Date Filed: 12/16/2022

CONTINUING DISCLOSURE REPORT
for the year ended December 31, 2021

LIFESPACE
COMMUNITIES

OBLIGATED GROUP

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
Village on the Green

The information contained herein is being filed by the Corporation for the purposes of complying with the Corporation's obligations under SEC Rule 15c2-12. The information contained herein is as of the date of this report.

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April 29, 2022

US Bank
Susan Heafner
Corporate Trust Dept.
Mail Code EX-FL-WWSJ
225 Water Street, Suite 700
Jacksonville, FL 32202

RE: Certificate in accordance with Section 415 (c) of the Master Trust Indenture dated November 1, 2010, 5.7 of the Loan Agreement dated November 1, 2010, 5.7 of the Loan Agreement dated March 1, 2015, 5.7 of the Loan Agreement dated November 1, 2016, 5.7 of the Loan Agreement dated August 1, 2018, 5.7 of the Loan Agreement dated November 1, 2019, and 5.7 of the Loan Agreement dated August 1, 2021.

The undersigned, Nick Harshfield, Senior Vice President and Chief Financial Officer of Lifespace Communities, Inc., (the "Corporation") an Iowa nonprofit corporation, does hereby certify that:

(1) The Days Cash on Hand and the Historical Debt Service Coverage Ratio calculated as defined in the Master Trust Indenture is hereby attached as of the end of the Fiscal Year ended December 31, 2021.

(2) A review of the activities of the Obligated Group during the last completed Fiscal Year and the performance of the Obligated Group under this Master Indenture and all Related Bond Documents have been made by the signer thereof or under the signer's supervision, and to the best of the signer's knowledge, based on the review, the Obligated Group and the Members have fulfilled all their obligations under this Master Indenture and all Related Bond Documents throughout the Fiscal Year ended December 31, 2021, and is not in default in the performance or observance of any of the terms, covenants, provisions or conditions thereof.

(3) No event has occurred, which with the passage of time or the giving of notice or both would constitute such an Event of Default.

LIFESPACE COMMUNITES, INC.

DocuSigned by:
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Cc: Bankers Trust, Kristy Olesen

Overview:

Lifespace Communities, Inc. (“Lifespace” or the “Corporation”) is an Iowa nonprofit corporation organized for the purpose of owning and operating continuing care retirement communities (“CCRCs).

The Corporation owned eleven CCRCs in six states that made up the Obligated Group. On August 1, 2021, the Corporation sold Grand Lodge at the Preserve (“Grand Lodge”) located in Lincoln, Nebraska.

Lifespace is the sole member of Barton Creek Senior Living Center, Inc., d/b/a Querencia (“Querencia”) located in Austin, Texas. On August 31, 2021, concurrent with the issuance of the Series 2021 bonds, Querencia became part of the Obligated Group.

The Obligated Group consists of the above communities. The financial information and covenants presented herein set forth the information for these communities. Prior period information has been restated to include Querencia and reclass Grand Lodge activity to discontinued operations.

The Corporation is the sole member of Northwest Senior Housing Corporation, d/b/a Edgemere (“Edgemere”) located in Dallas and Tarrant County Senior Living Center, Inc., d/b/a The Stayton at Museum Way (“The Stayton”) located in Ft. Worth. On July 1, 2021, Lifespace acquired Newcastle Place, LLC (“Newcastle Place”) located in Mequon, Wisconsin. Edgemere, The Stayton and Newcastle Place are separately financed and are not part of the Obligated Group.

The corporation was sole member of Deerfield Retirement Community, Inc. (“Deerfield”) a nonprofit organization that was organized to own and operate a CCRC in suburban Des Moines, Iowa. On August 1, 2021, Deerfield was sold to the same third party as Grand Lodge. Deerfield was separately financed and not part of the Obligated Group. While outside the Obligated Group, the Obligated Group had previously guaranteed certain outstanding long-term indebtedness of Deerfield. These guarantees were discharged in connection with the sale of Deerfield and the Obligated Group has no further outstanding long-term indebtedness or guarantee obligations with respect to Deerfield.

After the disposition of Grand Lodge and Deerfield, and including Edgemere, Newcastle and The Stayton, the Corporation and its affiliates operate 14 CCRCs in eight states from corporate offices located in West Des Moines, Iowa and Addison, Texas. References to the “Communities” herein are to the 11 CCRCs owned and operated by the Corporation that make up the Obligated Group.

Calendar year-end financial information for December 31, 2021 and prior is provided from audited financial statements. All other financial information is obtained from unaudited financial statements.

Summary of Units Operated per Community

	Independent Living Apartments	Villas, Carriage or Town Homes	Assisted Living	Health Center Private Room	Health Center Semi-Private Room	Memory Support	Total	CMS 5-Star Rating *
Abbey Delray (6)	299	28	48	30	70	30	505	4
Abbey Delray South (7)	240	44		28	46		358	4
Beacon Hill (8)	372			26	84		482	5
Claridge Court (3)	128			17	28		173	4
Friendship Village of Bloomington (1)	371	12	42	36	30	32	523	5
Friendship Village of South Hills	273	18	50	35	54	32	462	4
Harbour's Edge	266			50	4		320	5
Oak Trace (9)	216	16	66	84	20	28	430	5
Querencia (5)	157	10	40	38	4	23	272	5
The Waterford	248	25		30	30		333	3 **
Village on the Green (2)	204	58	36	40	8	18	364	5
Total	2,774	211	282	414	378	163	4,222	

* The CMS 5-Star ratings are as of October 31, 2021.

