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July 23, 2024

Nick Harshfield  
Senior Vice President & CFO  
Lifespace Communities  
4201 Corporate Drive  
West Des Moines, IA 50266

***Subject: The Obligated Group Actuarial Balance Sheet and Cashflows***

Dear Nick:

Continuing Care Actuaries was retained by the management of Lifespace to conduct comprehensive actuarial studies on the Obligated Group. The Obligated Group consists of the eleven communities listed below:

- Abbey Delray
- Abbey Delray South
- Beacon Hill
- Claridge Court
- Friendship Village of Bloomington
- Friendship Village of South Hills
- Harbour's Edge
- Oak Trace
- Querencia
- The Waterford, and
- Village on the Green.

Lifespace Communities, Inc (formerly "Life Care Retirement Communities") was organized in 1976 and became Lifespace Communities, Inc. in 2009. The Obligated Group offers services from independent living and rehabilitation services, to assisted living, memory support, and skilled nursing care.

New residents of the communities of the Obligated Group have multiple options of CCRC refundable contracts depending on the community. The contract is described in each community's comprehensive study. Under the terms of the residential contract, the resident agrees to pay an entrance fee and a monthly service fee, which entitle the resident to lifetime occupancy of the independent living, assisted living and skilled nursing care at each community. This memorandum serves as the reporting of projected statements of actuarial cash flow and actuarial balance sheet for the Obligated Group. This comprehensive actuarial study and review was performed under the guidelines contained in the American Academy of Actuaries' Actuarial Standard of Practice Number 3, "Practices Relating to Continuing Care Retirement Communities."

In order to perform the actuarial analysis, we projected initial residents and subsequent residents through various levels of care until move-out or death. The rates of permanent and temporary nursing transfers, deaths and withdrawals were developed using The Obligated Group's resident data and Continuing Care Actuaries' demographic database for CCRC residents. This database comprises over 800,000 CCRC residential life-years of demographic experience. The database assumptions used in this analysis reflect experience of communities with similar health care guarantees as The Obligated Group. The population projections were combined with expense and revenue assumptions to develop projected cash flows and contingent assets and liabilities. A by-product of these cash flow projections is the pricing analysis that examines the financial adequacy of the residential fee structures and the actuarially based balance sheet which is used as an indicator of the adequacy of historical residential fee structures.

In conclusion, the Obligated Group is in *adequate financial condition* to meet its obligations as defined by Actuarial Standard of Practice No. 3 (ASOP 3). ASOP 3 defines adequacy based on the meeting of three required actuarial standards, which consist of the actuarial cash flow, the actuarial balance sheet and the actuarial pricing analysis.

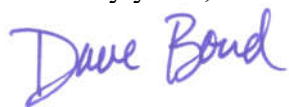
The results of our study are based on estimates of the demographic and economic assumptions of the most likely outcome. Considerable uncertainty and variability are inherent in such estimates. Accordingly, the subsequent emergence of actual residential movements and of actual revenues and expenses may not conform to the assumptions used in our analysis. Consequently, the subsequent development of these items may vary considerably from expected results.

Management should scrutinize future developments that may cause the fund balance to deteriorate. These developments include higher apartment vacancy rates, higher expense inflation, higher nursing care utilization and longer life expectancies than assumed in the projection.

Any distribution of this report to a third party is allowed without Continuing Care Actuaries' consent provided that the report is forwarded in its entirety and Continuing Care Actuaries is notified as to the recipients.

Attached to this letter is a summary of the consolidated group actuarial balance sheet and cashflows.

