CONTINUING DISCLOSURE REPORT
for the nine months ended September 30, 2021

LIFESPACE
COMMUNITIES

OBLIGATED GROUP

Abbey Delray
Abbey Delray South
Beacon Hill
Claridge Court
Friendship Village of Bloomington
Friendship Village of South Hills
Harbour's Edge
Oak Trace
Querenica
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

November 15, 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 nine months ended September 30, 2021, subject to the year-end audit adjustments.

LIFESPACE COMMUNITES, INC.

DocuSigned by:
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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:

Lifespace Communities, Inc. (“Lifespace” or the “Corporation”) is an Iowa nonprofit corporation organized for the purpose of owning and operating continuing care retirement communities (“CCRCs).

The Corporation owned eleven CCRCs in six states that made up the Obligated Group. On August 1, 2021 the Corporation sold Grand Lodge at the Preserve (“Grand Lodge”) located in Lincoln, Nebraska.

Lifespace is the sole member of Barton Creek Senior Living Center, Inc., d/b/a Querencia (“Querencia”) located in Austin, Texas. On August 31, 2021, concurrent with the issuance of the Series 2021 bonds, Querencia became part of the Obligated Group.

The Obligated Group consists of the above communities. The financial information and covenants presented herein set forth the information for these communities. Prior period information has been restated to include Querencia and reclass Grand Lodge activity to discontinued operations.

The Corporation is the sole member of Northwest Senior Housing Corporation, d/b/a Edgemere (“Edgemere”) located in Dallas and Tarrant County Senior Living Center, Inc., d/b/a The Stayton at Museum Way (“The Stayton”) located in Ft. Worth. On July 1, 2021, Lifespace acquired Newcastle Place, LLC located in Mequon, Wisconsin. Edgemere, The Stayton and Newcastle Place are separately financed and are not part of the Obligated Group.

The corporation was sole member of Deerfield Retirement Community, Inc. (“Deerfield”) a nonprofit organization that was organized to own and operate a CCRC in suburban Des Moines, Iowa. On August 1, 2021, Deerfield was sold to the same third party as Grand Lodge. Deerfield was separately financed and not part of the Obligated Group. While outside the Obligated Group, the Obligated Group had previously guaranteed certain outstanding long-term indebtedness of Deerfield. These guarantees were discharged in connection with the sale of Deerfield and the Obligated Group has no further outstanding long-term indebtedness or guarantee obligations with respect to Deerfield.

After the disposition of Grand Lodge and Deerfield, and including Edgemere, Newcastle and The Stayton, the Corporation and its affiliates operate 14 CCRCs in eight states from corporate offices located in West Des Moines, Iowa and Addison, Texas. References to the “Communities” herein are to the 11 CCRCs owned and operated by the Corporation that make up the Obligated Group.

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

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.

Summary of Units Operated per Community

	Independent 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 (6)	307	28	48	30	70	30	513	4
Abbey Delray South	240	44		12	78		374	4
Beacon Hill	374			26	84		484	5
Claridge Court (3)	128			17	28		173	4
Friendship Village of Bloomington (1)	281	102	42	36	30	32	523	5
Friendship Village of South Hills	273	18	50	35	54	32	462	4
Harbour's Edge	266			50	4		320	5
Oak Trace	218	15	66	84	20	28	431	5
Querencia (5)	157	10	40	38	4	23	272	5
The Waterford	248	25		30	30		333	3 **
Village on the Green (2)	204	58	36	40	8	18	364	5
Total	2,696	300	282	398	410	163	4,249	

* The CMS 5-Star ratings are as of October 31, 2021.

** Lifespace expects these ratings to go up when the next survey results are released.

<u>Change in units from December 31, 2020</u>

(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. In second quarter 2021, 20 independent villas ,18 memory supports and the 48 replacement of health center rooms were added.

(3) Claridge Court combined two independent living apartments in the second quarter 2021.

(4) Grand Lodge exited the Obligated Group as of August 1, 2021.

