentage of depreciation in the range of 70% to 130%. This ratio is monitored on a 5-year historical view and a 10-year forecast period to assist with the annual capital expenditure decisions. The 5-year historical ratio for the Obligated Group at December 31, 2020 is 224% which is higher than the range as a result of the redevelopment projects. The redevelopment projects are mostly funded with long-term debt and internal cash. Routine capital projects are expected to be funded from internal cash flows.

Lifespace Communities completed tax-exempt bond financings in 2016, 2018 and 2019 of which the proceeds support the projects below. In addition, Lifespace has secured a line of credit with a bank for $25 million to support the redevelopment efforts. The line of credit is to be used for the redevelopment projects when bond project funds are depleted and prior to the issuance of additional bonds as described below. The terms and covenants of the line of credit follow the master trust indenture. As of March 31, 2021, $4.4 million has been drawn on this line of credit for two communities.

Three of the communities are in the process of significant construction at March 31, 2021. There were five construction projects of which two construction projects were completed and opened in 2020. All five of the communities with improvements used and are using proceeds of the Series 2016, Series 2018 and Series 2019 Bonds. As with any construction project, the timing of expenditures and the project budget can change through the passage of time or as the project advances in development. The monthly Redevelopment Project Status Report filed on EMMA provides additional details regarding the construction projects.

The table below reflects what has happened to date with these projects along with future construction expectations through the completion of the projects, which are subject to change.

	(thousands)
Approved Projects	$421,781
Costs Already Paid from the Series 2016 Bonds, 2018 Bonds, 2019 Bonds and Internal Cash	(271,403)
Series 2018 and 2019 Bond Project Funds Available	(36,332)
Future Financing and Internal Cash Needs	114,046

In February 2020, the Board approved a project at the Waterford for $104,457,000. This project is not included in the above table, and did not receive proceeds from the 2016, 2018 or 2019 financings. The line of credit has been used to fund pre-construction of approximately $4.1 million for the Waterford.

Management continuously reviews and prioritizes the needs at each of the Communities to determine what is needed to enhance the Community, fill service gaps, stay competitive in the market place and grow. There is no guarantee that the Lifespace will complete all the projects listed above, that the scope will not be materially altered or that additional Communities will not be added.

In October 2020, Fitch affirmed its rating for the outstanding revenue bonds of Lifespace at ‘BBB’ with a stable outlook.

Lifespace has issued a guarantee on a portion of the Deerfield Retirement Community, Inc.’s outstanding bonds, which total $36,236,500. In 2021 total debt service on the guaranteed bonds is $2,777,000, of which $1,162,000 is due to Lifespace. As of March 31, 2021, the Obligated Group has not paid any amounts of the 2021 debt service payments for Deerfield. As this is a related party guarantee, the Deerfield debt is not included in the Obligated Group balance sheet but is included in the debt service coverage calculation. Inclusion of the Deerfield debt decreases the annual debt service coverage from 0.8 times to 0.7 times. As a result of this guarantee, the financial covenants required by the Deerfield bonds are the same as the Lifespace covenants.

The debt service payments for the Lifespace’s guarantee portion of the Deerfield Retirement Community, Inc.’s bonds are as follows:

Year	Total Principal and Interest Amount	Portion Payable to Lifespace
2021	$2,777,000	$1,162,000
2022	$2,382,000	$766,000
2023	$2,382,000	$766,000
2024	$2,382,000	$766,000
2025	$2,382,000	$766,000
2026	$2,382,000	$766,000
2027	$2,382,000	$766,000
2028	$2,382,000	$766,000
Thereafter	$49,698,000	$20,625,000

In conjunction with the acquisition of The Stayton in June 2019, Lifespace provided a Liquidity Support Agreement (“LSA”) to the Stayton trustee. Pursuant to the LSA, Lifespace made a deposit of $3,000,0000 to be held by the Stayton trustee in a liquidity support account. This was funded from sources other than the Obligated Group. Lifespace has an unfunded commitment in the amount of up to $3,000,000 which may be drawn upon in accordance with the LSA. This $3,000,000 would likely come from the Obligated Group, if needed.

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 Obligated Group’s business and operating results, we further caution you that other factors may in the future prove to be important in affecting the Obligated Group’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.

Lifespace Communities, Inc.
Obligated Group Selected Historical Financial Information
(Thousands of $)

	Three Months Ended March 31 (Unaudited)		Year Ended December 31 (Audited)		
Historical Debt Service Coverage	**2021**	**2020**	**2020**	**2019**	**2018**
Excess (deficit) of revenues over expenses	5,513	(17,460)	2,627	1,111	(12,321)
Less:					
Entrance fees earned	(6,955)	(7,406)	(30,754)	(29,664)	(32,400)
Initial redevelopment entrance fee deposits	-	170	1,290	(7,653)	(4,367)
Add:					
Depreciation	11,739	10,440	46,129	42,081	38,983
Amortization	1,381	1,375	5,553	5,443	116
Interest Expense	2,883	3,114	12,969	6,428	5,507
Expenses paid by long-term debt issuances	291	525	1,273	2,305	2,036
Unrealized (gain) loss on securities	(9,066)	13,083	(4,713)	(14,377)	15,104
Realized loss on sale of assets	55	125	597	2,917	941
Entrance fee proceeds (less refunds)	(1,020)	1,152	11,394	44,922	38,424
Income available for debt service	4,821	5,118	46,365	53,513	52,023
Annual debt service payment	27,278	22,309	22,309	17,934	13,870
Annual debt service coverage (b)(c)(d)(e)	0.7	0.9	2.1	3.0	3.8
Maximum annual debt service payment	29,897	28,997	28,997	29,479	25,138
Maximum annual debt service coverage (d)(e)	0.6	0.7	1.6	1.8	2.1
Cash to Debt					
Unrestricted cash and investments (a)	194,505	153,119	187,657	172,781	160,055
Debt service reserve fund	33,112	34,831	34,302	34,165	33,909
	227,617	187,950	221,959	206,946	193,964
Bonds outstanding long-term	467,172	473,302	467,443	474,699	373,993
Annual debt service	27,278	22,309	22,309	17,934	13,870
Maximum annual debt service	29,897	28,997	28,997	29,479	25,138
Ratio of total unrestricted cash & investments with debt service reserve to bonds outstanding	0.5	0.4	0.5	0.4	0.5
Ratio of total unrestricted cash & investments with debt service reserve to annual debt service	8.3	8.4	9.9	11.5	14.0
Ratio of total unrestricted cash & investments with debt service reserve to maximum annual debt service	7.6	6.5	7.7	7.0	7.7
Department operating expenses (excluding expenses paid by long-term debt issuances) plus interest	54,169	56,142	221,274	208,182	198,052
Daily expenses	602	617	605	570	543
Days of unrestricted cash & investments on hand (b)(c)(d)	323	248	310	303	295
Other Ratios					
Net operating margin (c)(d)(f)	7.8%	4.1%	7.4%	1.9%	2.7%
Net operating margin, adjusted (c)(d)(f)	6.1%	6.3%	12.3%	16.8%	16.8%
Adjusted debt to capitalization (c)(d)(f)	89.7%	91.2%	89.9%	87.6%	84.6%

(a) The balances include the Cash & Cash Equivalents, Investments, and the Florida operating and renewal and replacement reserve funds.

(b) The financial ratios that are required by the financing documents.

(c) The financial ratios that are monitored monthly by Lifespace.

(d) 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%.

(e) At March 31, 2021, without the inclusion of the Deerfield 2021 guarantee payments of 2,788, ratios would be annual debt service coverage of 0.8 times and maximum annual debt service would 0.7 times.