

QUARTERLY REPORT
for the nine months ended September 30, 2023

Newcastle Place

A LIFESPACE COMMUNITY

November 9, 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 nine months ended September 30, 2023, 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:

0FBD63BFF8124CA...

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	4

* The CMS 5-Star rating is as of October 2023.

Average Occupancy

	Six Months ended	Year ended	Nine months ended	
	December 31, 2021	December 31, 2022	September 30, 2022	September 30, 2023
Independent Living	96.4%	91.8%	93.0%	89.5%
Assisted Living	97.0%	94.5%	95.8%	92.1%
Memory Support	97.5%	97.4%	96.7%	96.3%
Health Center	80.6%	80.9%	80.1%	84.6%

Health Center Average Payor Mix

	Six Months ended	Year ended	Nine months ended	
	December 31, 2021	December 31, 2022	September 30, 2022	September 30, 2023
Lifecare	18.9%	10.8%	11.3%	15.7%
Medicare	30.8%	33.0%	33.8%	33.0%
Non-Life Care Resident	50.3%	56.2%	54.9%	51.3%
Total Patient Mix	100.0%	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	Year ended	Nine months ended	
	December 31, 2021	December 31, 2022	September 30, 2022	September 30, 2023
Closings	7	28	16	21
Gross Entrance Fees	2,606	10,213	6,071	7,280
Refunds/Other	(982)	(7,539)	(6,869)	(7,352)
Net Entrance Fees	1,624	2,674	(798)	(72)

Wait List

Independent Living Wait List as of October 26, 2023 is 30.

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

Assets	2023	2022
Current Assets:		
Cash and Cash Equivalents	\$8,100	\$5,300
Accounts Receivable	670	782
Inventories	39	35
Prepaid Insurance & Other	192	145
Assets whose use is limited	157	80
Total Current Assets	<u>9,158</u>	<u>6,342</u>
Property and equipment, at cost:		
Land and improvements	4,470	4,470
Buildings and improvements	70,758	69,405
Furniture and equipment	2,464	1,657
	<u>77,692</u>	<u>75,532</u>
Less accum. deprec.	<u>(7,398)</u>	<u>(4,315)</u>
Net property and equipment	<u>70,294</u>	<u>71,217</u>
Swap Derivative	4,265	-
Net goodwill	35,949	41,047
Net deferred assets	389	63
TOTAL ASSETS	<u><u>\$120,055</u></u>	<u><u>\$118,669</u></u>

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

	2023	2022
Liabilities and net assets		
Current liabilities:		
Accounts payable:		
Trade	\$793	538
Related Party	89	81
	882	619
Accrued liabilities:		
Employee compensation expense	795	703
Interest	154.00	1,033
Property taxes	703	9
Other	184	69
	1,836	1,814
Entrance fee refunds	205	309
Notes Payable Due within One Year	2,081	-
Obligation under Cap Lease due within One Year	3	-
Total current liabilities	5,007	2,742
Entrance fee deposits	98	128.00
Wait list deposits	171	185
Long-term Notes Payable and Related Party Payable	57,611	60,000
Long-term Related Party Payable	5,775	4,478
Long-term Bonds Due after One Year	8,886	7,203
Obligation under Cap Lease Due after One Year	50	-
Swap Derivative	-	306
Deferred entrance fees	5,316	5,560
Refundable entrance and membership fees	43,923	39,961
Total liabilities	126,837	120,563
Net assets without donor restrictions	(6,782)	(1,894)
TOTAL LIABILITIES AND NET ASSETS	\$120,055	\$118,669

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

	2023	2022
Revenues		
Independent living fees	\$7,706	\$6,902
Entrance fees earned	843	1,122
Skilled nursing, assisted living and memory support fees	8,310	7,406
	16,859	15,430
Expenses		
Operating expenses:		
Salaries and benefits	6,816	7,070
General and administrative	3,307	2,702
Plant operations	995	792
Housekeeping	95	95
Dietary	1,520	1,230
Medical and other resident care	942	283
Depreciation	2,591	2,610
Amortization	4,418	3,980
Interest	1,902	1,682
	22,586	20,444
Deficit of revenues over expenses	(5,727)	(5,014)
Contributions to Lifespace Communities, Inc. (a)	(496)	(446)
Changes in net assets	(6,223)	(5,460)
Net assets at beginning of year	(559)	3,566
Net assets at end of the period	(\$6,782)	(\$1,894)