(5) Querenica joined the Obligated Group in conjunction with the 2021 bond financing that closed on August 31, 2021.

(6) Abbey Delray has combined smaller apartments which reduced inventory by 7 in the third quarter 2021.

Lifespace Communities, Inc.

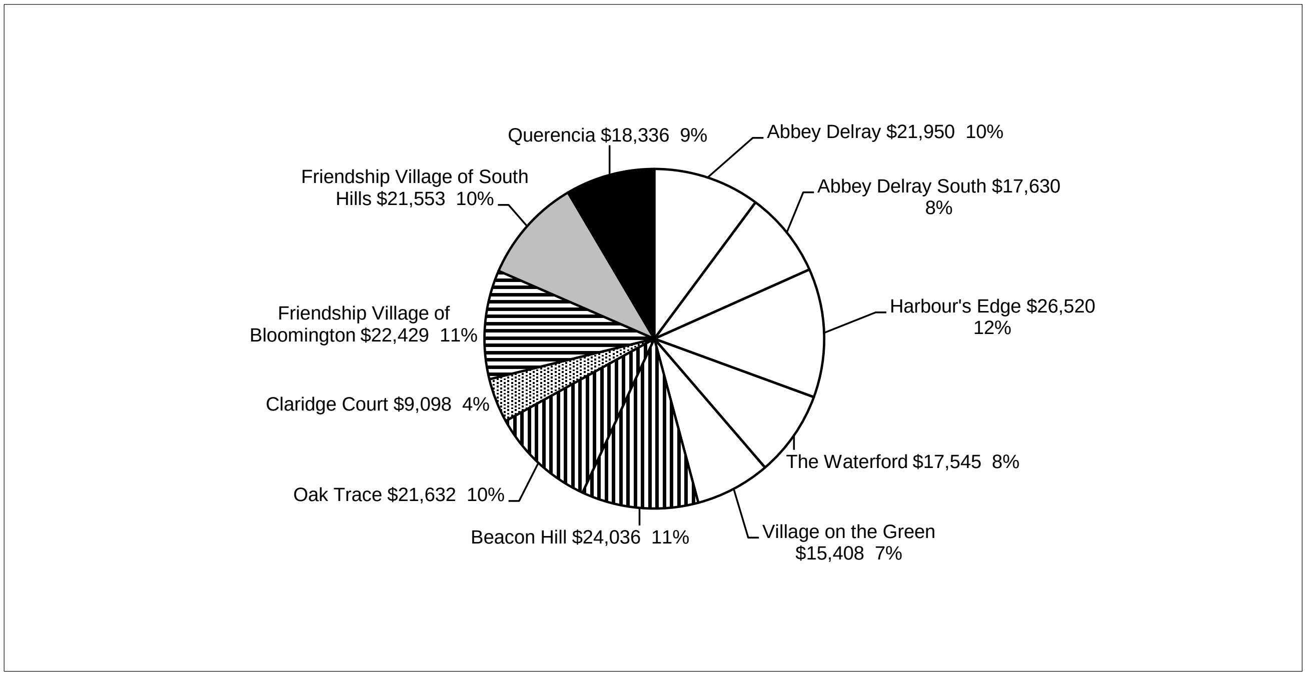
Average Occupancy of the Communities

	2018			2019				2020				Twelve months ended September 30, 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%	59.8%	36.0%	61.3%	92.8%	72.4%	55.6%
Abbey Delray South, FL	85.6%	88.7%	N/A	80.6%	82.9%	N/A	N/A	76.0%	73.4%	NA	NA	67.9%	70.5%	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	88.1%	90.3%	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	82.4%	86.0%	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	84.9%	78.5%	61.6%	91.7%
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%	82.7%	79.3%	65.8%	85.1%
Grand Lodge, NE (d)	92.7%	N/A	100.0%	92.7%	N/A	90.0%	N/A	86.2%	NA	80.1%	NA	84.9%	NA	81.1%	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	83.5%	91.8%	NA	NA
Oak Trace, IL (e)	91.2%	63.5%	66.0%	88.6%	78.9%	72.1%	43.8%	83.6%	92.8%	83.2%	57.5%	86.3%	92.0%	65.7%	80.7%
Querencia, TX (f)	N/A	N/A	N/A	98.8%	92.4%	99.5%	97.4%	98.0%	82.9%	96.1%	83.3%	98.1%	79.9%	94.9%	87.0%
The Waterford, FL	87.1%	94.0%	N/A	90.0%	96.3%	N/A	N/A	86.8%	86.2%	NA	NA	80.9%	79.5%	NA	NA
Village on the Green, FL (g)	86.1%	88.5%	N/A	83.9%	93.3%	N/A	N/A	82.4%	80.0%	NA	NA	75.4%	75.0%	36.2%	65.4%
Obligated Group	89.2%	87.2%	80.0%	88.3%	88.8%	79.5%	59.1%	85.0%	85.8%	75.2%	59.6%	80.2%	83.9%	69.0%	78.0%

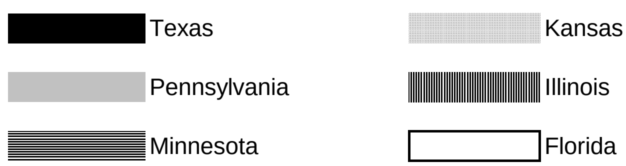
(a) The new assisted living and memory support opened in February 2020.
(b) The new assisted living and memory support opened in February 2021. The new apartments opened in July 2021.