Sincerely yours,



Dave Bond, F.S.A., M.A.A.A.  
Managing Partner

**Cashflows**

Revenue Projection	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>
All contracts										
ILU Entrance Fees Received	\$ 133,299,576	\$ 198,829,329	\$ 187,580,064	\$ 191,285,906	\$ 191,793,822	\$ 197,573,206	\$ 203,429,308	\$ 210,746,829	\$ 216,619,566	\$ 225,177,167
Entrance Fees Refunded	(65,081,002)	(69,571,399)	(73,456,075)	(76,530,298)	(79,914,593)	(83,207,859)	(86,617,933)	(90,227,587)	(93,922,959)	(97,742,468)
Net Entrance Fees	\$ 68,218,574	\$ 129,257,930	\$ 114,123,988	\$ 114,755,608	\$ 111,879,229	\$ 114,365,347	\$ 116,811,376	\$ 120,519,242	\$ 122,696,607	\$ 127,434,699
Independent Living Monthly Fees	\$ 168,878,993	\$ 176,339,903	\$ 186,831,591	\$ 196,046,528	\$ 204,413,496	\$ 212,037,968	\$ 219,451,785	\$ 226,841,721	\$ 234,196,513	\$ 241,601,660
Assisted Living Lifecare Fees	8,393,251	8,680,210	9,107,426	9,605,264	10,126,421	10,659,949	11,202,633	11,751,974	12,298,700	12,837,514
Assisted Living Private Pay	12,363,074	12,833,422	13,121,117	13,310,820	13,467,148	13,600,274	13,725,914	13,856,088	14,007,308	14,199,844
Memory Support Lifecare Fees	6,123,378	6,190,165	6,284,739	6,394,611	6,546,064	6,748,212	6,998,585	7,286,762	7,600,098	7,927,555
Memory Support Private Pay	7,079,375	7,488,309	7,921,336	8,374,464	8,644,051	8,753,969	9,020,455	9,185,983	9,322,652	9,457,060
Skilled Nursing Lifecare Fees	15,683,684	17,344,965	18,775,352	19,960,472	21,089,456	22,256,190	23,466,136	24,678,711	25,864,742	27,013,868
Skilled Nursing Private Pay	25,762,806	25,286,939	25,143,647	25,213,840	25,378,584	25,558,873	25,734,531	25,942,918	26,221,274	26,585,471
Skilled Nursing Medicare/Medicaid	64,783,565	63,725,934	63,727,582	64,247,077	64,905,069	65,526,010	66,104,158	66,706,387	67,385,219	68,159,140
Home Health	15,411,740	15,724,451	16,043,550	16,369,169	16,701,443	17,040,510	17,386,509	17,739,583	18,099,879	18,467,547
Promotion & Hardship Discount	(1,290,469)	(1,329,183)	(1,369,059)	(1,410,130)	(1,452,434)	(1,496,007)	(1,540,887)	(1,587,114)	(1,634,728)	(1,683,769)
Ancillary and Other Income	14,813,201	15,313,912	15,883,598	16,364,393	16,817,198	17,246,823	17,687,283	18,138,999	18,593,837	19,055,830
Investment Income	8,789,461	9,575,985	11,203,941	12,692,250	14,426,774	16,182,883	18,046,032	20,054,900	22,139,762	24,318,402
Financing Activity	-	-	-	-	-	-	-	-	-	-
Total Cash Inflow	\$ 415,010,633	\$ 486,432,942	\$ 486,798,810	\$ 501,924,366	\$ 512,942,498	\$ 528,481,001	\$ 544,094,507	\$ 561,116,155	\$ 576,791,863	\$ 595,374,821