** Lifespace expects these ratings to go up when the next survey results are released.

<u>Change in units from December 31, 2020</u>

(1) As a result of redevelopment efforts at Friendship Village of Bloomington, 42 assisted living and 32 memory support were added in first quarter 2021. In third quarter 2021, 90 independent living apartments were added.

(2) As a result of redevelopment efforts at Village on the Green, 36 assisted living were added in first quarter 2021. In second quarter 2021, 20 independent villas ,18 memory supports and the 48 replacement of health center rooms were added.

(3) Claridge Court combined two independent living apartments in the second quarter 2021.

(4) Grand Lodge exited the Obligated Group as of August 1, 2021.

(5) Querencia joined the Obligated Group in conjunction with the 2021 bond financing that closed on August 31, 2021.

(6) Abbey Delray has combined smaller apartments which reduced inventory by seven in the third quarter and eight in the fourth quarter 2021.

(7) Abbey Delray South's Health Center changed rooms from semi-private rooms to private rooms which reducted inventory by 16 in fourth quarter 2021.

(8) Beacon Hill has combined smaller apartments which reduced inventory by two in the fourth quarter 2021.

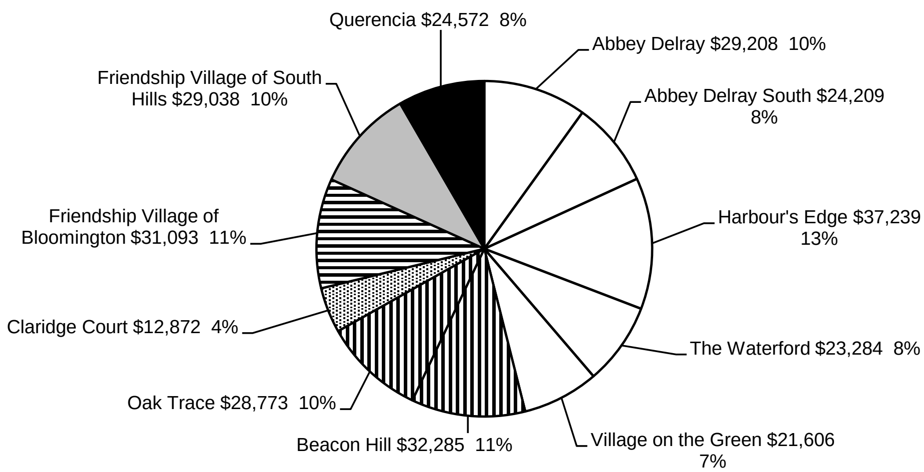
(9) Oak Trace has combined smaller apartments which reduced inventory by one in the fourth quarter 2021.

Lifespace Communities, Inc.
Average Occupancy of the Communities

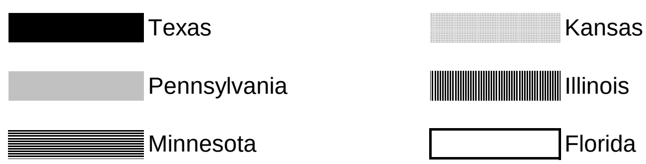
	2018			2019				2020				2021			
Community	Living Units	Health Center	ALUs	Living Units	Health Center	ALUs	Memory Support	Living Units	Health Center	ALUs	Memory Support	Living Units	Health Center	ALUs	Memory Support
Abbey Delray, FL (a)	72.8%	91.2%	85.7%	71.6%	88.1%	85.7%	N/A	67.6%	92.5%	59.8%	36.0%	60.1%	92.4%	74.1%	60.6%
Abbey Delray South, FL	85.6%	88.7%	N/A	80.6%	82.9%	N/A	N/A	76.0%	73.4%	NA	NA	66.3%	75.5%	NA	NA
Beacon Hill, IL	94.4%	93.4%	N/A	94.1%	92.7%	N/A	N/A	92.4%	91.5%	NA	NA	87.0%	89.6%	NA	NA
Claridge Court, KS	90.0%	87.6%	N/A	89.2%	89.6%	N/A	N/A	87.3%	82.0%	NA	NA	81.2%	89.3%	NA	NA
Friendship Village of Bloomington, MN (b)	98.0%	89.4%	88.7%	96.3%	85.6%	86.8%	N/A	93.3%	82.0%	89.5%	NA	81.2%	79.6%	55.2%	91.6%
Friendship Village of South Hills, PA (c)	95.5%	95.8%	N/A	95.5%	94.4%	12.5%	20.0%	87.6%	81.2%	44.7%	63.8%	81.3%	76.6%	75.4%	90.0%
Grand Lodge, NE (d)	92.7%	N/A	100.0%	92.7%	N/A	90.0%	N/A	86.2%	NA	80.1%	NA	85.2%	NA	85.4%	NA
Harbour's Edge, FL	91.4%	93.3%	N/A	89.8%	91.7%	N/A	N/A	86.8%	92.4%	NA	NA	83.3%	92.3%	NA	NA
Oak Trace, IL (e)	91.2%	63.5%	66.0%	88.6%	78.9%	72.1%	43.8%	83.6%	92.8%	83.2%	57.5%	86.2%	93.4%	64.8%	88.1%
Querencia, TX (f)	N/A	N/A	N/A	98.8%	92.4%	99.5%	97.4%	98.0%	82.9%	96.1%	83.3%	97.9%	81.3%	96.0%	90.1%
The Waterford, FL	87.1%	94.0%	N/A	90.0%	96.3%	N/A	N/A	86.8%	86.2%	NA	NA	79.5%	83.3%	NA	NA
Village on the Green, FL (g)	86.1%	88.5%	N/A	83.9%	93.3%	N/A	N/A	82.4%	80.0%	NA	NA	72.2%	78.2%	46.2%	72.6%
Obligated Group	89.2%	87.2%	80.0%	88.3%	88.8%	79.5%	59.1%	85.0%	85.8%	75.2%	59.6%	78.7%	85.0%	69.7%	82.8%