(c) The new assisted living and memory support opened in November 2019.
(d) Grand Lodge was disposed as of August 1, 2021.
(e) The new health center, assisted living and memory support opened in June 2019.
(f) Querencia joined the Lifespace Obligated Group as of August 31, 2021 in conjunction of the Series 2021 financing. Lifespace affiliated with Querencia on June 20, 2019. Occupancy prior to this date is not reflected above
(g) The new assisted living opened in March 2021. The memory support and new independent villas opened in April 2021. The replacement health center opened in May 2021.

	Nine months ended September 30, 2020				Nine months ended September 30, 2021			
	Living Units	Health Center	ALUs	Memory Support	Living Units	Health Center	ALUs	Memory Support
Abbey Delray, FL	68.9%	92.3%	55.5%	30.9%	60.5%	92.8%	72.9%	57.9%
Abbey Delray South, FL	77.6%	73.8%	NA	NA	66.8%	69.9%	NA	NA
Beacon Hill, IL	93.0%	91.1%	NA	NA	87.4%	89.4%	NA	NA
Claridge Court, KS	87.8%	82.5%	NA	NA	81.3%	87.8%	NA	NA
Friendship Village of Bloomington, MN	95.0%	83.1%	88.5%	NA	82.8%	78.5%	52.3%	91.7%
Friendship Village of South Hills, PA	88.4%	82.1%	41.9%	59.3%	81.8%	79.6%	69.9%	87.7%
Grand Lodge, NE	86.9%	NA	83.1%	NA	85.2%	NA	85.4%	NA
Harbour's Edge, FL	87.8%	92.5%	NA	NA	83.3%	91.7%	NA	NA
Oak Trace, IL	82.8%	93.8%	87.0%	55.3%	86.3%	92.7%	63.7%	86.3%
Querencia, TX	97.9%	84.2%	97.3%	84.5%	98.0%	80.2%	95.6%	89.4%
The Waterford, FL	87.8%	91.6%	NA	NA	79.9%	82.7%	NA	NA
Village on the Green, FL	82.3%	80.9%	NA	NA	72.8%	72.2%	36.2%	65.4%
Obligated Group	85.8%	86.6%	75.1%	57.1%	79.3%	84.1%	67.0%	80.8%

Comparative Analysis of Gross Revenues
Nine Months Ended September 30, 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

