

QUARTERLY REPORT
for the year ended December 31, 2022

Newcastle Place

A Lifespace Community

January 31, 2023

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 year ended December 31, 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 COMMUNITIES, 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 January 2023.

Average Occupancy

	Six Months ended December 31, 2021	Year ended December 31, 2022
Independent Living	96.4%	91.8%
Assisted Living	97.0%	94.5%
Memory Support	97.5%	97.4%
Health Center	80.6%	80.9%

Health Center Average Payer Mix

	Six Months ended December 31, 2021	Year ended December 31, 2022
Lifecare	18.9%	10.8%
Medicare	30.8%	33.0%
Non-Life Care Resident	50.3%	56.2%
Total Patient Mix	100.0%	100.0%

Entrance Fee Turnover Data

The number of closings, entrance fees proceeds and refunds are

	Six Months ended December 31, 2021	Year ended December 31, 2022
Closings	7	26
Gross Entrance Fees	2,606	9,704
Refunds/Other	(982)	(7,229)
Net Entrance Fees	1,624	2,475

Wait List

Independent Living Wait List as of January 20, 2023 is 36.

**Newcastle Place
Balance Sheets
As of December 31 (Unaudited)
(Thousands of \$)**

Assets	2022	2021
Current Assets:		
Cash and Cash Equivalents	\$8,617	\$5,630
Accounts Receivable	618	1,607
Inventories	39	23
Prepaid Insurance & Other	177	173
Assets whose use is limited	(514)	352
Total Current Assets	<u>8,937</u>	<u>7,785</u>
Property and equipment, at cost:		
Land and improvements	4,470	4,202
Buildings and improvements	69,563	68,366
Furniture and equipment	1,887	1,625
	<u>75,920</u>	<u>74,193</u>
Less accum. deprec.	(5,201)	(1,705)
Net property and equipment	<u>70,719</u>	<u>72,488</u>
Swap Derivatives	4,265	-
Net goodwill	39,722	45,019
Net deferred assets	109	20
TOTAL ASSETS	<u><u>\$123,752</u></u>	<u><u>\$125,312</u></u>
 Liabilities and net assets		
Current liabilities:		
Accounts payable:		
Trade	644	\$1,007
Related Party	89	65
	<u>733</u>	<u>1,072</u>
Accrued liabilities:		
Employee compensation expense	539	413
Interest	553	540.00
Property taxes	-	675
Other	64	154
	<u>1,156</u>	<u>1,782</u>
Entrance fee refunds	309	1,940
Notes Payable and Related Party Payable	784	-
Total current liabilities	<u>2,982</u>	<u>4,794</u>
Entrance fee deposits	78	5
Wait list deposits	199	151
Long-term Notes Payable and Related Party Payable	63,999	63,587
Long-term Bonds due after one year	7,993	7,093
Swap Derivative	-	306
Deferred entrance fees	5,497	5,894
Refundable entrance and membership fees	43,978	39,916
Total liabilities	<u>124,726</u>	<u>121,746</u>
Net assets without donor restrictions	(974)	3,566
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$123,752</u></u>	<u><u>\$125,312</u></u>

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

	Year Ended December 31	Six Months Ended December 31
	2022	2021
Revenues		
Independent living fees	\$9,175	\$4,503
Entrance fees earned	1,441	641
Skilled nursing, assisted living and memory support fees	9,955	4,808
	<u>20,571</u>	<u>9,952</u>
Expenses		
Operating expenses:		
Salaries and benefits	9,393	4,719
General and administrative	3,711	1,661
Plant operations	1,152	617
Housekeeping	133	20
Dietary	1,635	396
Medical and other resident care	399	224
Depreciation	3,496	1,705
Amortization	6,306	2,934
Interest	2,859	1,515
Unrealized Gain/Loss on Derivative	(4,571)	306
	<u>24,513</u>	<u>14,097</u>
Excess of revenues over expenses	<u>(3,942)</u>	<u>(4,145)</u>
Contributions to Lifespace Communities, Inc. (a)	(598)	(289)
Equity Contribution for Purchase	-	8,000
Changes in net assets	<u>(4,540)</u>	<u>3,566</u>
Net assets at beginning of year	3,566	-
Net assets at end of the period	<u><u>(\$974)</u></u>	<u><u>\$3,566</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 (Unaudited)
(Thousands of \$)

