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December 6, 2021

Heidi Leavengood  
Senior Vice President Finance & Accounting  
Lifespace Communities  
4201 Corporate Drive  
West Des Moines, IA 50266

***Subject: The Obligated Group Actuarial Balance Sheet and Cashflows***

Dear Heidi:

Continuing Care Actuaries was retained by the management of Lifespace to conduct comprehensive actuarial studies on the Obligated Group. The Obligated Group consists of the eleven communities listed below:

- 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, and
- Village on the Green.

Lifespace Communities, Inc (formerly "Life Care Retirement Communities") was organized in 1976 and became Lifespace Communities, Inc. in 2009. The Obligated Group offers services from independent living and rehabilitation services, to assisted living, memory care, and skilled nursing care.

New residents of the communities of the Obligated Group have multiple options of CCRC refundable contracts depending on the community. The contract is described in each community's comprehensive study. Under the terms of the residential contract, the resident agrees to pay an entrance fee and a monthly service fee, which entitle the resident to lifetime occupancy of the independent living, assisted living and skilled nursing care at each community. This memorandum serves as the reporting of projected statements of actuarial cash flow and actuarial balance sheet for the Obligated Group. This comprehensive actuarial study and review was performed under the guidelines contained in the American Academy of Actuaries' Actuarial Standard of Practice Number 3, "Practices Relating to Continuing Care Retirement Communities."

In order to perform the actuarial analysis, we projected initial residents and subsequent residents through various levels of care until move-out or death. The rates of permanent and temporary nursing transfers, deaths and withdrawals were developed using The Obligated Group's resident data and Continuing Care Actuaries' demographic database for CCRC residents. This database comprises over 600,000 CCRC residential life-years of demographic experience. The database assumptions used in this analysis reflect experience of communities with similar health care guarantees as The Obligated Group. The population projections were combined with expense and revenue assumptions to develop projected cash flows and contingent assets and liabilities. A by-product of these cash flow projections is the pricing analysis that examines the financial adequacy of the residential fee structures and the actuarially based balance sheet which is used as an indicator of the adequacy of historical residential fee structures.

In conclusion, the Obligated Group is in *adequate financial condition* to meet its obligations as defined by Actuarial Standard of Practice No. 3 (ASOP 3). ASOP 3 defines adequacy based on the meeting of three required actuarial standards, which consist of the actuarial cash flow, the actuarial balance sheet and the actuarial pricing analysis.

The results of our study are based on estimates of the demographic and economic assumptions of the most likely outcome. Considerable uncertainty and variability are inherent in such estimates. Accordingly, the subsequent emergence of actual residential movements and of actual revenues and expenses may not conform to the assumptions used in our analysis. Consequently, the subsequent development of these items may vary considerably from expected results.

Management should scrutinize future developments that may cause the fund balance to deteriorate. These developments include higher apartment vacancy rates, higher expense inflation, higher nursing care utilization and longer life expectancies than assumed in the projection.

Any distribution of this report to a third party is allowed without Continuing Care Actuaries' consent provided that the report is forwarded in its entirety and Continuing Care Actuaries is notified as to the recipients.

Attached to this letter is a summary of the consolidated group actuarial balance sheet and cashflows.