Payer	Year-ended 2018	Year-ended 2019	Year-ended 2020	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2021
Lifecare	18.5%	15.1%	13.9%	14.2%	11.8%
Private Pay	21.4%	25.9%	24.5%	25.2%	23.8%
Medicare	43.7%	42.5%	44.6%	44.0%	47.9%
Medicaid	10.2%	10.9%	10.1%	10.2%	8.9%
Other	6.2%	5.6%	6.9%	6.4%	7.6%
Total Patient Mix	100%	100%	100%	100%	100%
Year-To-Date Average Service Units Available	799	807	818	818	815
Year-To-Date Average Occupancy Percentage	87.2%	88.8%	85.8%	86.6%	84.1%

Lifespace Communities, Inc.
Obligated Group Balance Sheets
As of September 30 (Unaudited)
(Thousands of $)

	2021	2020
Assets		
Current Assets:		
Cash and Cash Equivalents	$19,278	$14,029
Investments	140,330	146,243
Accounts Receivable	10,320	17,086
Inventories	1,216	1,176
Prepaid Insurance & Other	2,921	3,724
Assets whose use is limited	145,077	96,538
Total Current Assets	319,142	278,796
Assets whose use is limited	83,521	88,587
Property and equipment, at cost:		
Land and improvements	68,865	66,835
Buildings and improvements	1,092,205	1,011,814
Furniture and equipment	79,901	72,182
	1,240,971	1,150,831
Less accum. deprec.	(517,308)	(470,724)
Net property and equipment	723,663	680,107
Net goodwill	43,348	49,443
Net deferred assets	1,424	1,021
Net intangible assets	11,207	12,677
Assets of discontinued operations, net	-	1,923
TOTAL ASSETS	$1,182,305	$1,112,554

Lifespace Communities, Inc.
Obligated Group Balance Sheets
As of September 30 (Unaudited)
(Thousands of $)

	2021	2020
Liabilities and net assets		
Current liabilities:		
Accounts payable:		
Trade	$9,312	$5,972
Intercompany	2,552	2,228
	11,864	8,200
Accrued liabilities:		
Employee compensation expense	10,042	8,924
Interest	8,311	8,612
Property taxes	2,918	4,309
Other	3,569	3,236
	24,840	25,081
Entrance fee refunds	600	7,141
Reserve for health center refunds	28,332	30,327
Long-term debt due within one year	11,360	11,012
Obligation under cap lease due within one yr	790	673
Total current liabilities	77,786	82,434
Entrance fee deposits	8,373	12,637
Wait list deposits	1,446	1,615
Long-term debt due after one year	582,804	513,599
Obligation under cap lease due after one year	694	1,002
Deferred entrance fees	156,164	152,701
Refundable entrance and membership fees	495,178	450,514
Total liabilities	1,322,445	1,214,502
Net assets without donor restrictions	(140,140)	(101,948)
TOTAL LIABILITIES AND NET ASSETS	$1,182,305	$1,112,554

Lifespace Communities, Inc.

Obligated Group Statements of Operations and Changes in Unrestricted Assets
For the Nine Months Ended September 30 (Unaudited)
(Thousands of $)

	2021	2020
Revenues		
Independent Living Fees	$96,418	$97,407
Entrance fees earned/cancellation penalties	21,416	22,618
Skilled nursing, assisted living and memory support fees	85,159	77,508
Investment Income	12,030	9,722
Other	1,114	4,710
	216,137	211,965
Expenses		
Operating expenses:		
Salaries and benefits	89,012	90,462
General and administrative	47,833	38,535
Plant operations	12,829	11,583
Housekeeping	991	1,180
Dietary	15,224	18,252
Medical and other resident care	9,348	8,361
Depreciation	36,123	33,819
Amortization	9,006	5,811
Interest	13,147	10,889
Loss on disposal of fixed assets	19	504
Loss on extinguishment of debt	214	-
	233,746	219,396
Deficit of revenues over expenses from continuing operations	(17,609)	(7,431)
Discontinued operations		
Loss from operations of discontinued operations	433	131
Loss on sale of discontinued operations	(2,653)	-
Contributions to Lifespace Communities, Inc.	(18,595)	(1,481)
Changes in net assets	(38,424)	(8,781)
Net assets at beginning of year	(101,716)	(93,167)
Net assets at end of the period	($140,140)	($101,948)