(a) The new assisted living and memory support opened in February 2020.
(b) The new assisted living and memory support opened in February 2021. The new apartments opened in July 2021.
(c) The new assisted living and memory support opened in November 2019.
(d) Grand Lodge was disposed as of August 1, 2021.
(e) The new health center, assisted living and memory support opened in June 2019.
(f) Querencia joined the Lifespace Obligated Group as of August 31, 2021 in conjunction of the Series 2021 financing. Lifespace affiliated with Querencia on June 20, 2019. Occupancy prior to this date is not reflected above.
(g) The new assisted living opened in March 2021. The memory support and new independent villas opened in April 2021. The replacement health center opened in May 2021.

Comparative Analysis of Gross Revenues
Year Ended December 31, 2021
($ in Thousands)



Gross revenues include residential living fees, skilled nursing and assisted living fees, entrance fees earned, and investment income.



Skilled Nursing Payer Mix and Occupancy

	Year-ended			
Payer	2018	2019	2020	2021
Lifecare	18.5%	15.1%	13.9%	11.6%
Private Pay	21.4%	25.9%	24.5%	24.0%
Medicare	43.7%	42.5%	44.6%	48.2%
Medicaid	10.2%	10.9%	10.1%	8.5%
Other	6.2%	5.6%	6.9%	7.7%
Total Patient Mix	100%	100%	100%	100%
Year-To-Date Average Service Units Available	799	807	818	809
Year-To-Date Average Occupancy Percentage	87.2%	88.8%	85.8%	85.0%

Year Ended December 31, 2021 versus Year Ended December 31, 2020:

The average year-to-date independent living occupancy, excluding Grand Lodge which is disclosed as a discontinued operations, through December 31, 2021, was 2,312 independent living homes (78.6% of the 2,943 average available homes). The average year-to-date occupancy, excluding Grand Lodge, through December 31, 2020 was 2,463 independent living homes (85.0% of the 2,898 average available homes). The increase in average available homes from December 31, 2021 to the same period in 2020 is due to opening independent living apartments at two communities to support the redevelopment efforts discussed under Liquidity and Capital Requirements. There were six communities that combined smaller apartments.

Revenues from independent living monthly fees and related charges amounted to $129,744,000 in 2021, a 0.7% increase over the $128,847,000 from the same revenue sources in 2020. Monthly fees increased in the range of 2.0% to 4.0% on January 1, 2021. The increase in monthly fees is offset by lower occupancy levels. The monthly fee increases starting January 1, 2022 range from 3.8% to 6.0%.

Revenues from the health center, assisted living, and memory support fees were $115,176,000 in 2021 compared to $103,953,000 in 2020, an increase of 10.8%. This increase is the result of the monthly fee increases effective January 1, 2021 and the occupancies related to the completion and openings of the redevelopment projects. The Friendship Village of Bloomington redevelopment project opened in February of 2021. This added assisted living and memory support rooms while eliminating boarding care. The Village on the Green redevelopment project opened assisted living room at the end of March of 2021, memory support in April of 2021 and the replacement health center in May of 2021. The monthly fee increases starting January 1, 2022 range from 2.7% to 6.1%.

During 2020, the Obligated Group received approximately $8,784,000 from the Department of Health and Human Services as relief under the CARES Act's Public Health and Social Services Relief Fund and a targeted distribution to skilled nursing facilities. During 2021, the Obligated Group received a total of $1,127,000. The funds received were $1,036,000 from Department of Health and Human Services in infection quality control payments and relief under the CARES Act's Public Health and Social Services Relief Fund, $78,000 in stimulus funds from third party payors that is in accordance with their contract with Commonwealth of Pennsylvania's Department of Human Services and an additional $13,000 in other COVID relief funds. The Department of Health and Human Services continues to update guidance regarding the distribution of these funds.

