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July 25, 2022

Nick Harshfield
Senior Vice President & CFO
Lifespace Communities
4201 Corporate Drive
West Des Moines, IA 50266

Subject: The Obligated Group Actuarial Balance Sheet and Cashflows

Dear Nick:

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 support, 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	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>
All contracts										
ILU Entrance Fees Received	\$ 123,345,512	\$ 149,107,470	\$ 185,013,839	\$ 168,809,301	\$ 162,593,349	\$ 167,309,648	\$ 172,584,940	\$ 179,788,906	\$ 187,085,249	\$ 194,438,489
Entrance Fees Refunded	(54,271,607)	(57,874,595)	(63,300,597)	(68,217,676)	(71,111,343)	(73,558,297)	(76,102,314)	(78,801,054)	(82,013,898)	(85,513,962)
Net Entrance Fees	\$ 69,073,905	\$ 91,232,876	\$ 121,713,242	\$ 100,591,625	\$ 91,482,006	\$ 93,751,350	\$ 96,482,626	\$ 100,987,852	\$ 105,071,350	\$ 108,924,526
Independent Living Monthly Fees	\$ 132,780,643	\$ 137,555,088	\$ 146,437,161	\$ 155,999,299	\$ 163,482,103	\$ 170,190,593	\$ 176,866,699	\$ 183,674,370	\$ 190,720,003	\$ 197,964,976
Assisted Living Lifecare Fees	6,420,234	6,954,377	7,658,981	8,502,044	9,485,165	10,552,627	11,666,741	12,794,241	13,906,224	14,987,230
Assisted Living Private Pay	9,606,991	9,510,202	9,489,154	9,348,515	9,056,154	8,696,230	8,307,344	7,926,459	7,588,956	7,183,222
Memory Support Lifecare Fees	3,546,143	3,829,953	4,130,032	4,445,435	4,780,801	5,127,150	5,480,318	5,838,025	6,198,284	6,563,238
Memory Support Private Pay	6,201,937	6,193,366	6,137,926	6,006,698	5,832,383	5,647,856	5,468,853	5,300,367	5,185,555	5,094,623
Skilled Nursing Lifecare Fees	12,512,895	13,200,656	14,381,520	15,500,654	16,716,636	18,094,281	19,614,271	21,211,828	22,840,546	24,474,990
Skilled Nursing Private Pay	27,699,764	28,496,273	29,482,639	30,438,797	31,218,778	31,736,605	32,092,060	32,176,139	32,235,086	32,320,728
Skilled Nursing Medicare/Medicaid	47,536,099	46,947,102	47,560,071	48,351,711	48,926,905	49,300,784	49,524,579	49,658,237	49,773,845	49,898,041
Home Health	13,074,507	13,344,921	13,621,011	13,902,898	14,190,708	14,484,566	14,784,602	15,090,950	15,403,744	15,723,123
Promotion & Hardship Discount	(1,078,659)	(1,111,019)	(1,144,349)	(1,178,680)	(1,214,040)	(1,250,461)	(1,287,975)	(1,326,615)	(1,366,413)	(1,407,405)
Ancillary and Other Income	15,009,972	15,330,634	16,038,452	16,782,392	17,392,854	17,935,069	18,466,149	18,961,159	19,470,241	19,989,340
Investment Income	8,485,072	9,736,929	10,221,698	11,305,071	12,177,292	13,762,338	15,737,113	17,889,893	20,263,185	22,822,477
Financing Activity	136,440,000	-	-	-	-	-	-	-	-	-
Total Cash Inflow	\$ 487,309,502	\$ 381,221,358	\$ 425,727,539	\$ 419,996,458	\$ 423,527,743	\$ 438,028,990	\$ 453,203,379	\$ 470,182,905	\$ 487,290,606	\$ 504,539,108