Lifespace Communities, Inc.
Obligated Group Statements of Cash Flow
For the Nine Months Ended September 30 (Unaudited)
(Thousands of $)

	2021	2020
Operating activities		
Changes in unrestricted net assets	($38,424)	($8,781)
Adjustments to reconcile changes in net asset to net cash used in operating activities:		
Reconciling items included in disontinued ops	(10,241)	-
Entrance fees earned	(21,416)	(22,793)
Proceeds from nonrefundable entrance fees and deposits	32,787	16,396
Refunds of entrance fees	(3,272)	(3,255)
Depreciation and Amortization	45,129	40,529
Amortization of Financing Costs	312	312
Net accretion of original issue premium/discounts	(949)	(999)
Change in unrealized appreciation of investments	(858)	7,806
Net sales of trading investments	(61,006)	51,084
Contributions to Lifespace Communities, Inc.	18,595	1,481
Loss on disposal of property and equipment	19	517
Change in wait lists and deposits	(3,933)	(911)
Loss on extinguishment of debt	214	-
Loss on sale of discontinued operations	(2,653)	-
Changes in operating assets and liabilities:		
Accounts receivables, inventories, and prepaid insurance and other	(334)	(171)
Accounts payables and accrued liabilities	1,278	(785)
Net cash (used) provided in operating activities	(44,752)	80,430
Investing activities		
Purchases of property and equipment	(53,628)	(72,043)

Lifespace Communities, Inc.
Obligated Group Statements of Cash Flow
For the Nine Months Ended September 30 (Unaudited)
(Thousands of $)

	2021	2020
Financing activities		
Financing cost incurred	(2,727)	-
Repayment of long-term debt	(18,825)	(5,572)
Proceeds from line of credit	1,406	3,362
Proceeds from Series 2021 financing	132,521	-
Extinguishment of Prior Debt	(39,641)	-
Proceeds on disposal of a community	23,000	-
Contributions to Lifespace Communities, Inc.	(18,595)	(1,481)
Payments on Finance Leases	(241)	(230)
Proceeds from refundable entrance fees and deposits	59,356	28,120
Refunds of entrance fees	(35,789)	(34,562)
Net cash provided (used) in financing activities	100,465	(10,363)
Net increase (decrease) in cash and cash equivalents	2,085	(1,976)
Cash and cash equivalents at beginning of year	17,193	16,005
Cash and cash equivalents at end of period	$19,278	$14,029

During 2021, Grand Lodge provided $710 to the Obligated Group's net operating cash flows, paid $394 in respect of investing activities and paid $80 in respect of financing activities. During 2020, Grand Lodge provided $1,078 to the Obligated Group's net operating cash flows, paid $851 in respect of investing activities and paid $177 in respect of financing activities.

Nine Months Ended September 30, 2021 versus Nine Months Ended September 30, 2020:

The average year-to-date independent living occupancy, excluding Grand Lodge which is disclosed as a discontinued operation, at September 30, 2021, was 2,316 independent living homes (79.1% of the 2,927 average available homes). The average year-to-date occupancy, excluding Grand Lodge, at September 30, 2020 was 2,485 independent living homes (85.7% of the 2,898 average available homes). The increase in average available homes from September 30, 2021 to the same period in 2020 is due to opening independent living apartments at two communities to support the redevelopment efforts discussed under Liquidity and Capital Requirements. There were two communities that combined smaller apartments.

Revenues from independent living monthly fees and related charges amounted to $96,418,000 in 2021, a 1.0% decrease over the $97,407,000 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.

Revenues from the health center, assisted living, and memory support fees were $85,159,000 in 2021 compared to $77,508,000 in 2020, an increase of 9.9%. 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. In addition, Village on the Green opened memory support in April of 2021 and the replacement health center in May of 2021.

