CONTINUING DISCLOSURE REPORT
for the year ended December 31, 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
Querencia
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

February 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 year ended December 31, 2021, subject to the year-end audit adjustments.

LIFESPACE COMMUNITES, INC.

DocuSigned by:

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Nick Harshfield

Cc: Bankers Trust, Kristy Olesen

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 (“Newcastle Place”) 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.

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.

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)	299	28	48	30	70	30	505	4
Abbey Delray South (7)	238	44		28	46		356	4
Beacon Hill (8)	372			26	84		482	5
Claridge Court (3)	128			17	28		173	4
Friendship Village of Bloomington (1)	371	12	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 (9)	217	15	66	84	20	28	430	5
Querencia (5)	157	10	40	38	4	23	272	5
The Waterford (10)	246	25		30	30		331	3 **
Village on the Green (2)	204	58	36	40	8	18	364	5
Total	2,771	210	282	414	378	163	4,218	

* 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.

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. In third quarter 2021, 90 independent living apartments were added.

(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) Querencia 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 seven in the third quarter and eight in the fourth quarter 2021.

(7) Abbey Delray South has combined smaller apartments which reduced independent living inventory by two in the fourth quarter 2021. The Health Center changed rooms from semi-private rooms to private rooms which reducted inventory by 16 in fourth quarter 2021.

(8) Beacon Hill has combined smaller apartments which reduced inventory by two in the fourth quarter 2021.

(9) Oak Trace has combined smaller apartments which reduced inventory by one in the fourth quarter 2021.

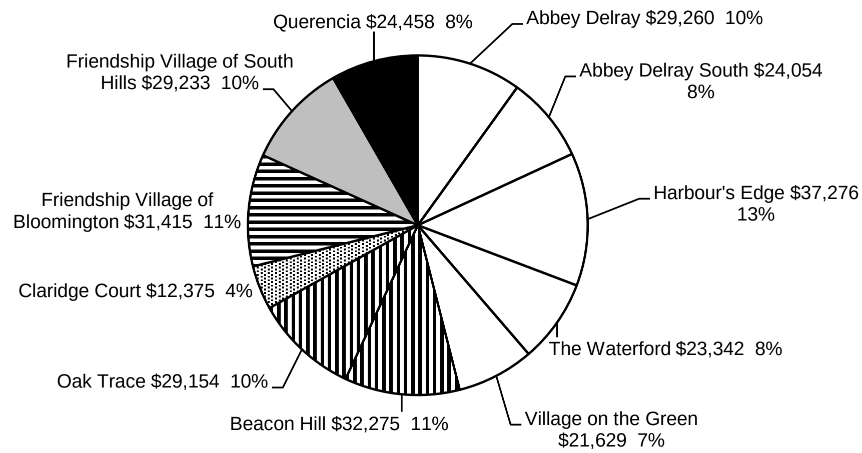
(10) The Waterford has combined smaller apartments which reduced inventory by two in the fourth quarter 2021.

Lifespace Communities, Inc.
Average Occupancy of the Communities

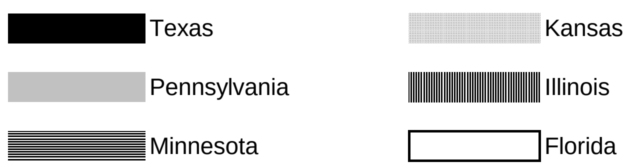
Community	2018			2019				2020				2021			
	Living Units	Health Center	ALUs	Living Units	Health Center	ALUs	Memory Support	Living Units	Health Center	ALUs	Memory Support	Living Units	Health Center	ALUs	Memory Support
Abbey Delray, FL (a)	72.8%	91.2%	85.7%	71.6%	88.1%	85.7%	N/A	67.6%	92.5%	59.8%	36.0%	60.1%	92.4%	74.1%	60.6%
Abbey Delray South, FL	85.6%	88.7%	N/A	80.6%	82.9%	N/A	N/A	76.0%	73.4%	NA	NA	66.3%	75.5%	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	87.0%	89.6%	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	81.2%	89.3%	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	81.2%	79.6%	55.2%	91.6%
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%	81.3%	76.6%	75.4%	90.0%
Grand Lodge, NE (d)	92.7%	N/A	100.0%	92.7%	N/A	90.0%	N/A	86.2%	NA	80.1%	NA	85.2%	NA	85.4%	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	83.3%	92.3%	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%	86.2%	93.4%	64.8%	88.1%
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%	97.9%	81.3%	96.0%	90.1%
The Waterford, FL	87.1%	94.0%	N/A	90.0%	96.3%	N/A	N/A	86.8%	86.2%	NA	NA	79.5%	83.3%	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	72.2%	78.2%	46.2%	72.6%
Obligated Group	89.2%	87.2%	80.0%	88.3%	88.8%	79.5%	59.1%	85.0%	85.8%	75.2%	59.6%	78.7%	85.0%	69.7%	82.8%

