

QUARTERLY REPORT
for the year ended December 31, 2023

Newcastle Place

A Lifespace Community

February 14, 2024

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, 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.

LIFESPAC E 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 January 2024.

Average Occupancy

	Six Months ended December 31,		Year ended December 31,	
	2021	2022	2022	2023
Independent Living	96.4%		91.8%	89.8%
Assisted Living	97.0%		94.5%	91.6%
Memory Support	97.5%		97.4%	93.3%
Health Center	80.6%		80.9%	84.8%

Health Center Average Payor Mix

	Six Months ended December 31,		Year ended December 31,	
	2021	2022	2022	2023
Lifecare	18.9%		10.8%	16.6%
Medicare	30.8%		33.0%	32.7%
Non-Life Care Resident	50.3%		56.2%	50.7%
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,		Year ended December 31,	
	2021	2022	2022	2023
Closings	7		28	34
Gross Entrance Fees	2,606		10,213	10,460
Refunds/Other	(982)		(7,539)	(8,459)
Net Entrance Fees	1,624		2,674	2,001

Wait List

Independent Living Wait List as of January 30, 2024 is 32.

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

Assets	2023	2022
Current Assets:		
Cash and Cash Equivalents	\$9,589	\$8,652
Accounts Receivable	652	586
Inventories	39	39
Prepaid Insurance & Other	187	177
Assets whose use is limited	517	4
Total Current Assets	<u>10,984</u>	<u>9,458</u>
Property and equipment, at cost:		
Land and improvements	4,498	4,470
Buildings and improvements	71,136	69,547
Furniture and equipment	2,563	1,903
	<u>78,197</u>	<u>75,920</u>
Less accum. deprec.	<u>(8,234)</u>	<u>(4,807)</u>
Net property and equipment	69,963	71,113
Swap Derivative	2,307	4,265
Net goodwill	34,625	39,923
Net deferred assets	401	119
TOTAL ASSETS	<u><u>\$118,280</u></u>	<u><u>\$124,878</u></u>

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

	2023	2022
Liabilities and net assets		
Current liabilities:		
Accounts payable:		
Trade	\$986	\$644
Related Party	150	59
	1,136	703
Accrued liabilities:		
Employee compensation expense	604	539
Interest	158	553
Property taxes	347	518
Other	128	88
	1,237	1,698
Entrance fee refunds	405	-
Notes Payable Due within One Year	1,931	940
Obligation under Cap Lease due within One Year	2	-
Total current liabilities	4,711	3,341
Entrance fee deposits	32	78
Wait list deposits	170	199
Long-term Notes Payable and Related Party Payable	57,285	59,060
Long-term Related Party Payable	6,130	4,783
Long-term Bonds Due after One Year	8,923	7,993
Obligation under Cap Lease Due after One Year	50	-
Deferred entrance fees	5,286	5,497
Refundable entrance and membership fees	45,745	44,486
Total liabilities	128,332	125,437
Net assets without donor restrictions	(10,052)	(559)
TOTAL LIABILITIES AND NET ASSETS	\$118,280	\$124,878

Newcastle Place
Statements of Operations and Changes in Unrestricted Assets
For the Year Ended December 31 (Unaudited)
(Thousands of \$)

	2023	2022
Revenues		
Independent living fees	\$10,481	\$9,185
Entrance fees earned	1,171	1,441
Skilled nursing, assisted living and memory support fees	11,197	9,955
	22,849	20,581
Expenses		
Operating expenses:		
Salaries and benefits	9,048	9,417
General and administrative	3,844	3,711
Plant operations	1,397	1,118
Housekeeping	129	133
Dietary	2,063	1,635
Medical and other resident care	1,367	399
Depreciation	3,427	3,101
Amortization	6,027	6,306
Interest	2,409	2,859
Unrealized Gain/Loss on Derivative	1,958	(4,571)
	31,669	24,108
Deficit of revenues over expenses	(8,820)	(3,527)
Contributions to Lifespace Communities, Inc. (a)	(673)	(598)
Changes in net assets	(9,493)	(4,125)
Net assets at beginning of year	(559)	3,566
Net assets at end of the period	(\$10,052)	(\$559)