As of September 30, 2021, the Obligated Group received $1,036,000 from Department of Health and Human Services in infection quality control payments and relief under the CARES Act’s Public Health and Social Services Relief Fund and $78,000 in stimulus funds from third party payors that is in accordance with their contract with Commonwealth of Pennsylvania’s Department of Human Services. As of September 30, 2020, the Obligated Group received approximately $4,710,000 from the Department of Health and Human Services as relief under the CARES Act’s Public Health and Social Services Relief Fund and a targeted distribution to skilled nursing facilities. 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 $175,237,000 in 2021, an increase of $6,864,000 or 4.1% from comparable expenses of $168,373,000 in 2020. Salaries and benefits decreased $1,450,000 or 1.6% as a result of adjusting staffing to lower census. General and administrative expense increased $9,298,000 or 24.1% 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. In addition, there was an increase in liability and property insurance, marketing costs and COVID-19 expenses. Plant expense increased $1,246,000 or 10.8% due to higher costs in cable television, repairs and maintenance, and utilities. Housekeeping costs and dietary decreased due to lower occupancy. Medical and other resident care increased $987,000 or 11.8%. 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 and the use of agency.

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 84 at any single community on a given day. As of the date of this disclosure, there is one positive resident case.

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

Six Months Ended September 30, 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	$96,418	$99,591	($3,173)
Skilled nursing, assisted living and memory support fees	85,159	81,722	3,437
Other	1,114	-	1,114
	182,691	181,313	1,378
Expenses			
Operating expenses:			
Salaries and benefits	89,012	95,316	6,304
General and administrative	47,833	45,287	(2,546)
Plant operations	12,829	12,395	(434)
Housekeeping	991	1,092	101
Dietary	15,224	15,818	594
Medical and other resident care	9,348	5,006	(4,342)
	175,237	174,914	(323)
Net operating margin	7,454	6,399	1,055
Net entrance fees, excluding initial entrance fees	26,414	22,787	3,627
Capital expenditures, financed with bond proceeds	32,360	54,645	22,285
Capital expenditures, routine	21,268	26,329	5,061

Net operating margin is favorable to budget by $1,055,000.

Independent living fees are unfavorable to budget by $3,173,000, which is primarily driven by fewer closings resulting in fewer processing fees. The budget for the nine months ended September 30, 2021 had 239 closings compared to the actual closings of 174. In addition, there are more apartment discounts than budgeted.

Skilled nursing, assisted living and memory support fees are favorable to budget by $3,437,000 due to higher home health usage than budgeted. In addition, the census mix and Medicare rates are impacting revenue in a positive manner.

Other revenue is favorable to budget as a result of $1,036,000 from the Department of Health and Human Services and $78,000 in stimulus funds from third party payors that is in accordance with their contract with Commonwealth of Pennsylvania's Department of Human Services. Receipt of these funds were not budgeted.

Salaries and benefits are $6,304,000, or 6.6%, favorable to budget due to staffing to lower occupancy levels and the COVID wages reclassed to other department expenses.

General and administrative expense is unfavorable to budget by $2,546,000, or 5.6%, as a result of continued COVID costs that were not budgeted.

Plant operations expense is unfavorable to budget by $434,000, or 3.5%, as a result of higher repairs and maintenance than budgeted.

Housekeeping expense is favorable to budget by $101,000, or 9.2%, as a result of lower usage of supplies than budgeted.

Dietary expense is favorable to budget by $594,000, or 3.8%, as a result of COVID restrictions during the first few months of 2021.

Medical and other resident care expense is unfavorable to budget by $4,342,000, or 86.7%, as a result of higher use of agency than budgeted.

Net entrance fees, excluding initial entrance fees, are favorable to budget by $3,627,000. As mentioned earlier, the budget for the nine months ended September 30, 2021 had 239 closings compared to the actual closings of 174. This deficit in closings is offset by fewer refunds.