(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.

Comparative Analysis of Gross Revenues
Year Ended December 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			
Payer	2018	2019	2020	2021
Lifecare	18.5%	15.1%	13.9%	11.6%
Private Pay	21.4%	25.9%	24.5%	24.0%
Medicare	43.7%	42.5%	44.6%	48.1%
Medicaid	10.2%	10.9%	10.1%	8.5%
Other	6.2%	5.6%	6.9%	7.8%
Total Patient Mix	100%	100%	100%	100%
Year-To-Date Average Service Units Available	799	807	818	809
Year-To-Date Average Occupancy Percentage	87.2%	88.8%	85.8%	85.0%

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

	2021	2020
Assets		
Current Assets:		
Cash and Cash Equivalents	$20,611	$17,193
Investments	155,981	160,908
Accounts Receivable	13,198	14,435
Inventories	1,445	1,128
Prepaid Insurance & Other	5,010	3,379
Assets whose use is limited	116,157	65,254
Total Current Assets	312,402	262,297
Assets whose use is limited	87,357	89,799
Property and equipment, at cost:		
Land and improvements	70,393	68,710
Buildings and improvements	1,110,108	1,040,359
Furniture and equipment	85,462	79,367
	1,265,963	1,188,436
Less accum. deprec.	(532,249)	(481,665)
Net property and equipment	733,714	706,771
Net goodwill	41,824	47,919
Net deferred assets	1,861	1,130
Net intangible assets	10,839	12,309
Assets of discontinued operations, net	-	1,923
TOTAL ASSETS	$1,187,997	$1,122,148

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

	2021	**2020**
Liabilities and net assets		
Current liabilities:		
Accounts payable:		
Trade	$14,880	$24,000
Intercompany	2,182	186
	17,062	24,186
Accrued liabilities:		
Employee compensation expense	8,734	7,719
Interest	2,575	3,065
Property taxes	1,412	1,728
Other	4,628	3,438
	17,349	15,950
Entrance fee refunds	1,126	9,307
Reserve for health center refunds	27,830	28,472
Long-term debt due within one year	10,682	11,376
Obligation under cap lease due within one yr	783	790
Total current liabilities	74,832	90,081
Entrance fee deposits	5,385	11,424
Wait list deposits	1,263	2,318
Long-term debt due after one year	569,651	510,743
Obligation under cap lease due after one year	518	1,293
Deferred entrance fees	166,150	148,692
Refundable entrance and membership fees	521,331	459,313
Total liabilities	1,339,130	1,223,864
Net assets without donor restrictions	(151,133)	(101,716)
TOTAL LIABILITIES AND NET ASSETS	$1,187,997	$1,122,148

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

	2021	2020
Revenues		
Independent Living Fees	$129,965	$128,847
Entrance fees earned/cancellation penalties	29,850	31,419
Skilled nursing, assisted living and memory support fees	115,302	103,953
Investment Income	18,227	21,674
Other	1,127	8,784
	294,471	294,677
Expenses		
Operating expenses:		
Salaries and benefits	122,512	119,499
General and administrative	64,119	51,135
Plant operations	17,227	15,674
Housekeeping	1,483	1,608
Dietary	21,745	23,779
Medical and other resident care	14,713	11,755
Depreciation	51,283	47,028
Amortization	12,226	15,873
Interest	17,957	14,781
Loss on disposal of fixed assets	19	616
Loss on extinguishment of debt	214	-
	323,498	301,748
Deficit of revenues over expenses from continuing operations	(29,027)	(7,071)
Discontinued operations		
Gain from operations of discontinued operations	986	825
Loss on sale of discontinued operations	(2,671)	-
Contributions to Lifespace Communities, Inc.	(18,705)	(2,303)
Changes in net assets	(49,417)	(8,549)
Net assets at beginning of year	(101,716)	(93,167)
Net assets at end of the period	($151,133)	($101,716)

