



415 Main Street
Reisterstown, MD 21136-1905
410-833-4220
410-833-4229 (fax)
www.continuingcareactuaries.com

July 11, 2023

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.

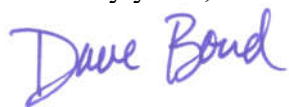
The results of our study are based on estimates of the demographic and economic assumptions of the most likely outcome. Considerable uncertainty and variability are inherent in such estimates. Accordingly, the subsequent emergence of actual residential movements and of actual revenues and expenses may 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>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>	<u>2032</u>
All contracts										
ILU Entrance Fees Received	\$ 139,992,403	\$ 201,061,226	\$ 184,533,932	\$ 173,581,568	\$ 177,739,990	\$ 185,072,490	\$ 190,947,991	\$ 199,986,211	\$ 207,493,931	\$ 212,273,613
Entrance Fees Refunded	(64,122,837)	(65,016,993)	(68,075,232)	(70,318,380)	(72,214,153)	(74,207,535)	(76,325,187)	(79,047,229)	(82,237,438)	(85,588,195)
Net Entrance Fees	\$ 75,869,566	\$ 136,044,233	\$ 116,458,701	\$ 103,263,187	\$ 105,525,837	\$ 110,864,955	\$ 114,622,804	\$ 120,938,982	\$ 125,256,494	\$ 126,685,418
Independent Living Monthly Fees	\$ 150,295,083	\$ 160,737,651	\$ 171,686,589	\$ 180,391,922	\$ 187,990,465	\$ 195,540,107	\$ 203,182,176	\$ 210,997,819	\$ 219,000,674	\$ 226,748,511
Assisted Living Lifecare Fees	8,278,905	8,251,735	8,736,034	9,461,409	10,325,894	11,270,054	12,263,786	13,274,415	14,272,075	15,238,042
Assisted Living Private Pay	10,239,560	10,778,410	10,812,075	10,698,462	10,495,315	10,237,696	9,942,453	9,640,163	9,361,590	9,127,569
Memory Support Lifecare Fees	5,364,873	5,404,467	5,601,251	5,889,799	6,241,854	6,639,775	7,072,673	7,526,714	7,991,564	8,461,050
Memory Support Private Pay	5,807,379	6,143,041	6,244,262	6,277,462	6,250,182	6,177,942	6,073,741	5,954,812	5,834,915	5,724,083
Skilled Nursing Lifecare Fees	15,108,737	15,627,549	16,831,937	18,022,158	19,261,163	20,625,538	22,139,346	23,745,511	25,396,067	27,049,413
Skilled Nursing Private Pay	24,858,841	26,037,969	26,366,696	26,680,830	26,946,724	27,116,569	27,177,400	27,184,232	27,198,506	27,273,269
Skilled Nursing Medicare/Medicaid	57,300,736	58,012,117	58,383,443	58,938,120	59,537,901	59,977,468	60,177,268	60,239,611	60,238,996	60,237,546
Home Health	13,232,106	13,503,129	13,779,763	14,062,128	14,350,343	14,644,531	14,944,819	15,251,334	15,564,208	15,883,575
Promotion & Hardship Discount	(1,260,332)	(1,298,142)	(1,337,086)	(1,377,199)	(1,418,515)	(1,461,070)	(1,504,902)	(1,550,049)	(1,596,551)	(1,644,447)
Ancillary and Other Income	16,953,955	17,738,597	18,525,358	19,162,314	19,714,882	20,251,502	20,784,298	21,324,112	21,877,087	22,430,587
Investment Income	10,189,829	10,753,961	12,793,571	14,434,759	16,145,039	18,274,277	20,593,456	23,142,533	25,933,539	28,814,753
Financing Activity	-	-	-	-	-	-	-	-	-	-
Total Cash Inflow	\$ 392,233,980	\$ 467,734,718	\$ 464,882,593	\$ 465,905,352	\$ 481,367,085	\$ 500,159,345	\$ 517,469,316	\$ 537,670,188	\$ 556,329,165	\$ 572,029,369