Capital expenditures financed with bond proceeds are approximately $22,285,000 less than budgeted. This is the result of timing. Approximately $5,061,000 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 decreased from 6.3% at September 30, 2020 to 4.1% at September 30, 2021 which is below the benchmark of 6.5%. The lower occupancies in independent living and the health center are causing strain on the net operating margin. The Net Operating Margin, Adjusted Ratio increased from 10.1% at September 30, 2020 to 16.2% at September 30, 2021 which is below the benchmark of 22.5%. The annual debt service coverage ratio increased from 1.9 times at September 30, 2020 to 2.2 times at September 30, 2021, which is below the benchmark of 2.5 times. The Net Operating Margin, Adjusted and the Debt Service Coverage Ratio are impacted by the increase in net entrance fees. Further details on net entrance fees is stated in the Liquidity and Capital Requirements section below.

Investment income increased when comparing the six months ended September 30, 2021 to the same period in 2020. Excluding the unrealized gain/loss, investment income represents a decrease of $6,025,000, which impacts the debt service coverage ratio in a negative manner. However that decrease is offset by the increase in entrance fees. The following chart shows the components of investment income in thousands of dollars.

	September 30, 2021	September 30, 2020
Interest and Dividend Income	$3,270	$3,952
Realized Gain/(Loss)	7,902	13,245
Unrealized Gain/(Loss)	858	(7,475)
Total	$12,030	$9,722

The Adjusted Debt to Capitalization increased from 91.2% at September 30, 2020 to 97.4% at September 30, 2021. Both periods are above the benchmark.

Liquidity and Capital Requirements – Nine Months Ended September 30, 2021 versus Nine Months Ended September 30, 2020:

Cash proceeds from entrance fees and deposits (refundable and non-refundable), net of refunds, were $26,414,000 excluding initial entrance fees for the nine months ended September 30, 2021 compared to $6,699,000 for the same period in 2020. The number of reoccupancies increased to 174 in the nine months ended September 30, 2021 from 146 reoccupancies in the nine months ended September 30, 2020.

Daily operating expenses for 2021 increased to $688,000 from $651,000 in 2020, an increase of 5.6%. The overall unrestricted cash position decreased from $194,238,000 at September 30, 2020 to $193,680,000 at September 30, 2021, a change of 0.3%. The Days Cash on Hand Ratio decreased from 298 days at September 30, 2020 to 282 days at September 30, 2021.

Capital expenditures for the communities for the nine months ended September 30, 2021 were $53,628,000, while depreciation expense for the same period was $36,123,000. The five redevelopment projects mentioned below account for $32,360,000 of this year-to-date 2021 expenditure balance. Capital expenditures for the communities for the nine months ended September 30, 2020 were $72,043,000, while depreciation expense for the same period was $33,819,000. As stated below, the five redevelopment projects account for $56,853,000 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.

On August 1, 2021 Lifespace sold Grand Lodge to a third party. The proceeds from this sale were used to pay outstanding bonds of $13,956,000.

Lifespace Communities completed tax-exempt bond financings in 2016, 2018, and 2019 of which the proceeds support five redevelopment construction projects. On August 31, 2021, Lifespace completed the fourth and final bond financing to assist in the completion of five redevelopment projects. Lifespace received proceeds from issuing $120.4 million of Series 2021 bonds. The bonds sold at a premium generating $132.5 million of proceeds. The proceeds from these bonds will pay redevelopment costs of $85.0 million at Friendship Village of Bloomington and Oak Trace, fund cost of issuance of $2.4 million and funded interest of $5.9 million. In addition, several communities are receiving proceeds to assist with community projects. The Series 2010 bonds were refinanced with the issuance of the Series 2021 financing.

Initial entrance fees collected at two of the redevelopment communities have been used to pay down the Series 2019A-2 debt issuance. As of November 4, 2021, the principal amount of $26 million has fully retired with an additional $850,000 remaining.

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 September 30, 2021, $5.0 million has been drawn on this line of credit for various projects.

Two of the communities are in the process of significant construction at September 30, 2021. There were five construction projects of which three construction projects were completed and opened in 2020 and one in 2021. All five of the communities with improvements used and are using proceeds of the Series 2016, Series 2018, Series 2019 and Series 2021 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 Board previously approved a project at The Waterford which is being redesigned to better suit the local market. A revised concept and capital budget will be reviewed by the Lifespace Board in 2022. The line of credit has been used to fund pre-construction of approximately $5.0 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.