Cashflows

Revenue Projection	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>
All contracts										
ILU Entrance Fees Received	\$ 201,060,277	\$ 209,289,142	\$ 216,806,716	\$ 223,705,490	\$ 231,521,398	\$ 239,550,511	\$ 247,512,947	\$ 255,566,077	\$ 261,954,641	\$ 270,833,670
Entrance Fees Refunded	(89,115,214)	(92,822,621)	(96,741,803)	(100,773,145)	(104,881,870)	(109,032,766)	(113,202,594)	(117,342,004)	(121,408,071)	(125,657,032)
Net Entrance Fees	\$ 111,945,063	\$ 116,466,521	\$ 120,064,914	\$ 122,932,345	\$ 126,639,528	\$ 130,517,745	\$ 134,310,353	\$ 138,224,074	\$ 140,546,569	\$ 145,176,638
Independent Living Monthly Fees	\$ 205,285,512	\$ 212,710,210	\$ 220,297,096	\$ 227,920,188	\$ 235,628,511	\$ 243,541,652	\$ 251,673,078	\$ 260,016,561	\$ 268,413,888	\$ 276,884,273
Assisted Living Lifecare Fees	16,031,080	17,035,497	17,997,970	18,912,878	19,776,693	20,595,139	21,381,123	22,149,265	22,915,133	23,691,031
Assisted Living Private Pay	6,956,249	6,929,349	6,913,584	6,918,927	6,955,439	7,023,391	7,116,999	7,231,261	7,358,442	7,492,571
Memory Support Lifecare Fees	6,935,581	7,315,744	7,701,628	8,088,614	8,471,521	8,847,691	9,216,889	9,581,279	9,944,778	10,310,130
Memory Support Private Pay	5,017,532	5,011,228	5,030,081	5,067,199	5,125,588	5,206,038	5,306,433	5,422,265	5,548,776	5,682,965
Skilled Nursing Lifecare Fees	26,099,989	27,725,026	29,359,554	30,980,954	32,560,125	34,079,205	35,532,859	36,930,315	38,296,599	39,647,716
Skilled Nursing Private Pay	32,458,769	32,637,627	32,846,328	33,104,938	33,459,267	33,934,044	34,543,136	35,285,347	36,128,698	37,041,083
Skilled Nursing Medicare/Medicaid	50,042,333	50,197,320	50,352,725	50,558,388	50,855,207	51,275,477	51,829,158	52,502,017	53,269,141	54,120,916
Home Health	16,049,229	16,382,206	16,722,203	17,069,370	17,423,863	17,785,838	18,155,458	18,532,887	18,918,294	19,311,852
Promotion & Hardship Discount	(1,449,627)	(1,493,116)	(1,537,910)	(1,584,047)	(1,631,569)	(1,680,516)	(1,730,931)	(1,782,859)	(1,836,345)	(1,891,435)
Ancillary and Other Income	20,525,232	21,082,152	21,651,899	22,234,922	22,836,555	23,463,144	24,116,695	24,796,835	25,495,088	26,210,038
Investment Income	25,355,862	27,876,007	30,545,211	33,339,923	36,263,464	39,326,353	42,523,323	45,860,141	49,315,573	52,948,023
Financing Activity	-	-	-	-	-	-	-	-	-	-
Total Cash Inflow	\$ 521,252,803	\$ 539,875,771	\$ 557,945,283	\$ 575,544,599	\$ 594,364,191	\$ 613,915,202	\$ 633,974,571	\$ 654,749,386	\$ 674,314,634	\$ 696,625,801