Total operating expenses, excluding depreciation, amortization, interest expense, and loss on disposal of property were $244,117,000 in 2021, an increase of $20,667,000 or 9.2% from comparable expenses of $223,450,000 in 2020. Salaries and benefits increased $3,415,000 or 2.9%. Approximately $2.2 million of this increase is the result of wage increases for culinary, nursing and housekeeping team members that took effect November 1, 2021. General and administrative expense increased $14,565,000 or 28.5% as a result of financial statement reclassifications. The reclassification moves general and administrative costs that were previously in the medical and other resident care expenses for higher levels of living into the general and administrative expenses. In addition, there was an increase in liability and property insurance, marketing costs, taxes, recruiting, contract labor for open positions and bad debt. Plant expense increased $2,187,000 or 14.0% due to higher costs in cable television, repairs and maintenance, and utilities. Housekeeping costs and dietary costs decreased due to lower occupancy. Medical and other resident care increased $2,651,000 or 22.6%, which is the result of increased occupancy, the opening of the redevelopment projects at Friendship Village of Bloomington and Village one the Green and agency. Agency costs were $7,785,000 in 2021 compared to $1,245,000 in 2020. Offsetting these increases is the financial statement reclass mentioned above that impacted general and administrative.

During 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities.

COVID-19 is impacting each of the communities in the Obligated Group at different levels which change on a daily basis. At any point in time, a given community can experience a resident or team member with a positive COVID-19 test. Lifespace has established protocols to comply with all federal, state and local requirements. Any suspected COVID-19 cases are subject to self-isolation and monitored. All communities have seen an increase in costs for personal protection equipment and inventories of these supplies have been increased in anticipation of their continued need. Where cases have been identified, there have also been additional compensation plans for team members put in place.

The number of COVID-19 positive results across the Obligated Group has ranged from zero to 123 at any single community on a given day. As of the date of this disclosure, there are 11 positive resident case.

Year Ended December 31, 2021 Actual versus Budget:

The Lifespace Board of Directors annually approves the budget that results in an accepted net operating margin, net entrance fees and capital expenditures. The chart below shows line item comparisons to the board approved net operating margin, net entrance fees and capital expenditures, along with the favorable and unfavorable variances.

(in thousands)	Actual	Budget	Favorable/ (Unfavorable)
Revenues			
Independent Living Fees	$129,744	$134,591	($4,847)
Skilled nursing, assisted living and memory support fees	115,176	111,150	4,026
Other	1,127	-	1,127
	246,047	245,741	306
Expenses			
Operating expenses:			
Salaries and benefits	122,914	128,103	5,189
General and administrative	65,700	60,300	(5,400)
Plant operations	17,861	16,525	(1,336)
Housekeeping	1,499	1,467	(32)
Dietary	21,737	21,380	(357)
Medical and other resident care	14,406	6,740	(7,666)
	244,117	234,515	(9,602)
Net operating margin	1,930	11,226	(9,296)
Net entrance fees, excluding initial entrance fees	53,758	41,194	12,564
Capital expenditures, financed with bond proceeds	49,627	69,631	20,004
Capital expenditures, routine	37,615	35,105	(2,510)

Net operating margin is unfavorable to budget by $9,296,000.

Independent living fees are unfavorable to budget by $4,847,000, which is primarily lower occupancy. The budgeted occupancy was 79.5% versus the year-to-date average of 78.7%. In addition, the Obligated Group had more apartment discounts and lower processing fees due to fewer closings. The budget for the year ended December 31, 2021 had 355 closings compared to the actual closings of 284.

Skilled nursing, assisted living and memory support fees are favorable to budget by $4,026,000 due to higher home health usage than budgeted. In addition, the census mix and Medicare rates are impacting revenue in a positive manner.

Other revenue is favorable to budget as a result of stimulus relief funds of $1,127,000 received that were not budgeted. Lifespace received $1,036,000 from the Department of Health and Human Services, $78,000 in stimulus funds from third party payors that is in accordance with their contract with Commonwealth of Pennsylvania's Department of Human Services and $13,000 of additional relief funds.

Salaries and benefits are $5,189,000, or 4.1%, favorable to budget due to staffing to lower occupancy levels. In addition, at time throughout 2021 the dining rooms have been closed due to COVID-19 as well as a reduction in activities. This has resulted in reduced staffing costs compared to budget.

General and administrative expense is unfavorable to budget by $5,400,000, or 9.0%, as a result of continued COVID costs that were not budgeted.

Plant operations expense is unfavorable to budget by $1,336,000, or 8.1%, as a result of higher repairs and maintenance, cable television, and utilities than budgeted.

Dietary expense is unfavorable to budget by $357,000, or 1.7%, as a result of upfront costs related to a new culinary contract in addition to inflation.

Medical and other resident care expense is unfavorable to budget by $7,666,000, or 113.7%, as a result of higher use of agency than budgeted. Agency costs in 2021 were $7,785,000, which were not budgeted.

Net entrance fees, excluding initial entrance fees, are favorable to budget by $12,564,000. As mentioned earlier, the budget for the year ended December 31, 2021 had 355 closings compared to the actual closings of 284. Approximately, $8,092,000 in refunds were paid in January 2022 related to December 2021 closings. In addition, the mix of apartments sold in 2021 was favorable to budget.

Capital expenditures financed with bond proceeds are approximately $20,004,000 less than budgeted. This is the result of timing. Approximately $2,510,000 more was spent on routine capital expenditures than budgeted.