Sincerely yours,



Dave Bond, F.S.A., M.A.A.A.  
Managing Partner

**Cashflows**

Revenue Projection	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
All contracts										
ILU Entrance Fees Received	\$ 117,108,394	\$ 227,728,265	\$ 182,965,835	\$ 175,976,418	\$ 166,856,584	\$ 170,672,059	\$ 176,475,630	\$ 180,780,271	\$ 187,256,822	\$ 194,446,126
Entrance Fees Refunded	(67,664,139)	(63,496,446)	(63,369,485)	(65,827,606)	(70,648,219)	(74,797,421)	(78,749,275)	(82,708,047)	(86,737,306)	(90,965,092)
Net Entrance Fees	\$ 49,444,255	\$ 164,231,819	\$ 119,596,350	\$ 110,148,812	\$ 96,208,365	\$ 95,874,638	\$ 97,726,355	\$ 98,072,224	\$ 100,519,516	\$ 103,481,035
Independent Living Monthly Fees	\$ 126,914,120	\$ 135,187,091	\$ 147,107,863	\$ 156,336,404	\$ 164,147,872	\$ 170,967,505	\$ 177,358,200	\$ 183,737,104	\$ 190,085,620	\$ 196,544,355
Assisted Living Fees	6,744,039	7,133,853	7,822,397	8,530,607	9,308,907	10,119,709	10,936,207	11,745,201	12,539,775	13,316,767
Assisted Living Direct Admit/Private Pay	9,476,845	11,398,732	11,722,672	11,729,728	11,664,132	11,363,910	11,045,770	10,737,690	10,453,931	10,237,459
Memory Care Fees	2,086,951	2,940,410	3,277,536	3,601,808	3,944,588	4,289,432	4,628,491	4,959,294	5,281,686	5,596,770
Memory Care Private Pay/Direct Admit	5,000,557	4,796,646	4,871,843	4,869,682	4,854,939	4,686,290	4,587,466	4,571,389	4,555,122	4,542,165
Skilled Nursing Fees	12,143,456	13,286,665	14,599,470	16,086,187	17,689,546	19,350,899	21,014,220	22,625,821	24,157,292	25,614,205
Skilled Nursing Private Pay	23,224,656	25,696,716	26,261,142	26,136,574	26,011,424	25,501,008	25,017,733	24,649,902	24,569,446	24,643,155
Skilled Nursing Medicare/Insurance	43,033,560	42,065,448	41,526,331	41,241,662	41,199,233	41,067,161	40,987,010	40,967,559	40,854,937	40,796,430
Home Health	10,626,094	10,960,597	11,305,751	11,661,898	12,029,395	12,385,647	12,752,845	13,131,337	13,521,481	13,923,648
Promotion & Hardship Discount	(975,885)	(1,005,161)	(1,035,316)	(1,066,376)	(1,098,367)	(1,131,318)	(1,165,257)	(1,200,215)	(1,236,222)	(1,273,308)
Ancillary and Other Income	13,067,897	13,679,611	14,365,830	14,937,098	15,493,528	15,931,146	16,359,454	16,796,253	17,235,811	17,688,313
Investment Income	8,767,491	10,742,335	11,760,032	13,326,859	16,100,141	18,341,168	20,453,046	22,628,355	24,870,674	27,218,520
Financing Activity	137,646,625	-	-	-	-	-	-	-	-	-
Total Cash Inflow	\$ 447,200,661	\$ 441,114,761	\$ 413,181,899	\$ 417,540,944	\$ 417,553,703	\$ 428,747,196	\$ 441,701,540	\$ 453,421,913	\$ 467,409,069	\$ 482,329,514