Expense Projection	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Dietary	\$ 48,766,280	\$ 51,051,464	\$ 52,990,037	\$ 54,613,480	\$ 56,218,843	\$ 57,871,498	\$ 59,574,058	\$ 61,328,020	\$ 63,134,926	\$ 64,996,363
Business Development	2,852,400	2,937,972	3,026,111	3,116,894	3,210,401	3,306,713	3,405,915	3,508,092	3,613,335	3,721,735
Legal	689,006	709,677	730,967	752,896	775,483	798,747	822,710	847,391	872,813	898,997
Finance	1,411,966	1,454,325	1,497,955	1,542,894	1,589,180	1,636,856	1,685,962	1,736,540	1,788,637	1,842,296
Info Tech	1,617,848	1,666,383	1,716,374	1,767,866	1,820,902	1,875,529	1,931,795	1,989,748	2,049,441	2,110,924
Marketing	15,935,585	16,760,259	17,263,067	17,780,959	18,314,388	18,863,819	19,429,734	20,012,626	20,613,005	21,231,395
Human Resources	5,574,528	5,741,763	5,914,016	6,091,437	6,274,180	6,462,405	6,656,278	6,855,966	7,061,645	7,273,494
Culture and Hospitality	5,192,027	5,347,788	5,508,222	5,673,468	5,843,672	6,018,983	6,199,552	6,385,539	6,577,105	6,774,418
G&A Other	61,911,554	64,425,714	66,381,126	68,370,750	70,420,008	72,530,689	74,704,632	76,943,734	79,249,949	81,625,286
Plant	21,798,436	23,160,526	23,855,342	24,571,002	25,308,132	26,067,376	26,849,397	27,654,879	28,484,525	29,339,061
Housekeeping/Environmental Services	16,158,207	16,975,925	17,539,184	18,065,360	18,607,321	19,165,540	19,740,507	20,332,722	20,942,703	21,570,985
Resident Services (All)	1,874,472	1,930,706	1,988,628	2,048,286	2,109,735	2,173,027	2,238,218	2,305,364	2,374,525	2,445,761
Leisure Services	7,521,988	7,898,822	8,135,786	8,379,860	8,631,256	8,890,193	9,156,899	9,431,606	9,714,554	10,005,991
Home Health	11,630,106	11,979,010	12,338,380	12,708,531	13,089,787	13,482,481	13,886,955	14,303,564	14,732,671	15,174,651
Assisted Living	6,860,767	7,066,590	7,278,588	7,496,945	7,721,854	7,953,509	8,192,115	8,437,878	8,691,014	8,951,745
Memory Support	4,666,193	4,806,179	4,950,365	5,098,875	5,251,842	5,409,397	5,571,679	5,738,829	5,910,994	6,088,324
Health Center	52,527,227	54,103,043	55,726,135	57,397,919	59,119,856	60,893,452	62,720,256	64,601,863	66,539,919	68,536,117
Foundation	7,200	7,416	7,638	7,868	8,104	8,347	8,597	8,855	9,121	9,394
Interest	28,377,284	28,165,026	28,040,396	27,201,341	25,221,421	24,272,933	23,761,119	23,222,025	22,685,850	22,143,334
Principal Repayment	6,278,972	19,498,662	23,164,824	53,263,290	23,256,680	10,616,241	11,139,056	11,783,466	10,799,967	11,772,802
Capital Expenditures	214,476,124	79,698,313	31,192,207	28,303,905	28,329,262	26,466,893	27,140,635	27,622,879	28,355,728	30,494,747
Total Cash Outflow	\$ 516,128,172	\$ 405,385,564	\$ 369,245,348	\$ 404,253,827	\$ 381,122,307	\$ 374,764,629	\$ 384,816,066	\$ 395,051,588	\$ 404,202,426	\$ 417,007,820
Net Cash Flow	\$ (28,818,670)	\$ (24,164,206)	\$ 56,482,191	\$ 15,742,631	\$ 42,405,436	\$ 63,264,361	\$ 68,387,313	\$ 75,131,317	\$ 83,088,180	\$ 87,531,287
Cumulative Cash Flow	\$ 336,646,403	\$ 312,482,197	\$ 368,964,389	\$ 384,707,019	\$ 427,112,456	\$ 490,376,817	\$ 558,764,130	\$ 633,895,447	\$ 716,983,627	\$ 804,514,914
Cumulative Cash Flow (2021 \$s)	\$ 336,646,403	\$ 296,191,656	\$ 331,496,946	\$ 327,621,754	\$ 344,772,326	\$ 375,204,149	\$ 405,241,357	\$ 435,763,063	\$ 467,185,722	\$ 496,891,952