**Cashflows**

Revenue Projection	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>	<u>2039</u>	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>2043</u>
All contracts										
ILU Entrance Fees Received	\$ 234,023,392	\$ 242,802,628	\$ 249,040,203	\$ 257,800,381	\$ 266,524,153	\$ 275,092,593	\$ 283,634,443	\$ 292,316,950	\$ 301,165,600	\$ 311,055,798
Entrance Fees Refunded	(101,680,859)	(105,728,007)	(109,588,673)	(113,618,295)	(117,763,747)	(121,984,218)	(126,235,467)	(130,536,698)	(134,837,579)	(139,473,436)
Net Entrance Fees	\$ 132,342,532	\$ 137,074,621	\$ 139,451,531	\$ 144,182,086	\$ 148,760,406	\$ 153,108,375	\$ 157,398,975	\$ 161,780,252	\$ 166,328,022	\$ 171,582,362
Independent Living Monthly Fees	\$ 249,292,588	\$ 257,245,808	\$ 265,180,092	\$ 273,103,055	\$ 281,290,555	\$ 289,739,612	\$ 298,448,301	\$ 307,418,590	\$ 316,655,282	\$ 326,171,236
Assisted Living Lifecare Fees	13,366,849	13,885,250	14,394,591	14,895,189	15,385,975	15,865,945	16,340,089	16,818,406	17,309,702	17,821,481
Assisted Living Private Pay	14,469,307	14,774,227	15,112,699	15,483,518	15,886,625	16,322,573	16,787,823	17,274,541	17,776,752	18,290,741
Memory Support Lifecare Fees	8,259,819	8,591,028	8,919,420	9,243,926	9,562,871	9,875,749	10,183,860	10,490,201	10,798,841	11,114,020
Memory Support Private Pay	9,651,905	9,859,260	10,084,614	10,331,124	10,600,766	10,893,603	11,207,665	11,539,363	11,884,652	12,239,865
Skilled Nursing Lifecare Fees	28,140,744	29,271,909	30,423,097	31,584,882	32,732,324	33,851,526	34,942,336	36,015,829	37,087,820	38,173,780
Skilled Nursing Private Pay	27,032,788	27,541,444	28,092,155	28,690,949	29,356,146	30,095,302	30,905,300	31,780,868	32,713,380	33,686,528
Skilled Nursing Medicare/Medicaid	68,996,488	69,861,467	70,738,595	71,650,519	72,652,265	73,781,701	75,051,811	76,445,216	77,934,167	79,493,878
Home Health	18,842,738	19,225,608	19,616,315	20,015,023	20,421,896	20,837,104	21,260,820	21,693,218	22,134,481	22,584,790
Promotion & Hardship Discount	(1,734,282)	(1,786,311)	(1,839,900)	(1,895,097)	(1,951,950)	(2,010,509)	(2,070,824)	(2,132,949)	(2,196,937)	(2,262,845)
Ancillary and Other Income	19,547,568	20,060,342	20,583,919	21,119,322	21,677,191	22,258,633	22,863,634	23,491,485	24,141,130	24,811,477
Investment Income	26,594,698	28,938,376	31,385,558	33,923,770	36,494,951	39,086,701	41,772,956	44,647,581	47,718,699	50,920,673
Financing Activity	-	-	-	-	-	-	-	-	-	-
Total Cash Inflow	\$ 614,803,741	\$ 634,543,029	\$ 652,142,686	\$ 672,328,266	\$ 692,870,021	\$ 713,706,316	\$ 735,092,746	\$ 757,262,602	\$ 780,285,988	\$ 804,627,986