On August 3, 2021, Fitch affirmed its rating for the outstanding revenue bonds of Lifespace at ‘BBB’ with a stable outlook.

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.

In conjunction with the acquisition of Newcastle Place on July 1, 2021, Lifespace made an $8,000,000 equity contribution and provided a Liquidity Support Agreement for the Newcastle Place long-term indebtedness which is currently outstanding in the aggregate principal amount of approximately $5,000,000. At September 30, 2021 the LSA remains unfunded. Lifespace also holds approximately $8,000,000 million of subordinated bonds issued by Newcastle Place.

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 $)

	Nine Months Ended September 30 (Unaudited)		Year Ended December 31 (Audited)		
Historical Debt Service Coverage	**2021**	**2020**	**2020**	**2019**	**2018**
Excess (deficit) of revenues over expenses	(17,609)	(7,431)	(6,246)	(57)	(12,321)
Less:					
Entrance fees earned	(21,416)	(22,793)	(31,694)	(30,468)	(32,400)
Initial redevelopment entrance fee and/or redevelopment deposits	(26,668)	1,046	1,290	(7,653)	(4,367)
Add:					
Depreciation	36,123	33,819	48,235	43,778	38,983
Amortization	9,006	5,811	15,879	6,609	116
Interest Expense	13,147	10,889	15,253	7,595	5,507
Expenses paid by long-term debt issuances	677	817	1,273	2,305	2,036
Unrealized (gain) loss on securities	(858)	7,475	(3,564)	(15,243)	15,104
Realized loss on sale of assets	19	504	643	2,923	941
Entrance fee proceeds (less refunds)	53,082	6,699	16,005	48,353	38,424
Income available for debt service	45,717	36,836	57,074	58,142	52,023
Annual debt service payment	27,412	25,926	25,926	20,372	13,870
Annual debt service coverage (b)(c)(d)(e)	2.2	1.9	2.2	2.9	3.8
Maximum annual debt service payment	34,748	32,614	32,614	31,917	25,138
Maximum annual debt service coverage (d)(e)	1.8	1.5	1.7	1.8	2.1
Cash to Debt					
Unrestricted cash and investments (a)	193,680	194,238	212,456	194,906	160,055
Debt service reserve fund	34,353	37,871	37,847	37,867	33,909
	228,033	232,109	250,303	232,773	193,964
Bonds outstanding long-term	582,804	513,599	510,743	519,389	373,993
Annual debt service	27,412	25,926	25,926	20,372	13,870
Maximum annual debt service	34,748	32,614	32,614	31,917	25,138
Ratio of total unrestricted cash & investments with debt service reserve to bonds outstanding	0.4	0.5	0.5	0.4	0.5
Ratio of total unrestricted cash & investments with debt service reserve to annual debt service	8.3	9.0	9.7	11.4	14.0
Ratio of total unrestricted cash & investments with debt service reserve to maximum annual debt service	6.6	7.1	7.7	7.3	7.7
Department operating expenses (excluding expenses paid by long-term debt issuances) plus interest	187,707	178,445	241,850	219,134	198,052
Daily expenses	688	651	661	600	543
Days of unrestricted cash & investments on hand (b)(c)(d)	282	298	322	325	295
Other Ratios					
Net operating margin (c)(d)(f)	4.1%	6.3%	7.8%	2.1%	2.7%
Net operating margin, adjusted (c)(d)(f)	16.2%	10.1%	13.8%	17.5%	16.8%
Adjusted debt to capitalization (c)(d)(f)	97.4%	91.2%	91.5%	88.0%	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) The debt service payment includes the payment made in Q2 for the Deerfield guarantee. With the sale of Deerfield to a third party this guarantee was discharged. Excluding this Deerfield payment, , debt service coverage would be 2.4 times and maximum annual debt service would be 2.2 times.