Expense Projection	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
Dietary	\$ 66,946,254	\$ 68,954,642	\$ 71,023,281	\$ 73,153,980	\$ 75,348,599	\$ 77,609,057	\$ 79,937,329	\$ 82,335,449	\$ 84,805,512	\$ 87,349,677
Business Development	3,833,387	3,948,389	4,066,840	4,188,846	4,314,511	4,443,946	4,577,265	4,714,583	4,856,020	5,001,701
Legal	925,967	953,746	982,358	1,011,829	1,042,184	1,073,449	1,105,653	1,138,823	1,172,987	1,208,177
Finance	1,897,565	1,954,492	2,013,126	2,073,520	2,135,726	2,199,797	2,265,791	2,333,765	2,403,778	2,475,891
Info Tech	2,174,252	2,239,479	2,306,664	2,375,864	2,447,140	2,520,554	2,596,170	2,674,055	2,754,277	2,836,905
Marketing	21,868,337	22,524,387	23,200,118	23,896,122	24,613,006	25,351,396	26,111,938	26,895,296	27,702,155	28,533,219
Human Resources	7,491,699	7,716,450	7,947,943	8,186,382	8,431,973	8,684,932	8,945,480	9,213,845	9,490,260	9,774,968
Culture and Hospitality	6,977,651	7,186,980	7,402,589	7,624,667	7,853,407	8,089,009	8,331,680	8,581,630	8,839,079	9,104,251
G&A Other	84,074,045	86,596,266	89,194,154	91,869,979	94,626,078	97,464,860	100,388,806	103,400,470	106,502,485	109,697,559
Plant	30,219,233	31,125,810	32,059,584	33,021,372	34,012,013	35,032,373	36,083,345	37,165,845	38,280,820	39,429,245
Housekeeping/Environmental Services	22,218,114	22,884,658	23,571,197	24,278,333	25,006,683	25,756,884	26,529,590	27,325,478	28,145,242	28,989,599
Resident Services (All)	2,519,134	2,594,708	2,672,549	2,752,726	2,835,307	2,920,367	3,007,978	3,098,217	3,191,163	3,286,898
Leisure Services	10,306,171	10,615,356	10,933,817	11,261,831	11,599,686	11,947,677	12,306,107	12,675,290	13,055,549	13,447,215
Home Health	15,629,891	16,098,787	16,581,751	17,079,203	17,591,580	18,119,327	18,662,907	19,222,794	19,799,478	20,393,462
Assisted Living	9,220,297	9,496,906	9,781,813	10,075,268	10,377,526	10,688,852	11,009,517	11,339,803	11,679,997	12,030,397
Memory Support	6,270,974	6,459,103	6,652,876	6,852,462	7,058,036	7,269,777	7,487,871	7,712,507	7,943,882	8,182,198
Health Center	70,592,200	72,709,966	74,891,265	77,138,003	79,452,143	81,835,708	84,290,779	86,819,502	89,424,087	92,106,810
Foundation	9,676	9,966	10,265	10,573	10,891	11,217	11,554	11,901	12,258	12,625
Interest	21,514,713	20,802,883	20,042,957	19,246,513	18,411,450	17,533,828	16,771,426	15,930,144	14,922,048	13,864,135
Principal Repayment	14,495,067	15,523,715	16,244,162	17,007,167	17,401,675	18,532,652	19,446,237	20,344,072	21,350,172	18,992,769
Capital Expenditures	40,707,095	42,830,542	45,067,527	47,424,301	49,907,472	52,524,022	55,281,335	58,187,218	61,249,926	64,478,188
Total Cash Outflow	\$ 439,891,721	\$ 453,227,230	\$ 466,646,839	\$ 480,528,941	\$ 494,477,085	\$ 509,609,685	\$ 525,148,757	\$ 541,120,686	\$ 557,581,174	\$ 571,195,892
Net Cash Flow	\$ 81,361,083	\$ 86,648,541	\$ 91,298,443	\$ 95,015,658	\$ 99,887,107	\$ 104,305,517	\$ 108,825,814	\$ 113,628,700	\$ 116,733,460	\$ 125,429,909
Cumulative Cash Flow	\$ 885,875,997	\$ 972,524,538	\$ 1,063,822,981	\$ 1,158,838,639	\$ 1,258,725,746	\$ 1,363,031,263	\$ 1,471,857,077	\$ 1,585,485,777	\$ 1,702,219,236	\$ 1,827,649,145
Cumulative Cash Flow (2021 \$s)	\$ 518,618,898	\$ 539,664,079	\$ 559,551,227	\$ 577,751,381	\$ 594,835,227	\$ 610,546,748	\$ 624,922,679	\$ 638,073,248	\$ 649,338,600	\$ 660,839,653

Actuarial Balance Sheet (in 000's)
December 31, 2021

ACTUARIAL ASSETS

Current Assets	\$383,436
Actuarial Present Value of Net Fixed Assets	\$1,334,735
Current Liabilities	(\$79,187)
Actuarial Present Value of Long-Term Debt	(\$572,543)

NET ACTUARIAL ASSETS **\$1,066,440**

ACTUARIAL LIABILITIES

Actuarial Present Value of Future Liabilities	\$1,269,038
Actuarial Present Value of Future Revenues	\$928,214
Net Actuarial Liabilities	\$340,824
Actuarial Present Value of Refund Liability	\$388,813
Actuarial Surplus (Deficit)	<u>\$336,803</u>

NET ACTUARIAL LIABILITIES **\$1,066,440**

Funded Status

Net Actuarial Assets + APV of Future Revenue	\$1,994,654
divided by	
APV of Future Liabilities + APV of Refund Liability	<u>\$1,657,851</u>

FUNDED STATUS **120.3%**

Actuarial Ratio

Actuarial Present Value of Future Revenue	\$928,214
divided by	
Actuarial Present Value of Future Liabilities	<u>\$1,269,038</u>

ACTUARIAL RATIO **73.1%**