(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 Year Ended December 31 (Unaudited)
(Thousands of \$)

Operating activities	2023	2022
Changes in unrestricted net assets	(\$9,493)	(\$4,125)
Adjustments to reconcile changes to net cash (used) provided in operating activities:		
Entrance fees earned	(1,171)	(1,441)
Proceeds from nonrefundable entrance fees and deposits	1,135	1,148
Refunds of entrance fees	(131)	(34)
Depreciation and Amortization	9,454	9,407
Amortization of Financing Costs	126	164
Interest Applied to Long-Term Debt	804	736
Net purchases of trading investments	(513)	-
Contributions to Lifespace Communities, Inc.	673	598
Gain/Loss on Derivative	1,958	(4,571)
Change in entrance fee and wait list deposits	(75)	121
Changes in operating assets and liabilities:		
Accounts receivables, inventories, and prepaid insurance and other	(469)	692
Accounts payables and accrued liabilities	(28)	(453)
Net cash provided in operating activities	<u>2,270</u>	<u>2,242</u>
Investing activities		
Purchases of property and equipment	(2,211)	(1,726)
Financing activities		
Advance for Home Office Allocation	1,347	1,196
Payments on Notes Payable	(784)	-
Payments on Leases	(9)	-
Contributions to Lifespace Communities, Inc.	(673)	(598)
Proceeds from refundable entrance fees and deposits	9,325	9,065
Refunds of entrance fees	(8,328)	(7,505)
Net cash provided in financing activities	<u>878</u>	<u>2,158</u>
Net change in cash and cash equivalents	937	2,674
Cash and cash equivalents at beginning of year	8,652	5,982
Cash and cash equivalents at end of period	<u><u>\$9,589</u></u>	<u><u>\$8,656</u></u>

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

	Year Ended December 31 (Unaudited)	Year Ended December 31 (Audited)	Six Months Ended December 31
	2023	2022	2021
Historical Debt Service Coverage			
Excess (deficit) of revenues over expenses	(8,820)	(3,527)	(4,145)
Less:			
Entrance fees earned	(1,171)	(1,441)	(641)
Gain on Derivative	-	(4,571)	-
Add:			
Depreciation	3,427	3,101	1,705
Amortization	6,027	6,306	2,934
Interest Expense	2,409	2,859	1,515
Loss on Derivative	1,958	-	306
Entrance fee proceeds (less refunds)	2,001	2,674	1,624
Income available for debt service	<u>5,831</u>	<u>5,401</u>	<u>3,298</u>
Maximum annual debt service payment	3,728	3,728	3,728
Annual debt service coverage (a)	1.6	1.4	1.8
Annual debt service coverage covenant	1.2	1.2	1.2
Days Cash on Hand			
Unrestricted cash and investments	9,589	8,652	5,630
Department operating expenses plus interest (Annualized)	20,257	19,272	18,304
Daily expenses	55	53	50
Days of unrestricted cash & investments on hand	173	164	112
Days of unrestricted cash & investments on hand covenant	90	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 Year Ended December 31, 2023 (Unaudited)
(Thousands of \$)

	Actual	Budget	Favorable/ (Unfavorable)
Revenues			
Independent living fees	\$10,481	\$10,458	\$23
Skilled nursing, assisted living and memory support fees	11,197	11,345	(148)
	<u>21,678</u>	<u>21,803</u>	<u>(125)</u>
Expenses			
Operating expenses:			
Salaries and benefits	9,048	10,375	1,327
General and administrative	3,844	4,179	335
Plant operations	1,397	1,445	48
Housekeeping	129	150	21
Dietary	2,063	2,134	71
Medical and other resident care	1,367	431	(936)
	<u>17,848</u>	<u>18,714</u>	<u>866</u>
Net operating margin	<u>3,830</u>	<u>3,089</u>	<u>741</u>