

QUARTERLY REPORT
for the six months ended June 30, 2022

Newcastle Place

A Lifespace Community

August 11, 2022

First Midwest
Kim McMahon
8750 West Bryn Mawr Ave., Suite 1300
Chicago, IL 60631


RE: Certificate in accordance with Loan Agreement dated July 1, 2021 - Section 8.9

The undersigned, Senior Vice President and Chief Financial Officer for Lifespace Communities, Incorporated, hereby certifies that the attached financial statements for:

Newcastle Place

Are complete, correct and fairly present the financial conditions and results of operations for the six months ended June 30, 2022, subject to the year-end audit adjustments. Lifespace Communities, Inc. has not become aware of any event of default or unmatured event of default that has occurred.

LIFESPACE COMMUNITES, INC.

DocuSigned by:

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Nick Harshfield

Cc: Rachel Nelson



Newcastle Place

Apartments/Units Available

	Independent Living	Assisted Living		Health Center	Total	CMS 5-Star Rating *
	Apartments	Assisted Living	Memory Support			
Newcastle Place	158	36	16	47	257	5

* The CMS 5-Star rating is as of July 2022.

Average Occupancy

	Six Months ended December 31, 2021	Six Months ended June 30, 2022
Independent Living	96.4%	93.9%
Assisted Living	97.0%	94.4%
Memory Support	97.5%	96.1%
Health Center	80.6%	80.1%

Health Center Average Payor Mix

	Six Months ended December 31, 2021	Six Months ended June 30, 2022
Lifecare	18.9%	13.3%
Medicare	30.8%	32.1%
Non-Life Care Resident	50.3%	54.6%
Total Patient Mix	100.0%	100.0%

Entrance Fee Turnover Data

The number of closings, entrance fees proceeds and refunds are shown below:

	Six Months ended December 31, 2021	Six Months ended June 30, 2022
Closings	7	12
Gross Entrance Fees	2,606	4,357
Refunds/Other	(982)	(3,274)
Net Entrance Fees	1,624	1,083

Wait List

Independent Living Wait List as of July 26, 2022 is 26.

**Newcastle Place
Balance Sheets
As of June 30 (Unaudited)
(Thousands of \$)**

	2022
Assets	
Current Assets:	
Cash and Cash Equivalents	\$6,399
Accounts Receivable	1,637
Inventories	29
Prepaid Insurance & Other	156
Assets whose use is limited	545
Total Current Assets	8,766
Property and equipment, at cost:	
Land and improvements	4,470
Buildings and improvements	68,903
Furniture and equipment	1,657
	75,030
Less accum. deprec.	(3,440)
Net property and equipment	71,590
Net goodwill	42,371
Net deferred assets	33
TOTAL ASSETS	\$122,760
 Liabilities and net assets	
Current liabilities:	
Accounts payable:	
Trade	823
Related Party	115
	938
Accrued liabilities:	
Employee compensation expense	484
Interest	1,404
Property taxes	972
Other	123
	2,983
Entrance fee refunds	309
Total current liabilities	4,230
Wait list deposits	158
Long-term Notes Payable and Related Party Payable	64,180
Long-term Bonds due after one year	7,162
Swap Derivative	306
Deferred entrance fees	5,735
Refundable entrance and membership fees	42,025
Total liabilities	123,796
Net assets without donor restrictions	(1,036)
TOTAL LIABILITIES AND NET ASSETS	\$122,760

Newcastle Place
Statements of Operations and Changes in Unrestricted Assets
For the Six Months Ended June 30 (Unaudited)
(Thousands of \$)

	2022
Revenues	
Independent living fees	\$4,621
Entrance fees earned	765
Skilled nursing, assisted living and memory support fees	4,911
	<u>10,297</u>
Expenses	
Operating expenses:	
Salaries and benefits	4,717
General and administrative	1,675
Plant operations	544
Housekeeping	72
Dietary	780
Medical and other resident care	170
Depreciation	1,736
Amortization	2,650
Interest	2,259
	<u>14,603</u>
Excess of revenues over expenses	<u>(4,306)</u>
Contributions to Lifespace Communities, Inc. (a)	<u>(296)</u>
Changes in net assets	<u>(4,602)</u>
Net assets at beginning of year	<u>3,566</u>
Net assets at end of the period	<u><u>(\$1,036)</u></u>

(a) Lifespace Communities, Inc. allocates home office charges to each of the communities based on percentage of revenues, which is higher than the 5% management fee allowed to be charged in accordance with the loan agreement. This difference is recorded as a long-term payable and equity contribution, and will be collected at a later date in accordance with the loan documents.