<b>Cashflows</b>										
Revenue Projection	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
All contracts										
ILU Entrance Fees Received	\$ 202,251,556	\$ 210,118,329	\$ 218,140,365	\$ 226,262,342	\$ 232,391,790	\$ 239,851,810	\$ 247,586,867	\$ 254,801,706	\$ 261,430,894	\$ 268,917,657
Entrance Fees Refunded	(95,182,932)	(99,413,629)	(103,710,671)	(108,030,953)	(112,292,566)	(116,468,887)	(120,574,845)	(124,604,282)	(128,504,232)	(132,607,418)
Net Entrance Fees	\$ 107,068,624	\$ 110,704,701	\$ 114,429,694	\$ 118,231,389	\$ 120,099,224	\$ 123,382,923	\$ 127,012,021	\$ 130,197,424	\$ 132,926,661	\$ 136,310,239
Independent Living Monthly Fees	\$ 203,207,147	\$ 210,122,194	\$ 217,296,336	\$ 224,735,261	\$ 232,300,868	\$ 239,961,083	\$ 247,853,796	\$ 255,945,297	\$ 264,115,944	\$ 272,314,169
Assisted Living Fees	14,071,270	14,797,716	15,492,579	16,153,633	16,778,808	17,369,790	17,936,512	18,495,076	19,060,872	19,646,225
Assisted Living Direct Admit/Private Pay	10,205,214	10,207,194	10,246,641	10,330,122	10,461,530	10,645,665	10,875,565	11,137,111	11,418,439	11,709,215
Memory Care Fees	5,904,833	6,205,528	6,498,338	6,783,316	7,060,957	7,331,476	7,596,486	7,860,099	8,126,600	8,399,124
Memory Care Private Pay/Direct Admit	4,534,843	4,535,531	4,546,580	4,569,625	4,606,201	4,658,016	4,726,193	4,807,727	4,897,342	4,991,595
Skilled Nursing Fees	27,028,938	28,438,609	29,854,714	31,265,067	32,664,539	34,027,028	35,328,188	36,587,812	37,832,485	39,074,325
Skilled Nursing Private Pay	24,802,494	24,985,391	25,168,056	25,387,248	25,635,174	25,968,028	26,447,957	27,045,007	27,732,339	28,473,511
Skilled Nursing Medicare/Insurance	40,791,055	40,820,645	40,896,678	41,026,007	41,232,580	41,532,682	41,934,554	42,429,896	43,001,311	43,641,994
Home Health	14,338,221	14,765,594	15,206,175	15,660,387	16,128,663	16,611,455	17,109,226	17,622,455	18,151,639	18,697,289
Promotion & Hardship Discount	(1,311,507)	(1,350,853)	(1,391,378)	(1,433,120)	(1,476,113)	(1,520,397)	(1,566,008)	(1,612,989)	(1,661,378)	(1,711,220)
Ancillary and Other Income	18,161,757	18,649,000	19,151,272	19,671,692	20,205,789	20,758,068	21,338,273	21,942,304	22,564,702	23,200,795
Investment Income	29,722,602	32,375,918	35,155,954	38,074,811	41,107,254	44,237,658	47,475,393	50,801,509	54,222,274	57,756,134
Financing Activity	-	-	-	-	-	-	-	-	-	-
Total Cash Inflow	\$ 498,525,490	\$ 515,257,167	\$ 532,551,638	\$ 550,455,437	\$ 566,805,474	\$ 584,963,475	\$ 604,068,158	\$ 623,258,729	\$ 642,389,228	\$ 662,503,396