	Year Ended December 31	Six Months Ended December 31
	2022	2021
Operating activities		
Changes in unrestricted net assets	(\$4,540)	\$3,566
Adjustments to reconcile changes to net cash provided in operating activities:		
Entrance fees earned	(1,441)	(641)
Proceeds from nonrefundable entrance fees and deposits	1,148	261
Refunds of entrance fees	(34)	-
Depreciation and Amortization	9,802	4,639
Amortization of Financing Costs	164	83
Net purchases of trading investments	866	-
Net Contributions from Lifespace Communities, Inc.	598	(7,711)
Gain/Loss on Derivative	(4,571)	306
Change in entrance fee and wait list deposits	121	156
Changes in operating assets and liabilities:		
Accounts receivables, inventories, and prepaid insurance and other	872	(1,803)
Accounts payables and accrued liabilities	(965)	2,854
Net cash provided in operating activities	<u>2,020</u>	<u>1,710</u>
Investing activities		
Purchases of property and equipment	(1,727)	(75,636)
Proceeds from sale of property and equipment	-	237
Net cash used in investing activities	<u>(1,727)</u>	<u>(75,399)</u>
Financing activities		
Financing cost incurred	-	(990)
Advance for Home Office Allocation	1,195	-
Proceeds from New Financings	736	71,587
Net Contributions from Lifespace Communities, Inc.	(598)	7,711
Proceeds from refundable entrance fees and deposits	8,556	2,345
Refunds of entrance fees	(7,195)	(982)
Net cash provided in financing activities	<u>2,694</u>	<u>79,671</u>
Net increase in cash and cash equivalents	2,987	5,982
Cash and cash equivalents at beginning of year	5,630	-
Cash and cash equivalents at end of period	<u>\$8,617</u>	<u>\$5,982</u>

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

	Year Ended December 31 (Unaudited)	Six Months Ended December 31 (Audited)
Historical Debt Service Coverage	2022	2021
Excess (deficit) of revenues over expenses	(3,942)	(4,145)
Less:		
Entrance fees earned	(1,441)	(641)
Gain on Derivative	(4,571)	-
Add:		
Depreciation	3,496	1,705
Amortization	6,306	2,934
Interest Expense	2,859	1,515
Loss on Derivative	-	306
Entrance fee proceeds (less refunds)	2,475	1,624
Income available for debt service	<u>5,182</u>	<u>3,298</u>
Maximum annual debt service payment	3,728	3,728
Annual debt service coverage (a)	1.4	1.8
Annual debt service coverage covenant	1.2	1.2
 Days Cash on Hand		
Unrestricted cash and investments	8,617	5,630
Department operating expenses plus interest (Annualized)	19,282	18,304
Daily expenses	53	50
Days of unrestricted cash & investments on hand	163	112
Days of unrestricted cash & investments on hand covenant	75	60

(a) For the year ended December 31, 2022, the annual debt service coverage uses a rolling 12 months for the Income Available for Debt Service. For the 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 Year Ended December 31, 2022 (Unaudited)
(Thousands of \$)

	Actual	Budget	Favorable/ (Unfavorable)
Revenues			
Independent living fees	\$9,175	\$10,116	(\$941)
Skilled nursing, assisted living and memory support fees	9,955	10,513	(\$558)
	<u>19,130</u>	<u>20,629</u>	<u>(1,499)</u>
Expenses			
Operating expenses:			
Salaries and benefits	9,393	9,469	76
General and administrative	3,711	3,749	38
Plant operations	1,152	1,206	54
Housekeeping	133	166	33
Dietary	1,635	1,676	41
Medical and other resident care	399	441	42
	<u>16,423</u>	<u>16,707</u>	<u>284</u>
Net operating margin	<u>2,707</u>	<u>3,922</u>	<u>(1,215)</u>