Newcastle Place
Statements of Cash Flow
For the Six Months Ended June 30 (Unaudited)
(Thousands of \$)

	2022
Operating activities	
Changes in unrestricted net assets	(\$4,602)
Adjustments to reconcile changes to net cash provided in operating activities:	
Entrance fees earned	(765)
Proceeds from nonrefundable entrance fees and deposits	606
Refunds of entrance fees	(34)
Depreciation and Amortization	4,386
Amortization of Financing Costs	69
Net purchases of trading investments	(193)
Contributions to Lifespace Communities, Inc.	296
Change in entrance fee deposits	2
Changes in operating assets and liabilities:	
Accounts receivables, inventories, and prepaid insurance and other	(32)
Accounts payables and accrued liabilities	1,067
Net cash provided in operating activities	<u>800</u>
Investing activities	
Purchases of property and equipment	(838)
Financing activities	
Advance for Home Office Allocation	592
Contributions to Lifespace Communities, Inc.	(296)
Proceeds from refundable entrance fees and deposits	3,751
Refunds of entrance fees	(3,240)
Net cash provided in financing activities	<u>807</u>
Net increase in cash and cash equivalents	769
Cash and cash equivalents at beginning of year	<u>5,630</u>
Cash and cash equivalents at end of period	<u><u>\$6,399</u></u>

Newcastle Place
Selected Historical Financial Information
(Thousands of \$)

	Six Months Ended June 30 (Unaudited) 2022	Six Months Ended December 31 (Audited) 2021
Historical Debt Service Coverage		
Excess (deficit) of revenues over expenses	(4,306)	(4,145)
Less:		
Entrance fees earned	(765)	(641)
Add:		
Depreciation	1,736	1,705
Amortization	2,650	2,934
Interest Expense	2,259	1,515
Loss on Derivative	-	306
Entrance fee proceeds (less refunds)	1,083	1,624
Income available for debt service	<u>2,657</u>	<u>3,298</u>
Maximum annual debt service payment	3,728	3,728
Annual debt service coverage (a)	1.6	1.8
Annual debt service coverage covenant	1.2	1.2
Days Cash on Hand		
Unrestricted cash and investments	6,399	5,630
Department operating expenses plus interest (Annualized)	20,434	18,304
Daily expenses	56	50
Days of unrestricted cash & investments on hand	114	112
Days of unrestricted cash & investments on hand covenant	75	60

(a) For the six months ended June 30, 2022, the annual debt service coverage has used the prior six months ended June 30, 2022 and the prior six months ended December 31, 2021 for the Income Available for Debt Service.

Newcastle Place
Statements of Operations and Changes in Unrestricted Assets
Comparison to Budget
For the Six Months Ended June 30, 2022 (Unaudited)
(Thousands of \$)

	Actual	Budget	Favorable/ (Unfavorable)
Revenues			
Independent living fees	\$4,621	\$5,058	(\$437)
Skilled nursing, assisted living and memory support fees	4,911	5,218	(\$307)
	<u>9,532</u>	<u>10,276</u>	<u>(744)</u>
Expenses			
Operating expenses:			
Salaries and benefits	4,717	4,690	(27)
General and administrative	1,675	1,920	245
Plant operations	544	603	59
Housekeeping	72	83	11
Dietary	780	838	58
Medical and other resident care	170	218	48
	<u>7,958</u>	<u>8,352</u>	<u>394</u>
Net operating margin	<u>1,574</u>	<u>1,924</u>	<u>(350)</u>