Ratios:

The Net Operating Margin Ratio decreased from 7.5% at December 31, 2020 to 0.8% at December 31, 2021 which is below the benchmark of 6.5%. As discussed previously, $1,127,000 in COVID-19 funds were received in 2021 compared to $8,784,000 in 2020 having an unfavorable impact on this ratio. The lower occupancies in independent living and the health center are also negatively impacting this ratio. The Net Operating Margin, Adjusted Ratio increased from 13.4% at December 31, 2020 to 18.6% at December 31, 2021 which is below the benchmark of 22.5%. The annual debt service coverage ratio increased from 2.1 times at December 31, 2020 to 2.2 times at December 31, 2021, which is below the benchmark of 2.5 times. The Net Operating Margin, Adjusted and the Debt Service Coverage Ratio are impacted by the increase in net entrance fees.

Further details on net entrance fees is stated in the Liquidity and Capital Requirements section below.

Investment income decreased when comparing the year ended December 31, 2021 to the same period in 2020. Excluding the unrealized gain/loss, investment income represents a decrease of $5,957,000, which impacts the debt service coverage ratio in a negative manner. However, that decrease is offset by the increase in entrance fees. The following chart shows the components of investment income in thousands of dollars.

	December 31, 2021	December 31, 2020
Interest and Dividend Income	$4,415	$5,192
Realized Gain/(Loss)	8,004	13,184
Unrealized Gain/(Loss)	5,909	3,298
Total	$18,328	$21,674

The Adjusted Debt to Capitalization increased from 91.7% at December 31, 2020 to 98.2% at December 31, 2021. Both periods are above the benchmark of 54.0%.

Liquidity and Capital Requirements – Year Ended December 31, 2021 versus Year Ended December 31, 2020:

Cash proceeds from entrance fees and deposits (refundable and non-refundable), net of refunds, were $53,758,000 excluding initial entrance fees for the year ended December 31, 2021 compared to $17,295,000 for the same period in 2020. The number of reoccupancies increased to 284 in the year ended December 31, 2021 from 191 reoccupancies in the year ended December 31, 2020.

Daily operating expenses for 2021 increased to $712,000 from $649,000 in 2020, an increase of 9.8%. The overall unrestricted cash position increased from $212,456,000 at December 31, 2020 to $214,073,000 at December 31, 2021, a change of 0.9%. The Days Cash on Hand Ratio decreased from 327 days at December 31, 2020 to 301 days at December 31, 2021.

Capital expenditures for the communities for the year ended December 31, 2021 were $87,242,000, while depreciation expense for the same period was $52,224,000. The five redevelopment projects mentioned below account for $49,627,000 of this year-to-date 2021 expenditure balance. Capital expenditures for the communities for the year ended December 31, 2020 were $111,777,000, while depreciation expense for the same period was $47,028,000. The five redevelopment projects account for $88,194,000 of this year-to-date 2020 expenditure balance.

To evaluate the financial aspect of the needed re-investment in the communities, management targets capital expenditures as a percentage of depreciation in the range of 70% to 130%. This ratio is monitored on a 5-year historical view and a 10-year forecast period to assist with the annual capital expenditure decisions. The 5-year historical ratio for the Obligated Group at December 31, 2021 is 167% which is higher than the range as a result of the redevelopment projects. The redevelopment projects are mostly funded with long-term debt and internal cash. Routine capital projects are expected to be funded from internal cash flows.

On August 1, 2021 Lifespace sold Grand Lodge to a third party. The proceeds from this sale were used to pay outstanding bonds of $13,956,000.

Lifespace Communities completed tax-exempt bond financings in 2016, 2018, and 2019 of which the proceeds support five redevelopment construction projects. On August 31, 2021, Lifespace completed the fourth and final bond financing to assist in the completion of five redevelopment projects. Lifespace received proceeds from issuing $120.4 million of Series 2021 bonds. The bonds sold at a premium generating $132.5 million of proceeds. The proceeds from these bonds will pay redevelopment costs of $85.0 million at Friendship Village of Bloomington and Oak Trace, fund cost of issuance of $2.4 million and funded interest of $5.9 million. In addition, several communities are receiving proceeds to assist with community projects. The Series 2010 bonds were refinanced with the issuance of the Series 2021 financing.

Initial entrance fees collected at two of the redevelopment communities have been used to pay down the Series 2019A-2 debt issuance. As of December 15, 2021, the principal amount of $26,850,000 has been fully retired.

Lifespace has secured a line of credit with a bank for $25 million to support the redevelopment efforts. The line of credit is to be used for the redevelopment projects when bond project funds are depleted and prior to the issuance of additional bonds as described below. The terms and covenants of the line of credit follow the master trust indenture. As of December 31, 2021, $6.4 million has been drawn on this line of credit for various projects.

Two of the communities are in the process of significant construction at December 31, 2021. There were five construction projects of which three construction projects were completed and opened in 2020 and one in 2021. All five of the communities with improvements used and are using proceeds of the Series 2016, Series 2018, Series 2019, and Series 2021 Bonds. As with any construction project, the timing of expenditures and the project budget can change through the passage of time or as the project advances in development. The monthly Redevelopment Project Status Report filed on EMMA provides additional details regarding the construction projects.