Expense Projection	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Dietary	\$ 55,313,545	\$ 57,000,870	\$ 58,888,032	\$ 60,673,777	\$ 62,494,074	\$ 64,368,811	\$ 66,299,874	\$ 68,288,871	\$ 70,337,537	\$ 72,447,663
Business Development	1,306,311	675,534	695,800	716,674	738,174	760,319	783,129	806,623	830,821	855,746
Legal	562,238	2,369,989	2,441,088	2,514,321	2,589,751	2,667,443	2,747,467	2,829,891	2,914,787	3,002,231
Finance	2,796,558	3,468,888	3,572,954	3,680,143	3,790,547	3,904,264	4,021,391	4,142,033	4,266,294	4,394,283
Info Tech	2,273,239	11,185,307	11,520,866	11,866,492	12,222,487	12,589,161	12,966,836	13,355,841	13,756,516	14,169,212
Marketing	20,477,627	27,450,561	28,274,078	29,122,301	29,995,970	30,895,849	31,822,724	32,777,406	33,760,728	34,773,550
Human Resources	38,469,617	21,122,297	21,755,966	22,408,645	23,080,905	23,773,332	24,486,532	25,221,128	25,977,761	26,757,094
G&A Other	77,830,126	37,691,148	38,827,659	39,996,548	41,196,690	42,432,323	43,705,018	45,016,169	46,366,654	47,757,654
Plant	28,891,701	43,791,033	45,104,764	46,505,284	47,900,443	49,337,457	50,817,580	52,342,107	53,912,371	55,529,742
Environmental Services	11,181,459	25,188,290	25,943,938	26,722,257	27,523,924	28,349,642	29,200,131	30,076,135	30,978,419	31,907,772
Resident Services (All)	3,607,848	9,484,712	9,769,253	10,062,331	10,364,201	10,675,127	10,995,380	11,325,242	11,664,999	12,014,949
Leisure Services	8,828,662	6,883,568	7,090,075	7,302,778	7,521,861	7,747,517	7,979,942	8,219,340	8,465,921	8,719,898
Home Health	10,888,309	13,612,375	13,861,991	14,117,148	14,378,078	14,644,580	14,916,740	15,197,245	15,482,367	15,773,803
Assisted Living	8,025,508	5,624,310	5,830,874	6,041,994	6,266,942	6,496,101	6,735,979	6,984,171	7,238,034	7,504,349
Health Center	52,447,252	31,042,137	32,686,724	33,692,227	34,728,890	35,797,690	36,899,630	38,035,749	39,207,117	40,414,838
Memory Support	4,467,348	22,877,506	23,563,831	24,270,746	24,998,869	25,748,835	26,521,300	27,316,939	28,136,447	28,980,540
Foundation	316,852	326,358	336,148	346,233	356,620	367,318	378,338	389,688	401,379	413,420
Interest	31,863,018	35,802,926	35,173,949	34,430,001	33,740,997	32,990,214	32,245,257	31,501,675	30,675,479	29,734,579
Principal Repayment	10,496,533	11,734,245	28,652,494	14,425,455	15,168,316	16,086,487	14,726,665	15,394,869	18,407,964	19,594,744
Capital Expenditures	67,087,780	37,359,943	37,330,014	38,483,143	39,630,193	40,919,981	42,605,835	44,288,698	46,039,060	46,743,584
Total Cash Outflow	437,131,531	422,614,315	449,188,086	445,881,717	457,839,248	470,375,063	481,367,214	494,728,383	510,771,939	524,191,826
Net Cash Flow	\$ (22,120,898)	\$ 63,818,627	\$ 37,610,724	\$ 56,042,648	\$ 55,103,251	\$ 58,105,938	\$ 62,727,293	\$ 66,387,772	\$ 66,019,924	\$ 71,182,995
Cumulative Cash Flow	\$ 269,957,130	\$ 333,775,757	\$ 371,386,481	\$ 427,429,130	\$ 482,532,380	\$ 540,638,319	\$ 603,365,612	\$ 669,753,384	\$ 735,773,307	\$ 806,956,302
Cumulative Cash Flow (2024 \$s)	\$ 269,957,130	\$ 316,375,125	\$ 333,673,081	\$ 364,004,487	\$ 389,508,216	\$ 413,660,951	\$ 437,588,396	\$ 460,413,129	\$ 479,429,056	\$ 498,399,825

