

QUARTERLY REPORT
for the nine months ended September 30, 2022

Newcastle Place

A Lifespace Community

November 10, 2022

Old National Bank
Kim McMahon
8750 West Bryn Mawr Ave., Suite 1300
Chicago, IL 60631

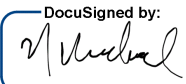
RE: Certificate in accordance with Loan Agreement dated July 1, 2021 - Section 8.9

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 nine months ended September 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 October 2022.

Average Occupancy

	Six Months ended December 31, 2021	Three Months ended September 30, 2021	Nine Months ended September 30, 2022
Independent Living	96.4%	96.9%	93.0%
Assisted Living	97.0%	98.5%	95.8%
Memory Support	97.5%	97.9%	96.7%
Health Center	80.6%	78.6%	80.1%

Health Center Average Payor Mix

	Six Months ended December 31, 2021	Three Months ended September 30, 2021	Nine Months ended September 30, 2022
Lifecare	18.9%	18.8%	11.3%
Medicare	30.8%	29.3%	33.8%
Non-Life Care Resident	50.3%	51.9%	54.9%
Total Patient Mix	100.0%	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	Three Months ended September 30, 2021	Nine Months ended September 30, 2022
Closings	7	2	16
Gross Entrance Fees	2,606	640	6,071
Refunds/Other	(982)	(234)	(6,869)
Net Entrance Fees	1,624	406	(798)

Wait List

Independent Living Wait List as of November 11, 2022 is 34.

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

	2022	2021
Assets		
Current Assets:		
Cash and Cash Equivalents	\$5,300	\$4,653
Accounts Receivable	782	1,266
Inventories	35	-
Prepaid Insurance & Other	145	(131)
Assets whose use is limited	80	-
Total Current Assets	6,342	5,788
Property and equipment, at cost:		
Land and improvements	4,470	4,440
Buildings and improvements	69,405	68,085
Furniture and equipment	1,657	1,625
	75,532	74,150
Less accum. deprec.	(4,315)	(299)
Net property and equipment	71,217	73,851
Net goodwill	41,047	45,174
Net deferred assets	63	-
TOTAL ASSETS	\$118,669	\$124,813
 Liabilities and net assets		
Current liabilities:		
Accounts payable:		
Trade	538	\$363
Related Party	81	311
	619	674
Accrued liabilities:		
Employee compensation expense	703	458
Interest	1,045	-
Property taxes	9	437
Other	69	108
	1,826	1,003
Entrance fee refunds	309	419
Total current liabilities	2,754	2,096
Entrance fee deposits	128	94
Wait list deposits	185	120
Long-term Notes Payable and Related Party Payable	64,478	63,290
Long-term Bonds due after one year	7,203	6,912
Swap Derivative	306	-
Deferred entrance fees	5,560	5,064
Refundable entrance and membership fees	39,961	38,740
Total liabilities	120,575	116,316
Net assets without donor restrictions	(1,906)	8,497
TOTAL LIABILITIES AND NET ASSETS	\$118,669	\$124,813

Newcastle Place
Statements of Operations and Changes in Unrestricted Assets
(Thousands of \$)

	Nine Months Ended September 30 (Unaudited) 2022	Three Months Ended September 30 (Unaudited) 2021
Revenues		
Independent living fees	\$6,902	\$2,262
Entrance fees earned	1,122	174
Skilled nursing, assisted living and memory support fees	7,406	2,412
	<u>15,430</u>	<u>4,848</u>
Expenses		
Operating expenses:		
Salaries and benefits	7,070	2,290
General and administrative	2,702	633
Plant operations	792	238
Housekeeping	95	17
Dietary	1,230	169
Medical and other resident care	283	101
Depreciation	2,610	299
Amortization	3,980	-
Interest	1,694	459
	<u>20,456</u>	<u>4,206</u>
Excess of revenues over expenses	<u>(5,026)</u>	642
Contributions to Lifespace Communities, Inc. (a)	(446)	(145)
Equity Contribution for Purchase	-	8,000
Changes in net assets	<u>(5,472)</u>	8,497
Net assets at beginning of year	3,566	-
Net assets at end of the period	<u><u>(\$1,906)</u></u>	<u><u>\$8,497</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
(Thousands of \$)**