The Board previously approved a project at The Waterford which is being redesigned to better suit the local market. A revised concept and capital budget will be reviewed by the Lifespace Board in 2022. The line of credit has been used to fund pre-construction of approximately $6.4 million for the Waterford.

Management continuously reviews and prioritizes the needs at each of the Communities to determine what is needed to enhance the Community, fill service gaps, stay competitive in the market place and grow. There is no guarantee that the Lifespace will complete all the projects listed above, that the scope will not be materially altered or that additional Communities will not be added.

On August 3, 2021, Fitch affirmed its rating for the outstanding revenue bonds of Lifespace at ‘BBB’ with a stable outlook.

In conjunction with the acquisition of The Stayton in June 2019, Lifespace provided a Liquidity Support Agreement (“LSA”) to the Stayton trustee. Pursuant to the LSA, Lifespace made a deposit of $3,000,0000 to be held by the Stayton trustee in a liquidity support account. This was funded from sources other than the Obligated Group. Lifespace has an unfunded commitment in the amount of up to $3,000,000 which may be drawn upon in accordance with the LSA. This $3,000,000 would likely come from the Obligated Group, if needed.

In conjunction with the acquisition of Newcastle Place on July 1, 2021, Lifespace made an $8,000,000 equity contribution and provided a Liquidity Support Agreement for the Newcastle Place long-term indebtedness which is currently outstanding in the aggregate principal amount of approximately $5,000,000. At December 31, 2021 the LSA remains unfunded. Lifespace also holds approximately $8,000,000 million of subordinated bonds issued by Newcastle Place.

Forward-Looking Statements:

This document contains various “forward-looking statements”. Forward-looking statements represent our expectations or beliefs concerning future events. The words “plan”, “expect’ “estimate” “budget” and similar expressions are intended to identify forward-looking statements. We caution that these statements are further qualified by important factors that could cause actual results to differ materially from those in the forward-looking statements, including without limitations the factors described in this document.

We ask you not to place undue reliance on such forward-looking statements because they speak only of our views as of the statement dates. Although we have attempted to list the important factors that presently affect the Obligated Group’s business and operating results, we further caution you that other factors may in the future prove to be important in affecting the Obligated Group’s results of operations. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Lifespace Communities, Inc.
Obligated Group Selected Historical Financial Information
(Thousands of $)

Historical Debt Service Coverage	**Year Ended December 31 (Audited)** 2021	2020	2019
Excess (deficit) of revenues over expenses	(32,081)	(7,071)	(57)
Less:			
Entrance fees earned	(29,802)	(31,694)	(30,468)
Initial redevelopment entrance fee and/or redevelopment deposits	(41,862)	1,290	(7,653)
Add:			
Depreciation	52,224	47,028	43,778
Amortization	12,225	15,873	6,609
Interest Expense	17,468	14,781	7,595
Expenses paid by long-term debt issuances	1,719	1,273	2,305
Unrealized (gain) loss on securities	(14,953)	(3,298)	(15,243)
Realized loss on sale of assets	12	616	2,923
Loss on extinguishment of debt	214	0	0
Entrance fee proceeds (less refunds)	96,292	15,215	48,353
Income available for debt service	61,456	54,013	58,142
Annual debt service payment	27,213	25,926	20,372
Annual debt service coverage (b)(c)(d)(e)	2.3	2.1	2.9
Maximum annual debt service payment	34,748	32,614	31,917
Maximum annual debt service coverage (d)(e)	1.8	1.7	1.8
Cash to Debt			
Unrestricted cash and investments (a)	214,073	212,456	194,906
Debt service reserve fund	34,245	37,847	37,867
	248,318	250,303	232,773
Bonds outstanding long-term	567,332	510,743	519,389
Annual debt service	27,213	25,926	20,372
Maximum annual debt service	34,748	32,614	31,917
Ratio of total unrestricted cash & investments with debt service reserve to bonds outstanding	0.4	0.5	0.4
Ratio of total unrestricted cash & investments with debt service reserve to annual debt service	9.1	9.7	11.4
Ratio of total unrestricted cash & investments with debt service reserve to maximum annual debt service	7.1	7.7	7.3
Department operating expenses (excluding expenses paid by long-term debt issuances) plus interest	259,866	236,958	219,134
Daily expenses	712	647	600
Days of unrestricted cash & investments on hand (b)(c)(d)	301	328	325
Other Ratios			
Net operating margin (c)(d)(f)	0.8%	7.5%	2.1%
Net operating margin, adjusted (c)(d)(f)	18.8%	13.4%	17.5%
Adjusted debt to capitalization (c)(d)(f)	98.2%	91.7%	88.0%

(a) The balances include the Cash & Cash Equivalents, Investments, and the Florida operating and renewal and replacement reserve funds.

(b) The financial ratios that are required by the financing documents.

(c) The financial ratios that are monitored monthly by Lifespace.

(d) Latest FITCH for Investment Grade medians used as benchmarks are as follows: net operating margin of 6.5%, net operating margin, adjusted of 22.5%, maximum annual debt service of 2.5 times, days cash on hand of 528 and adjusted debt to capitalization of 54.0%. The latest "BBB" ratings are as follows: net operating margin of 6.7%, net operating margin, adjusted of 23.0%, maximum annual debt service of 2.2 times, days cash on hand of 496 and adjusted debt to capitalization of 61.1%.