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

	2021	2020
Operating activities		
Changes in unrestricted net assets	($49,417)	($8,549)
Adjustments to reconcile changes in net asset to net cash used in operating activities:		
Reconciling items included in disontinued ops	(9,362)	-
Entrance fees earned	(29,845)	(31,694)
Proceeds from nonrefundable entrance fees and deposits	51,382	24,646
Refunds of entrance fees	(4,150)	(5,647)
Depreciation and Amortization	63,448	64,114
Amortization of Financing Costs	476	471
Net accretion of original issue premium/discounts	(1,275)	(1,334)
Change in unrealized appreciation of investments	(5,918)	(3,564)
Net sales of trading investments	(46,660)	77,861
Contributions to Lifespace Communities, Inc.	18,705	2,303
Loss on disposal of property and equipment	19	643
Change in wait lists and deposits	(7,094)	(866)
Loss on extinguishment of debt	214	-
Loss on sale of discontinued operations	(2,671)	-
Changes in operating assets and liabilities:		
Accounts receivables, inventories, and prepaid insurance and other	(1,835)	(1,490)
Accounts payables and accrued liabilities	(5,725)	6,297
Net cash (used) provided in operating activities	(29,708)	123,191
Investing activities		
Purchases of property and equipment	(78,694)	(111,777)

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

	2021	2020
Financing activities		
Financing cost incurred	(2,926)	-
Repayment of long-term debt	(33,992)	(8,115)
Proceeds from line of credit	2,837	3,589
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.	(18,705)	(2,303)
Payments on Finance Leases	(333)	(403)
Proceeds from refundable entrance fees and deposits	99,594	45,966
Refunds of entrance fees	(50,535)	(48,960)
Net cash provided (used) in financing activities	111,820	(10,226)
Net increase (decrease) in cash and cash equivalents	3,418	1,188
Cash and cash equivalents at beginning of year	17,193	16,005
Cash and cash equivalents at end of period	$20,611	$17,193

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.

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

The average year-to-date independent living occupancy, excluding Grand Lodge which is disclosed as a discontinued operations, through December 31, 2021, was 2,312 independent living homes (78.6% of the 2,943 average available homes). The average year-to-date occupancy, excluding Grand Lodge, through December 31, 2020 was 2,463 independent living homes (85.0% of the 2,898 average available homes). The increase in average available homes from December 31, 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 six communities that combined smaller apartments.

Revenues from independent living monthly fees and related charges amounted to $129,965,000 in 2021, a 0.9% decrease over the $128,847,000 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. The monthly fee increases starting January 1, 2022 range from 3.8% to 6.0%.

Revenues from the health center, assisted living, and memory support fees were $115,302,000 in 2021 compared to $103,953,000 in 2020, an increase of 10.9%. 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. The monthly fee increases starting January 1, 2022 range from 2.7% to 6.1%.

During 2020, the Obligated Group received approximately $8,784,000 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. During 2021, the Obligated Group received a total of $1,127,000. The funds received were $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, $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 and an additional $13,000 in other COVID relief funds. 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 $241,799,000 in 2021, an increase of $18,349,000 or 8.2% from comparable expenses of $223,450,000 in 2020. Salaries and benefits increased $3,013,000 or 2.5%. Approximately $2.2 million of this increase is the result of wage increases for culinary, nursing and housekeeping team members that took effect November 1, 2021. General and administrative expense increased $12,984,000 or 25.4% 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, taxes, recruiting, contract labor for open positions and bad debt. Plant expense increased $1,553,000 or 9.9% 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 $2,958,000 or 25.2%, which is the result of increased occupancy, the opening of the redevelopment projects at Friendship Village of Bloomington and Village one the Green and agency. Agency costs were $8,161,000 in 2021 compared to $1,245,000 in 2020. Offsetting these increases is the financial statement reclass mentioned above that impacted general and administrative.