Expense Projection	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Dietary	\$ 43,963,892	\$ 45,974,938	\$ 47,642,580	\$ 49,133,819	\$ 50,654,118	\$ 52,173,741	\$ 53,738,953	\$ 55,351,122	\$ 57,011,656	\$ 58,722,005
Executive	-	-	-	-	-	-	-	-	-	-
Business Development	2,334,489	2,404,524	2,476,659	2,550,959	2,627,488	2,706,313	2,787,502	2,871,127	2,957,261	3,045,979
Legal	632,914	651,902	671,459	691,602	712,350	733,721	755,733	778,405	801,757	825,809
Finance	2,542,389	2,796,095	2,951,322	3,054,645	3,174,698	3,269,939	3,368,037	3,469,078	3,573,150	3,680,345
Info Tech	1,809,235	1,863,512	1,919,417	1,976,999	2,036,309	2,097,399	2,160,321	2,225,130	2,291,884	2,360,641
Marketing	10,495,514	10,810,380	11,134,691	11,530,027	12,081,545	12,443,991	12,817,311	13,201,830	13,597,885	14,005,822
Human Resources	4,685,900	4,826,477	4,971,272	5,120,410	5,274,022	5,432,243	5,595,210	5,763,067	5,935,959	6,114,037
Culture and Hospitality	-	-	-	-	-	-	-	-	-	-
G&A Other	43,393,014	45,150,257	46,598,588	47,996,546	49,436,442	50,919,535	52,447,121	54,020,535	55,641,151	57,310,385
Plant	25,747,625	27,063,540	27,987,404	28,827,026	29,691,837	30,582,592	31,500,070	32,445,072	33,418,424	34,420,977
Housekeeping	14,273,315	14,712,679	15,375,220	15,944,023	16,442,549	16,935,825	17,443,900	17,967,217	18,506,234	19,061,421
Resident Services (All)	1,002,901	1,032,988	1,063,978	1,095,897	1,128,774	1,162,637	1,197,516	1,233,442	1,270,445	1,308,558
Leisure Services	7,923,034	8,185,347	8,435,979	8,689,059	8,949,731	9,218,223	9,494,769	9,779,612	10,073,001	10,375,191
Home Health	11,055,552	11,387,219	11,728,835	12,080,700	12,443,121	12,816,415	13,200,908	13,596,935	14,004,843	14,424,988
Assisted Living	6,853,118	7,058,712	7,270,473	7,488,588	7,713,245	7,944,643	8,182,982	8,428,471	8,681,325	8,941,765
Memory Care	4,477,376	4,611,697	4,750,048	4,892,550	5,039,326	5,190,506	5,346,221	5,506,608	5,671,806	5,841,960
Health Center	62,159,743	64,024,535	65,945,271	67,923,629	69,961,338	72,060,178	74,221,983	76,448,643	78,742,102	81,104,365
Provision for Change in Occ	-	-	-	-	-	-	-	-	-	-
Outside Assisted Living	-	-	-	-	-	-	-	-	-	-
Environmental Services	-	-	-	-	-	-	-	-	-	-
HC Ancillaries	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-	-
Interest	26,033,635	28,522,464	26,613,466	25,043,471	24,636,915	24,135,439	23,502,677	22,840,862	22,148,775	21,425,054
Principal Repayment	6,972,917	24,407,019	68,046,465	8,178,360	8,481,200	12,856,125	13,457,348	14,069,611	14,705,185	15,392,372
Capital Expenditures	104,425,118	120,759,047	55,580,912	27,145,780	27,367,904	36,672,564	38,279,015	39,974,428	41,764,536	43,655,486
Total Cash Outflow	\$ 380,781,683	\$ 426,243,331	\$ 411,164,040	\$ 329,364,092	\$ 337,852,913	\$ 359,352,028	\$ 369,497,577	\$ 379,971,196	\$ 390,797,378	\$ 402,017,160
Net Cash Flow	\$ 66,418,979	\$ 14,871,431	\$ 2,017,859	\$ 88,176,852	\$ 79,700,790	\$ 69,395,168	\$ 72,203,963	\$ 73,450,717	\$ 76,611,691	\$ 80,312,354
Cumulative Cash Flow	\$ 400,178,705	\$ 415,050,135	\$ 417,067,994	\$ 505,244,846	\$ 584,945,636	\$ 654,340,804	\$ 726,544,767	\$ 799,995,484	\$ 876,607,175	\$ 956,919,529
Cumulative Cash Flow (2021 \$s)	\$ 400,178,705	\$ 394,459,798	\$ 377,122,578	\$ 434,350,106	\$ 478,268,369	\$ 509,117,996	\$ 538,140,618	\$ 564,351,770	\$ 589,264,279	\$ 613,262,624