(e) The debt service payment includes the payment made in Q2 for the Deerfield guarantee. With the sale of Deerfield to a third party this guarantee was discharged. Excluding this Deerfield payment, debt service coverage would be unchanged

LIFESPACE OBLIGATED GROUP

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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YEARS ENDED DECEMBER 31, 2021 AND 2020

INDEPENDENT AUDITORS' REPORT

Board of Directors
Lifespace Obligated Group
Des Moines, Iowa

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of the Lifespace Obligated Group, which comprise the consolidated balance sheets as of December 31, 2021 **and 2020**, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Lifespace Obligated Group as of December 31, 2021 **and 2020**, and the results of their operations, changes in net assets, and their cash flows for the years then ended in accordance with the master trust indenture dated as of November 1, 2010 and amended August 1, 2021.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lifespace Obligated Group and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 2 of the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared on the basis of the financial reporting provisions specified in the Master Trust Indenture dated as of November 1, 2010, amended August 1, 2021, as discussed in Note 2, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the agreement referred to above. Our opinion is not modified with respect to that matter.

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Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with the master trust indenture dated as of November 1, 2010 and amended August 1, 2021, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lifespace Obligated Group ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lifespace Obligated Group internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lifespace Obligated Group ability to continue as a going concern for a reasonable period of time.

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Board of Directors
Lifespace Obligated Group

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance the master trust indenture dated as of November 1, 2010 and amended August 1, 2021. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Restriction on Use

This report is intended solely for the information and use of the board of directors and management of the Lifespace Obligated Group, and the state of Pennsylvania and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 26, 2022

LIFESPACE OBLIGATED GROUP
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(IN THOUSANDS)

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 20,422	$ 17,193
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	159,745	160,908
Accounts and Other Receivables	10,185	13,019
Receivable from Lifespace Communities, Inc.	1,999	1,414
Inventories	850	1,128
Prepaid Insurance and Other	5,752	3,379
Assets Whose Use is Limited - Current *	112,962	65,254
Total Current Assets	311,915	262,295
ASSETS WHOSE USE IS LIMITED - Noncurrent *	87,860	89,799
PROPERTY AND EQUIPMENT, AT COST		
Land and Improvements	71,115	68,710
Buildings and Improvements	1,070,219	909,634
Furniture and Equipment	85,992	79,367
Construction-in-Progress	47,207	130,725
Subtotal	1,274,533	1,188,436
Less: Accumulated Depreciation	533,188	481,665
Net Property and Equipment	741,345	706,771
GOODWILL, Net of Accumulated Amortization	41,824	47,919
DEFERRED EXPENSES, Net of Accumulated Amortization	1,861	1,130
INTANGIBLE ASSET, Net of Accumulated Amortization	10,839	12,309
ASSETS OF DISCONTINUED OPERATIONS, Net	-	1,923
Total Assets	$ 1,195,644	$ 1,122,146

* $5,962 included in these lines relate to Pennsylvania statutory reserves.

See accompanying Notes to Consolidated Financial Statements.

LIFESPACE OBLIGATED GROUP
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2021 AND 2020
(IN THOUSANDS)

LIABILITIES AND NET ASSETS	2021	2020
CURRENT LIABILITIES		
Accounts Payable:		
Trade	$ 24,509	$ 24,000
Lifespace Communities, Inc.	1,885	184
Accrued Liabilities:		
Employee Compensation Expense	9,011	7,719
Interest	3,081	3,065
Property Taxes	2,094	1,728
Other	4,422	3,438
Total Accrued Liabilities	18,608	15,950
Entrance Fee Refunds	10,557	9,307
Reserve for Health Center Refunds	27,830	28,472
Long-Term Debt Due within One Year	12,704	11,376
Obligation under Leases Due within One Year	655	790
Total Current Liabilities	96,748	90,079
LONG-TERM LIABILITIES		
Entrance Fee Deposits	5,888	11,424
Wait List Deposits	1,201	2,318
Long-Term Debt Due after One Year	567,332	510,743
Obligation under Leases Due after One Year	623	1,293
Deferred Entrance Fees	165,153	148,692
Refundable Entrance and Membership Fees	512,943	459,313
Total Long-Term Liabilities	1,253,140	1,133,783
Total Liabilities	1,349,888	1,223,862
NET ASSETS WITHOUT DONOR RESTRICTIONS	(154,244)	(101,716)
Total Liabilities and Net Assets without Donor Restrictions	$ 1,195,644	$ 1,122,146

See accompanying Notes to Consolidated Financial Statements.