Expense Projection	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
Dietary	\$ 74,621,093	\$ 76,859,726	\$ 79,165,517	\$ 81,540,483	\$ 83,986,697	\$ 86,506,298	\$ 89,101,487	\$ 91,774,532	\$ 94,527,768	\$ 97,363,601
Business Development	881,418	907,861	935,097	963,150	992,044	1,021,805	1,052,460	1,084,033	1,116,554	1,150,051
Legal	3,092,298	3,185,067	3,280,619	3,379,037	3,480,408	3,584,821	3,692,365	3,803,136	3,917,230	4,034,747
Finance	4,526,111	4,661,895	4,801,752	4,945,804	5,094,178	5,247,004	5,404,414	5,566,546	5,733,543	5,905,549
Info Tech	14,594,288	15,032,117	15,483,081	15,947,573	16,426,000	16,918,780	17,426,344	17,949,134	18,487,608	19,042,236
Marketing	35,816,756	36,891,259	37,997,997	39,137,937	40,312,075	41,521,437	42,767,080	44,050,093	45,371,595	46,732,743
Human Resources	27,559,807	28,386,601	29,238,199	30,115,345	31,018,806	31,949,370	32,907,851	33,895,086	34,911,939	35,959,297
G&A Other	49,190,383	50,666,095	52,186,078	53,751,660	55,364,210	57,025,136	58,735,890	60,497,967	62,312,906	64,182,293
Plant	57,195,634	58,911,503	60,678,848	62,499,214	64,374,190	66,305,416	68,294,578	70,343,415	72,453,718	74,627,329
Environmental Services	32,865,005	33,850,955	34,866,484	35,912,478	36,989,853	38,099,548	39,242,535	40,419,811	41,632,405	42,881,377
Resident Services (All)	12,375,398	12,746,659	13,129,059	13,522,931	13,928,619	14,346,478	14,776,872	15,220,178	15,676,783	16,147,087
Leisure Services	8,981,495	9,250,940	9,528,468	9,814,322	10,108,752	10,412,015	10,724,375	11,046,106	11,377,489	11,718,814
Home Health	16,071,559	16,374,635	16,684,118	17,008,502	17,339,459	17,676,896	18,019,983	18,369,379	18,904,385	19,454,849
Assisted Living	7,781,835	8,068,698	8,166,712	8,470,745	8,789,827	9,126,042	9,473,706	6,308,765	6,505,914	6,709,705
Health Center	41,660,051	42,943,931	44,267,690	45,632,580	47,039,891	48,490,955	49,987,145	51,529,879	53,120,621	54,760,878
Memory Support	29,849,957	30,745,455	31,667,819	32,617,853	33,596,389	34,604,281	35,642,409	36,711,681	37,813,032	38,947,423
Foundation	425,823	438,597	451,755	465,308	479,267	493,645	508,454	523,708	539,419	555,602
Interest	28,747,178	27,692,523	26,587,098	25,388,061	24,221,632	22,970,077	21,565,932	20,068,228	18,814,266	17,491,993
Principal Repayment	20,590,837	21,544,510	22,814,394	24,527,960	25,823,683	27,153,879	28,612,182	24,602,271	25,896,150	27,261,658
Capital Expenditures	53,416,086	55,597,783	57,869,991	60,236,521	62,701,349	65,268,621	67,942,659	70,727,971	73,629,257	76,651,421
Total Cash Outflow	543,716,587	559,026,177	575,088,584	592,004,157	609,053,827	626,588,955	644,653,042	657,726,707	676,937,757	696,761,098
Net Cash Flow	\$ 71,087,154	\$ 75,516,852	\$ 77,054,102	\$ 80,324,109	\$ 83,816,194	\$ 87,117,361	\$ 90,439,703	\$ 99,535,895	\$ 103,348,231	\$ 107,866,887
Cumulative Cash Flow	\$ 878,043,456	\$ 953,560,308	\$ 1,030,614,411	\$ 1,110,938,520	\$ 1,194,754,714	\$ 1,281,872,075	\$ 1,372,311,778	\$ 1,471,847,673	\$ 1,575,195,904	\$ 1,683,062,792
Cumulative Cash Flow (2024 Ss)	\$ 514,033,489	\$ 529,140,629	\$ 542,084,133	\$ 553,870,265	\$ 564,604,477	\$ 574,192,866	\$ 582,657,628	\$ 592,339,987	\$ 600,883,530	\$ 608,560,256

**Actuarial Balance Sheet (in 000's)**  
**December 31, 2023**

**ACTUARIAL ASSETS**

Current Assets	\$363,949
Actuarial Present Value of Net Fixed Assets	\$1,443,125
Current Liabilities	(\$94,980)
Actuarial Present Value of Long-Term Debt	(\$686,370)

**NET ACTUARIAL ASSETS** **\$1,025,725**

**ACTUARIAL LIABILITIES**

Actuarial Present Value of Future Liabilities	\$1,387,450
Actuarial Present Value of Future Revenues	\$1,062,119
Net Actuarial Liabilities	\$325,331
Actuarial Present Value of Refund Liability	\$408,178
Actuarial Surplus (Deficit)	<u>\$292,216</u>

**NET ACTUARIAL LIABILITIES** **\$1,025,725**

**Funded Status**

Net Actuarial Assets + APV of Future Revenue	\$2,087,844
divided by	
APV of Future Liabilities + APV of Refund Liability	<u>\$1,795,628</u>

**FUNDED STATUS** **116.3%**

**Actuarial Ratio**

Actuarial Present Value of Future Revenue	\$1,062,119
divided by	
Actuarial Present Value of Future Liabilities	<u>\$1,387,450</u>

**ACTUARIAL RATIO** **76.6%**