Expense Projection	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Dietary	\$ 60,483,665	\$ 62,298,175	\$ 64,167,121	\$ 66,092,134	\$ 68,074,898	\$ 70,117,145	\$ 72,220,660	\$ 74,387,279	\$ 76,618,898	\$ 78,917,465
Executive	-	-	-	-	-	-	-	-	-	-
Business Development	3,137,358	3,231,479	3,328,423	3,428,276	3,531,124	3,637,058	3,746,170	3,858,555	3,974,311	4,093,541
Legal	850,584	876,101	902,384	929,456	957,339	986,060	1,015,641	1,046,111	1,077,494	1,109,819
Finance	3,790,755	3,904,478	4,021,612	4,142,261	4,266,528	4,394,524	4,526,360	4,662,151	4,802,015	4,946,076
Info Tech	2,431,460	2,504,404	2,579,536	2,656,922	2,736,630	2,818,729	2,903,290	2,990,389	3,080,101	3,172,504
Marketing	14,425,997	14,858,776	15,304,540	15,763,676	16,236,586	16,723,684	17,225,394	17,742,156	18,274,421	18,822,654
Human Resources	6,297,458	6,486,382	6,680,974	6,881,403	7,087,845	7,300,480	7,519,495	7,745,079	7,977,432	8,216,755
Culture and Hospitality	-	-	-	-	-	-	-	-	-	-
G&A Other	59,029,697	60,800,588	62,624,606	64,503,344	66,438,444	68,431,597	70,484,545	72,599,082	74,777,054	77,020,366
Plant	35,453,606	36,517,214	37,612,731	38,741,113	39,903,346	41,100,446	42,333,460	43,603,464	44,911,568	46,258,915
Housekeeping	19,633,263	20,222,261	20,828,929	21,453,797	22,097,411	22,760,333	23,443,143	24,146,437	24,870,831	25,616,955
Resident Services (All)	1,347,815	1,388,249	1,429,897	1,472,794	1,516,978	1,562,487	1,609,362	1,657,642	1,707,372	1,758,593
Leisure Services	10,686,446	11,007,040	11,337,251	11,677,368	12,027,690	12,388,520	12,760,176	13,142,981	13,537,271	13,943,389
Home Health	14,857,738	15,303,470	15,762,574	16,235,451	16,722,515	17,224,190	17,740,916	18,273,143	18,821,338	19,385,978
Assisted Living	9,210,018	9,486,319	9,770,908	10,064,035	10,365,957	10,676,935	10,997,243	11,327,161	11,666,975	12,016,985
Memory Care	6,017,219	6,197,736	6,383,668	6,575,178	6,772,433	6,975,606	7,184,874	7,400,420	7,622,433	7,851,106
Health Center	83,537,496	86,043,621	88,624,930	91,283,678	94,022,188	96,842,854	99,748,139	102,740,583	105,822,801	108,997,485
Provision for Change in Occ	-	-	-	-	-	-	-	-	-	-
Outside Assisted Living	-	-	-	-	-	-	-	-	-	-
Environmental Services	-	-	-	-	-	-	-	-	-	-
HC Ancillaries	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-	-
Interest	20,823,862	20,266,152	19,712,261	19,086,661	18,437,853	17,771,920	17,037,632	16,252,848	15,544,665	14,635,421
Principal Repayment	11,307,404	12,093,026	12,826,687	13,087,108	13,694,027	14,551,340	15,765,344	16,545,659	18,796,380	17,916,261
Capital Expenditures	48,653,878	51,108,993	53,710,610	56,468,849	59,394,609	62,499,630	65,796,561	69,299,039	73,021,771	76,980,620
Total Cash Outflow	\$ 411,975,720	\$ 424,594,464	\$ 437,609,640	\$ 450,543,503	\$ 464,284,402	\$ 478,763,538	\$ 494,058,405	\$ 509,420,180	\$ 526,905,130	\$ 541,660,885
Net Cash Flow	\$ 86,549,769	\$ 90,662,703	\$ 94,941,997	\$ 99,911,934	\$ 102,521,073	\$ 106,199,937	\$ 110,009,753	\$ 113,838,549	\$ 115,484,098	\$ 120,842,511
Cumulative Cash Flow	\$ 1,043,469,298	\$ 1,134,132,001	\$ 1,229,073,998	\$ 1,328,985,932	\$ 1,431,507,005	\$ 1,537,706,942	\$ 1,647,716,695	\$ 1,761,555,244	\$ 1,877,039,343	\$ 1,997,881,854
Cumulative Cash Flow (2021 \$s)	\$ 637,857,627	\$ 661,679,906	\$ 684,977,561	\$ 708,004,938	\$ 729,631,085	\$ 750,503,689	\$ 770,780,980	\$ 790,163,095	\$ 807,525,446	\$ 824,843,401

**Actuarial Balance Sheet (in 000's)**  
**December 31, 2020**

**ACTUARIAL ASSETS**

Current Assets	\$340,609
Actuarial Present Value of Net Fixed Assets	\$1,365,013
Current Liabilities	(\$100,497)
Actuarial Present Value of Long-Term Debt	(\$569,673)

**NET ACTUARIAL ASSETS** **\$1,035,452**

**ACTUARIAL LIABILITIES**

Actuarial Present Value of Future Liabilities	\$1,235,656
Actuarial Present Value of Future Revenues	\$913,766
Net Actuarial Liabilities	\$321,890
Actuarial Present Value of Refund Liability	\$319,014
Actuarial Surplus (Deficit)	<u>\$394,548</u>

**NET ACTUARIAL LIABILITIES** **\$1,035,452**

**Funded Status**

Net Actuarial Assets + APV of Future Revenue	\$1,949,218
divided by	
APV of Future Liabilities + APV of Refund Liability	<u>\$1,554,670</u>

**FUNDED STATUS** **125.4%**

**Actuarial Ratio**

Actuarial Present Value of Future Revenue	\$913,766
divided by	
Actuarial Present Value of Future Liabilities	<u>\$1,235,656</u>

**ACTUARIAL RATIO** **73.9%**