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 103 at any single community on a given day. As of the date of this disclosure, there are 14 positive resident case.

Year Ended December 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	$129,965	$134,591	($4,626)
Skilled nursing, assisted living and memory support fees	115,302	111,150	4,152
Other	1,127	-	1,127
	246,394	245,741	653
Expenses			
Operating expenses:			
Salaries and benefits	122,512	128,103	5,591
General and administrative	64,119	60,300	(3,819)
Plant operations	17,227	16,525	(702)
Housekeeping	1,483	1,467	(16)
Dietary	21,745	21,380	(365)
Medical and other resident care	14,713	6,740	(7,973)
	241,799	234,515	(7,284)
Net operating margin	4,595	11,226	(6,631)
Net entrance fees, excluding initial entrance fees	54,346	41,194	13,152
Capital expenditures, financed with bond proceeds	42,488	69,631	27,143
Capital expenditures, routine	36,206	35,105	(1,101)

Net operating margin is unfavorable to budget by $6,631,000.

Independent living fees are unfavorable to budget by $4,626,000, which is primarily lower occupancy. The budgeted occupancy was 79.5% versus the year-to-date average of 78.7%. In addition, the Obligated Group had more apartment discounts and lower processing fees due to fewer closings. The budget for the year ended December 31, 2021 had 355 closings compared to the actual closings of 284.

Skilled nursing, assisted living and memory support fees are favorable to budget by $4,152,000 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 stimulus relief funds of $1,127,000 received that were not budgeted. Lifespace received $1,036,000 from the Department of Health and Human Services, $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 and $13,000 of additional relief funds.

Salaries and benefits are $5,591,000, or 4.4%, favorable to budget due to staffing to lower occupancy levels. In addition, at time throughout 2021 the dining rooms have been closed due to COVID-19 as well as a reduction in activities. This has resulted in reduced staffing costs compared to budget.

General and administrative expense is unfavorable to budget by $3,819,000, or 6.3%, as a result of continued COVID costs that were not budgeted.

Plant operations expense is unfavorable to budget by $702,000, or 4.2%, as a result of higher repairs and maintenance, cable television, and utilities than budgeted.

Dietary expense is unfavorable to budget by $365,000, or 1.7%, as a result of upfront costs related to a new culinary contract in addition to inflation.

Medical and other resident care expense is unfavorable to budget by $7,973,000, or 118.3%, as a result of higher use of agency than budgeted. Agency costs in 2021 were $8,161,000, which were not budgeted.

Net entrance fees, excluding initial entrance fees, are favorable to budget by $13,152,000. As mentioned earlier, the budget for the year ended December 31, 2021 had 355 closings compared to the actual closings of 284. Approximately, $8,092,000 in refunds were paid in January 2022 related to December 2021 closings. In addition, the mix of apartments sold in 2021 was favorable to budget.

Capital expenditures financed with bond proceeds are approximately $27,143,000 less than budgeted. This is the result of timing. Approximately $1,101,000 more was spent on routine capital expenditures than budgeted.

Ratios:

The Net Operating Margin Ratio decreased from 7.8% at December 31, 2020 to 1.9% at December 31, 2021 which is below the benchmark of 6.5%. As discussed previously, $1,127,000 in COVID-19 funds were received in 2021 compared to $8,784,000 in 2020 having an unfavorable impact on this ratio. The lower occupancies in independent living and the health center are also negatively impacting this ratio. The Net Operating Margin, Adjusted Ratio increased from 13.8% at December 31, 2020 to 19.6% at December 31, 2021 which is below the benchmark of 22.5%. The annual debt service coverage ratio increased from 2.2 times at December 31, 2020 to 2.7 times at December 31, 2021, which is above 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 decreased when comparing the year ended December 31, 2021 to the same period in 2020. Excluding the unrealized gain/loss, investment income represents a decrease of $6,067,000, 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.