Cashflows

Revenue Projection	<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>	<u>2042</u>
All contracts										
ILU Entrance Fees Received	\$ 220,394,409	\$ 228,821,619	\$ 237,820,702	\$ 246,554,820	\$ 253,992,228	\$ 262,678,423	\$ 271,257,975	\$ 279,905,704	\$ 288,696,630	\$ 298,257,854
Entrance Fees Refunded	(89,036,740)	(92,624,173)	(96,271,827)	(100,043,825)	(103,828,809)	(107,648,080)	(111,503,022)	(115,389,295)	(119,307,675)	(123,437,076)
Net Entrance Fees	\$ 131,357,669	\$ 136,197,445	\$ 141,548,875	\$ 146,510,995	\$ 150,163,419	\$ 155,030,343	\$ 159,754,953	\$ 164,516,409	\$ 169,388,955	\$ 174,820,777
Independent Living Monthly Fees	\$ 234,314,719	\$ 242,050,948	\$ 250,004,198	\$ 258,222,282	\$ 266,541,081	\$ 274,977,824	\$ 283,689,972	\$ 292,678,205	\$ 301,946,798	\$ 311,506,229
Assisted Living Lifecare Fees	16,161,604	17,036,162	17,862,301	18,646,469	19,392,036	20,103,375	20,790,724	21,469,469	22,155,334	22,861,092
Assisted Living Private Pay	8,954,404	8,850,659	8,815,762	8,843,131	8,931,467	9,076,496	9,269,137	9,493,520	9,734,111	9,978,634
Memory Support Lifecare Fees	8,930,045	9,395,830	9,856,889	10,312,032	10,759,482	11,197,391	11,625,827	12,047,186	12,465,681	12,886,740
Memory Support Private Pay	5,630,495	5,585,174	5,630,633	5,696,056	5,782,674	5,890,319	6,016,796	6,158,558	6,311,506	6,471,866
Skilled Nursing Lifecare Fees	28,684,199	30,296,553	31,891,420	33,474,547	35,029,793	36,533,708	37,977,119	39,369,250	40,726,698	42,064,041
Skilled Nursing Private Pay	27,419,305	27,638,736	27,925,278	28,278,651	28,707,934	29,232,593	29,862,120	30,593,460	31,413,096	32,301,127
Skilled Nursing Medicare/Medicaid	60,289,342	60,411,637	60,607,673	60,868,751	61,235,193	61,755,615	62,449,984	63,301,811	64,284,854	65,379,944
Home Health	16,209,572	16,542,339	16,882,018	17,228,756	17,582,701	17,944,006	18,312,827	18,689,323	19,073,656	19,465,992
Promotion & Hardship Discount	(1,693,781)	(1,744,594)	(1,796,932)	(1,850,840)	(1,906,365)	(1,963,556)	(2,022,463)	(2,083,137)	(2,145,631)	(2,210,000)
Ancillary and Other Income	22,992,159	23,578,012	24,191,140	24,828,920	25,487,328	26,170,042	26,884,753	27,630,953	28,407,138	29,211,950
Investment Income	31,613,584	34,396,966	37,322,530	40,392,004	43,571,326	46,856,279	50,231,575	53,696,009	57,339,816	61,174,389
Financing Activity	-	-	-	-	-	-	-	-	-	-
Total Cash Inflow	\$ 590,863,316	\$ 610,235,866	\$ 630,741,785	\$ 651,451,754	\$ 671,278,068	\$ 692,804,435	\$ 714,843,326	\$ 737,561,016	\$ 761,102,012	\$ 785,912,779