(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 Nine Months Ended September 30 (Unaudited)
(Thousands of \$)

Operating activities	2023	2022
Changes in unrestricted net assets	(\$6,223)	(\$5,460)
Adjustments to reconcile changes to net cash (used) provided in operating activities:		
Entrance fees earned	(843)	(1,122)
Proceeds from nonrefundable entrance fees and deposits	803	787
Refunds of entrance fees	(131)	(34)
Depreciation and Amortization	7,009	6,590
Amortization of Financing Costs	89	110
Interest Applied to Long-Term Debt	804	-
Net purchases of trading investments	(153)	-
Contributions to Lifespace Communities, Inc.	496	446
Change in entrance fee and wait list deposits	(8)	157
Changes in operating assets and liabilities:		
Accounts receivables, inventories, and prepaid insurance and other	(438)	790
Accounts payables and accrued liabilities	317	(421)
Net cash provided in operating activities	<u>1,722</u>	<u>1,843</u>
Investing activities		
Purchases of property and equipment	(1,711)	(1,339)
Financing activities		
Advance for Home Office Allocation	992	891
Payments on Notes Payable	(308)	-
Payments on Leases	(7)	-
Contributions to Lifespace Communities, Inc.	(496)	(446)
Proceeds from refundable entrance fees and deposits	6,477	5,284
Refunds of entrance fees	(7,221)	(6,835)
Net cash used in financing activities	<u>(563)</u>	<u>(1,106)</u>
Net decrease in cash and cash equivalents	(552)	(602)
Cash and cash equivalents at beginning of year	8,652	5,982
Cash and cash equivalents at end of period	<u><u>\$8,100</u></u>	<u><u>\$5,380</u></u>

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

	Nine Months Ended September 30 (Unaudited)		Year Ended December 31 (Audited)	Six Months Ended December 31
	2023	2022	2022	2021
Historical Debt Service Coverage				
Excess (deficit) of revenues over expenses	(5,727)	(5,014)	(3,527)	(4,145)
Less:				
Entrance fees earned	(843)	(1,122)	(1,441)	(641)
Gain on Derivative	-	-	(4,571)	-
Add:				
Depreciation	2,591	2,610	3,101	1,705
Amortization	4,418	3,980	6,306	2,934
Interest Expense	1,902	1,682	2,859	1,515
Loss on Derivative	-	-	-	306
Entrance fee proceeds (less refunds)	(72)	(798)	2,674	1,624
Income available for debt service	2,269	1,338	5,401	3,298
Maximum annual debt service payment	3,728	3,728	3,728	3,728
Annual debt service coverage (a)	1.7	0.8	1.4	1.8
Annual debt service coverage covenant	1.2	1.2	1.2	1.2
Days Cash on Hand				
Unrestricted cash and investments	8,100	5,300	8,652	5,630
Department operating expenses plus interest (Annualized)	20,769	18,472	19,272	18,304
Daily expenses	57	51	53	50
Days of unrestricted cash & investments on hand	142	105	164	112
Days of unrestricted cash & investments on hand covenant	90	75	75	60

(a) The annual debt service coverage uses a rolling 12 months for the Income Available for Debt Service except for the periods of the December 31, 2021 when there had not been 12 months of activity to date. In those cases, the income available for debt service was annualized from what activity had occurred.

Newcastle Place
Statements of Operations and Changes in Unrestricted Assets
Comparison to Budget
For the Nine Months Ended September 30, 2023 (Unaudited)
(Thousands of \$)

	Actual	Budget	Favorable/ (Unfavorable)
Revenues			
Independent living fees	\$7,706	\$7,785	(\$79)
Skilled nursing, assisted living and memory support fees	8,310	8,494	(184)
	<u>16,016</u>	<u>16,279</u>	<u>(263)</u>
Expenses			
Operating expenses:			
Salaries and benefits	6,816	7,747	931
General and administrative	3,307	3,140	(167)
Plant operations	995	1,084	89
Housekeeping	95	113	18
Dietary	1,520	1,596	76
Medical and other resident care	942	323	(619)
	<u>13,675</u>	<u>14,003</u>	<u>328</u>
Net operating margin	<u>2,341</u>	<u>2,276</u>	<u>65</u>