	December 31, 2021	December 31, 2020
Interest and Dividend Income	$4,285	$5,192
Realized Gain/(Loss)	8,024	13,184
Unrealized Gain/(Loss)	5,918	3,298
Total	$18,227	$21,674

The Adjusted Debt to Capitalization increased from 91.5% at December 31, 2020 to 97.5% at December 31, 2021. Both periods are above the benchmark of 54.0%.

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 $54,346,000 excluding initial entrance fees for the year ended December 31, 2021 compared to $17,295,000 for the same period in 2020. The number of reoccupancies increased to 284 in the year ended December 31, 2021 from 191 reoccupancies in the year ended December 31, 2020.

Daily operating expenses for 2021 increased to $707,000 from $661,000 in 2020, an increase of 9.0%. The overall unrestricted cash position decreased from $212,456,000 at December 31, 2020 to $210,498,000 at December 31, 2021, a change of 0.7%. The Days Cash on Hand Ratio decreased from 322 days at December 31, 2020 to 298 days at December 31, 2021.

Capital expenditures for the communities for the year ended December 31, 2021 were $78,694,000, while depreciation expense for the same period was $51,283,000. The five redevelopment projects mentioned below account for $42,488,000 of this year-to-date 2021 expenditure balance. Capital expenditures for the communities for the year ended December 31, 2020 were $111,777,000, while depreciation expense for the same period was $47,028,000. As stated below, the five redevelopment projects account for $88,194,000 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 December 15, 2021, the principal amount of $26,850,000 has been fully retired.

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 December 31, 2021, $6.4 million has been drawn on this line of credit for various projects.

Two of the communities are in the process of significant construction at December 31, 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 $6.4 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 $)

Historical Debt Service Coverage	Year Ended December 31 (Unaudited) 2021	Year Ended December 31 (Audited) 2020	2019	2018
Excess (deficit) of revenues over expenses	(29,027)	(6,246)	(57)	(12,321)
Less:				
Entrance fees earned	(29,845)	(31,694)	(30,468)	(32,400)
Initial redevelopment entrance fee and/or redevelopment deposits	(41,945)	1,290	(7,653)	(4,367)
Add:				
Depreciation	51,283	48,235	43,778	38,983
Amortization	12,226	15,879	6,609	116
Interest Expense	17,957	15,253	7,595	5,507
Expenses paid by long-term debt issuances	1,719	1,273	2,305	2,036
Unrealized (gain) loss on securities	(5,918)	(3,564)	(15,243)	15,104
Realized loss on sale of assets	19	643	2,923	941
Loss on extinguishment of debt	214	0	0	0
Entrance fee proceeds (less refunds)	96,291	16,005	48,353	38,424
Income available for debt service	72,974	57,074	58,142	52,023
Annual debt service payment	27,213	25,926	20,372	13,870
Annual debt service coverage (b)(c)(d)(e)	2.7	2.2	2.9	3.8
Maximum annual debt service payment	34,748	32,614	31,917	25,138
Maximum annual debt service coverage (d)(e)	2.1	1.7	1.8	2.1
Cash to Debt				
Unrestricted cash and investments (a)	210,498	212,456	194,906	160,055
Debt service reserve fund	34,245	37,847	37,867	33,909
	244,743	250,303	232,773	193,964
Bonds outstanding long-term	569,651	510,743	519,389	373,993
Annual debt service	27,213	25,926	20,372	13,870
Maximum annual debt service	34,748	32,614	31,917	25,138
Ratio of total unrestricted cash & investments with debt service reserve to bonds outstanding	0.4	0.5	0.4	0.5
Ratio of total unrestricted cash & investments with debt service reserve to annual debt service	9.0	9.7	11.4	14.0
Ratio of total unrestricted cash & investments with debt service reserve to maximum annual debt service	7.0	7.7	7.3	7.7
Department operating expenses (excluding expenses paid by long-term debt issuances) plus interest	258,037	241,850	219,134	198,052
Daily expenses	707	661	600	543
Days of unrestricted cash & investments on hand (b)(c)(d)	298	322	325	295
Other Ratios				
Net operating margin (c)(d)(f)	1.9%	7.8%	2.1%	2.7%
Net operating margin, adjusted (c)(d)(f)	19.6%	13.8%	17.5%	16.8%
Adjusted debt to capitalization (c)(d)(f)	97.5%	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 unchanged