Expense Projection	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Dietary	\$ 50,183,766	\$ 51,699,472	\$ 53,267,876	\$ 56,043,048	\$ 56,713,444	\$ 58,414,931	\$ 60,167,293	\$ 61,972,311	\$ 63,831,481	\$ 65,746,425
Business Development	1,485,537	1,530,103	1,576,006	1,623,286	1,671,985	1,722,145	1,773,809	1,827,023	1,881,834	1,938,289
Legal	818,534	843,090	868,383	894,434	921,267	948,905	977,373	1,006,694	1,036,895	1,068,001
Finance	2,831,592	2,916,540	3,004,036	3,094,157	3,186,982	3,282,591	3,381,069	3,482,501	3,586,976	3,694,585
Info Tech	2,278,129	2,346,472	2,416,867	2,489,373	2,564,054	2,640,975	2,720,205	2,801,811	2,885,865	2,972,441
Marketing	20,084,531	20,687,067	21,307,679	21,946,909	22,605,317	23,283,476	23,981,980	24,701,440	25,442,483	26,205,758
Human Resources	34,505,344	35,540,505	36,606,720	37,704,921	38,836,069	40,001,151	41,201,186	42,437,221	43,710,338	45,021,648
Culture and Hospitality	5,274,422	5,432,654	5,595,634	5,763,503	5,936,408	6,114,500	6,297,935	6,486,873	6,681,480	6,881,924
G&A Other	66,638,082	68,652,660	70,740,655	72,868,651	75,058,770	77,310,778	79,629,834	82,018,455	84,479,009	87,013,379
Plant	23,598,759	24,306,721	25,166,167	25,921,152	26,746,164	27,548,549	28,375,006	29,226,255	30,103,043	31,006,134
Housekeeping/Environmental Services	9,868,126	10,164,170	10,469,095	10,783,168	11,106,663	11,439,863	11,783,059	12,136,550	12,500,647	12,875,666
Resident Services (All)	2,937,218	3,025,335	3,116,095	3,209,577	3,305,865	3,405,041	3,507,192	3,612,408	3,720,780	3,832,403
Leisure Services	6,638,091	6,837,234	7,042,351	7,253,621	7,471,230	7,695,367	7,926,228	8,164,015	8,408,935	8,661,203
Home Health	12,260,848	12,628,673	13,007,534	13,397,760	13,799,692	14,213,683	14,640,094	15,079,297	15,531,675	15,997,626
Assisted Living	7,669,020	7,899,091	8,136,063	8,380,145	8,631,550	8,890,496	9,157,211	9,431,927	9,714,885	10,006,332
Memory Support	4,720,455	4,862,069	5,007,931	5,158,169	5,312,914	5,472,301	5,636,470	5,805,564	5,979,731	6,159,123
Health Center	51,577,547	53,124,873	54,718,620	56,360,178	58,050,984	59,792,513	61,586,288	63,433,877	65,336,893	67,297,000
Foundation	35,350	36,411	37,503	38,628	39,787	40,980	42,210	43,476	44,780	46,124
Interest	24,109,666	28,221,865	27,806,880	27,294,667	26,675,121	26,119,363	25,511,065	24,919,260	24,330,124	23,669,622
Principal Repayment	7,098,657	8,246,469	9,671,355	26,459,688	12,079,272	12,667,788	13,412,834	12,071,767	12,679,869	15,443,841
Capital Expenditures	90,019,351	40,968,380	37,965,826	27,653,362	28,470,515	29,434,103	30,685,718	31,728,074	32,993,013	34,942,229
Total Cash Outflow	\$ 427,942,606	\$ 394,417,262	\$ 402,226,061	\$ 419,149,345	\$ 414,104,407	\$ 425,472,807	\$ 437,543,960	\$ 447,657,048	\$ 460,275,195	\$ 476,002,401
Net Cash Flow	\$ (35,708,627)	\$ 73,317,456	\$ 62,656,533	\$ 46,756,007	\$ 67,262,677	\$ 74,686,538	\$ 79,925,356	\$ 90,013,140	\$ 96,053,969	\$ 96,026,967
Cumulative Cash Flow	\$ 321,806,666	\$ 395,124,121	\$ 457,780,654	\$ 504,536,662	\$ 571,799,339	\$ 646,485,877	\$ 726,411,233	\$ 816,424,373	\$ 912,478,342	\$ 1,008,505,310
Cumulative Cash Flow (2021 Ss)	\$ 321,806,666	\$ 374,525,233	\$ 411,294,135	\$ 429,670,315	\$ 461,566,000	\$ 494,648,554	\$ 526,826,720	\$ 561,240,165	\$ 594,569,857	\$ 622,882,389