	Nine Months Ended September 30 (Unaudited) 2022	Three Months Ended September 30 (Unaudited) 2021
Operating activities		
Changes in unrestricted net assets	(\$5,472)	\$8,497
Adjustments to reconcile changes to net cash provided in operating activities:		
Entrance fees earned	(1,122)	(174)
Proceeds from nonrefundable entrance fees and deposits	787	64
Refunds of entrance fees	(34)	-
Depreciation and Amortization	6,590	299
Amortization of Financing Costs	110	-
Net purchases of trading investments	272	-
Contributions to Lifespace Communities, Inc.	446	145
Change in entrance fee and wait list deposits	157	214
Changes in operating assets and liabilities:		
Accounts receivables, inventories, and prepaid insurance and other	791	(1,134)
Accounts payables and accrued liabilities	(409)	1,676
Net cash provided in operating activities	<u>2,116</u>	<u>9,587</u>
Investing activities		
Purchases of property and equipment	(1,339)	(75,333)
Financing activities		
Financing cost incurred	-	(1,088)
Advance for Home Office Allocation	890	-
Repayment of long-term debt	-	71,290
Contributions to Lifespace Communities, Inc.	(446)	(145)
Proceeds from refundable entrance fees and deposits	5,284	576
Refunds of entrance fees	(6,835)	(234)
Net cash (used) provided in financing activities	<u>(1,107)</u>	<u>70,399</u>
Net (decrease) increase in cash and cash equivalents	(330)	4,653
Cash and cash equivalents at beginning of year	5,630	-
Cash and cash equivalents at end of period	<u>\$5,300</u>	<u>\$4,653</u>

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

	Nine Months Ended September 30 (Unaudited) 2022	Three Months Ended September 30 (Unaudited) 2021	Six Months Ended December 31 (Audited) 2021
Historical Debt Service Coverage			
Excess (deficit) of revenues over expenses	(5,026)	642	(4,145)
Less:			
Entrance fees earned	(1,122)	(174)	(641)
Add:			
Depreciation	2,610	299	1,705
Amortization	3,980	-	2,934
Interest Expense	1,694	459	1,515
Loss on Derivative	-	-	306
Entrance fee proceeds (less refunds)	(798)	406	1,624
Income available for debt service	1,338	1,632	3,298
Maximum annual debt service payment	3,728	3,728	3,728
Annual debt service coverage (a)	0.8	1.8	1.8
Annual debt service coverage covenant	1.2	N/A	1.2
Days Cash on Hand			
Unrestricted cash and investments	5,300	4,653	5,630
Department operating expenses plus interest (Annualized)	18,488	15,628	18,304
Daily expenses	51	43	50
Days of unrestricted cash & investments on hand	105	109	112
Days of unrestricted cash & investments on hand covenant	75	N/A	60

(a) For the nine months ended September 30, 2022, the annual debt service coverage uses a rolling 12 months for the Income Available for Debt Service. For the three months ended September 30, 2021 and six months ended December 31, 2021, the annual debt service coverage was calculated using an annualized figure for the Income Available for Debt Service.

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

	Actual	Budget	Favorable/ (Unfavorable)
Revenues			
Independent living fees	\$6,902	\$7,585	(\$683)
Skilled nursing, assisted living and memory support fees	7,406	7,849	(\$443)
	<u>14,308</u>	<u>15,434</u>	<u>(1,126)</u>
Expenses			
Operating expenses:			
Salaries and benefits	7,070	7,082	12
General and administrative	2,702	2,824	122
Plant operations	792	904	112
Housekeeping	95	125	30
Dietary	1,230	1,257	27
Medical and other resident care	283	328	45
	<u>12,172</u>	<u>12,520</u>	<u>348</u>
Net operating margin	<u>2,136</u>	<u>2,914</u>	<u>(778)</u>