Expense Projection	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
Dietary	\$ 67,718,818	\$ 69,750,382	\$ 71,842,894	\$ 73,998,181	\$ 76,218,126	\$ 78,504,670	\$ 80,859,810	\$ 83,285,604	\$ 85,784,172	\$ 88,357,698
Business Development	1,996,438	2,056,331	2,118,021	2,181,561	2,247,008	2,314,418	2,383,851	2,455,366	2,529,027	2,604,898
Legal	1,100,041	1,133,043	1,167,034	1,202,045	1,238,106	1,275,250	1,313,507	1,352,912	1,393,500	1,435,305
Finance	3,805,423	3,919,585	4,037,173	4,158,288	4,283,037	4,411,528	4,543,874	4,680,190	4,820,596	4,965,213
Info Tech	3,061,614	3,153,463	3,248,067	3,345,509	3,445,874	3,549,250	3,655,728	3,765,399	3,878,361	3,994,712
Marketing	26,991,930	27,801,688	28,635,739	29,494,811	30,379,655	31,291,045	32,229,776	33,196,670	34,192,570	35,218,347
Human Resources	46,372,297	47,763,466	49,196,370	50,672,262	52,192,429	53,758,202	55,370,948	57,032,077	58,743,039	60,505,330
Culture and Hospitality	7,088,382	7,301,033	7,520,064	7,745,666	7,978,036	8,217,377	8,463,898	8,717,815	8,979,350	9,248,730
G&A Other	89,623,780	92,312,494	95,081,868	97,934,324	100,872,354	103,898,525	107,015,481	110,225,945	113,532,723	116,938,705
Plant	31,936,318	32,894,408	33,881,240	34,897,677	35,944,608	37,022,946	38,133,634	39,277,643	40,455,973	41,669,652
Housekeeping/Environmental Services	13,261,936	13,659,794	14,069,588	14,491,676	14,926,426	15,374,219	15,835,445	16,310,509	16,799,824	17,303,819
Resident Services (All)	3,947,375	4,065,797	4,187,771	4,313,404	4,442,806	4,576,090	4,713,373	4,854,774	5,000,417	5,150,430
Leisure Services	8,921,039	9,188,670	9,464,331	9,748,260	10,040,708	10,341,929	10,652,187	10,971,753	11,300,906	11,639,933
Home Health	16,477,554	16,971,881	17,481,038	18,005,469	18,545,633	19,102,002	19,675,062	20,265,314	20,873,273	21,499,471
Assisted Living	10,306,522	10,615,717	10,934,189	11,262,214	11,600,081	11,948,083	12,306,526	12,675,722	13,055,993	13,447,673
Memory Support	6,343,897	6,534,214	6,730,240	6,932,147	7,140,112	7,354,315	7,574,945	7,802,193	8,036,259	8,277,346
Health Center	69,315,910	71,395,388	73,537,249	75,743,367	78,015,668	80,356,138	82,766,822	85,249,826	87,807,321	90,441,541
Foundation	47,507	48,933	50,401	51,913	53,470	55,074	56,726	58,428	60,181	61,986
Interest	22,904,405	22,098,323	21,253,002	20,365,179	19,400,017	18,485,549	17,504,442	16,402,047	15,229,735	14,177,105
Principal Repayment	16,535,557	17,310,954	18,133,930	19,159,980	20,600,453	21,615,252	22,623,932	23,735,718	21,503,995	22,561,061
Capital Expenditures	46,856,499	49,404,281	52,096,269	54,940,969	57,947,414	61,125,192	66,984,485	70,673,604	74,574,095	78,698,572
Total Cash Outflow	\$ 500,301,571	\$ 515,238,822	\$ 530,701,222	\$ 546,860,689	\$ 563,914,282	\$ 581,171,384	\$ 601,456,612	\$ 619,985,435	\$ 635,757,113	\$ 655,619,504
Net Cash Flow	\$ 90,561,746	\$ 94,997,044	\$ 100,040,563	\$ 104,591,064	\$ 107,363,785	\$ 111,633,050	\$ 113,386,714	\$ 117,575,581	\$ 125,344,899	\$ 130,293,275
Cumulative Cash Flow	\$ 1,099,067,055	\$ 1,194,064,100	\$ 1,294,104,663	\$ 1,398,695,727	\$ 1,506,059,513	\$ 1,617,692,563	\$ 1,731,079,277	\$ 1,848,654,858	\$ 1,973,999,757	\$ 2,104,293,033
Cumulative Cash Flow (2021 Ss)	\$ 643,427,463	\$ 662,598,709	\$ 680,675,136	\$ 697,334,694	\$ 711,717,589	\$ 724,617,961	\$ 734,983,523	\$ 743,984,731	\$ 753,013,603	\$ 760,868,289

Actuarial Balance Sheet (in 000's)
December 31, 2022

ACTUARIAL ASSETS

Current Assets	\$363,494
Actuarial Present Value of Net Fixed Assets	\$1,327,129
Current Liabilities	(\$99,925)
Actuarial Present Value of Long-Term Debt	(\$552,206)

NET ACTUARIAL ASSETS **\$1,038,491**

ACTUARIAL LIABILITIES

Actuarial Present Value of Future Liabilities	\$1,418,224
Actuarial Present Value of Future Revenues	\$1,064,186
Net Actuarial Liabilities	\$354,038
Actuarial Present Value of Refund Liability	\$407,781
Actuarial Surplus (Deficit)	<u>\$276,673</u>

NET ACTUARIAL LIABILITIES **\$1,038,491**

Funded Status

Net Actuarial Assets + APV of Future Revenue	\$2,102,677
divided by	
APV of Future Liabilities + APV of Refund Liability	<u>\$1,826,005</u>

FUNDED STATUS **115.2%**

Actuarial Ratio

Actuarial Present Value of Future Revenue	\$1,064,186
divided by	
Actuarial Present Value of Future Liabilities	<u>\$1,418,224</u>

ACTUARIAL RATIO **75.0%**