LIFESPACE OBLIGATED GROUP
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(IN THOUSANDS)

	2021	2020
REVENUES		
Independent Living Fees	$ 129,744	$ 128,847
Entrance Fees Earned and Nonrefundable Fees	29,804	31,419
Skilled Nursing and Assisted Living Fees	115,176	103,953
Other	1,127	8,784
Total Revenues	275,851	273,003
EXPENSES		
Operating Expenses:		
Salaries and Benefits	122,914	119,499
General and Administrative	65,700	51,135
Plant Operations	17,861	15,674
Housekeeping	1,499	1,608
Dietary	21,737	23,779
Medical and Other Resident Care	14,406	11,755
Depreciation	52,224	47,028
Amortization	12,225	15,873
Interest	17,468	14,781
Loss on Disposal of Property and Equipment	12	616
Extinguishment of Debt	214	-
Total Expenses	326,260	301,748
NONOPERATING INCOME		
Investment Income	18,328	21,674
DEFICIT OF REVENUES OVER EXPENSES	(32,081)	(7,071)
DISCONTINUED OPERATIONS		
Gain from Operations of Discontinued Operations	985	825
Gain on Sale of Property and Equipment	11,921	-
Loss on Sale of Related Party Investment	(14,648)	-
Total Discontinued Operations	(1,742)	825
OTHER CHANGES IN NET ASSETS		
Contributions to Lifespace Communities, Inc.	(18,705)	(2,303)
CHANGES IN NET ASSETS	(52,528)	(8,549)
Net Assets - Beginning of Year	(101,716)	(93,167)
NET ASSETS - END OF YEAR	$ (154,244)	$ (101,716)

See accompanying Notes to Consolidated Financial Statements.

LIFESPACE OBLIGATED GROUP
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(IN THOUSANDS)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	$ (52,528)	$ (8,549)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Reconciling Items Included in Discontinued Operations	(6,718)	343
Entrance Fees Earned	(29,802)	(31,694)
Proceeds from Nonrefundable Entrance Fees and Deposits	51,372	24,459
Refunds of Entrance Fees	(4,354)	(5,647)
Depreciation and Amortization	64,449	62,901
Amortization of Financing Costs	474	451
Net Accretion of Original Issue Premium and Discounts on Bonds	(1,498)	(1,334)
Change in Unrealized Appreciation of Investments	(14,953)	(3,564)
Net (Purchases) Sales of Trading Investments	(36,617)	38,062
Loss on Disposal of Property and Equipment	12	616
Change in Entrance Fee and Wait List Deposits	(6,646)	(866)
Contributions to Lifespace Communities, Inc.	18,705	2,303
Loss on Extinguishment of Debt	214	-
Gain on Sale of Discontinued Operations	(11,921)	-
Loss on Sale of Related Party Investment	14,648	-
Changes in Operating Assets and Liabilities:		
Accounts and Other Receivables, Inventories, and Prepaid Insurance and Other	(3,150)	(1,490)
Trade Accounts Payable and Accrued Liabilities	7,598	6,297
Net Cash (Used) Provided by Operating Activities	(10,715)	82,288
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(87,242)	(111,777)
Proceeds from Sale of Property and Equipment	32	-
Net Cash Used by Investing Activities	(87,210)	(111,777)

See accompanying Notes to Consolidated Financial Statements.

LIFESPACE OBLIGATED GROUP
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2021 AND 2020
(IN THOUSANDS)

	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Financing Costs Incurred	$ (2,896)	$ -
Proceeds from New Financings	132,520	-
Advances from Line of Credit	2,837	3,589
Repayment of Long-Term Debt	(33,826)	(7,350)
Payments on Leases	(381)	(401)
Extinguishment of Prior Debt	(39,642)	-
Proceeds from Disposal of a Community	14,117	-
Proceeds from Refundable Entrance Fees and Deposits	99,562	44,422
Refunds of Refundable Entrance Fees	(50,288)	(48,019)
Contributions to Lifespace Communities, Inc.	(18,705)	(2,303)
Net Cash Provided (Used) by Financing Activities	103,298	(10,062)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	5,373	(39,551)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	58,712	98,263
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	$ 64,085	$ 58,712

See accompanying Notes to Consolidated Financial Statements.

(IN THOUSANDS)

NOTE 1 ORGANIZATION AND FUNCTION

Lifespace Communities, Inc. (Lifespace) was incorporated in 1976 as an Iowa nonprofit corporation. Lifespace provides housing, health care, and other related services to the elderly through operation of retirement communities. These communities operate under the “life care” concept in which residents enter into a residency agreement that requirements payment of a one-time entrance fee and monthly fees. Generally, these payments entitle residents to the use and privileges of the communities for life.

Lifespace owns and operates 14 communities. Eleven communities and the home office are separate divisions. Three communities are a legal entity of which Lifespace is the sole member.

Lifespace established an Obligated Group with 11 communities (Lifespace Obligated Group) under the Master Trust Indenture Agreement dated November 1, 2010, amended November 1, 2016 and amended August 31, 2021. The Obligated Group is a financial reporting entity only and was created to facilitate financings of the respective Lifespace communities. Under this concept, each of the Obligated Group members is jointly liable for the debt outstanding for the group. The Lifespace Obligated Group is solely responsible for the payment of the long-term debt described in Note 8.

Lifespace is the sole member of Barton Creek Senior Living Center, Inc., d/b/a Querencia at Barton Creek (Querencia) located in Austin, Texas. On August 31, 2021, concurrent with the issuance of the Series 2021 bonds, Querencia became part of the Obligated Group. On August 1, 2021, Grand Lodge was sold to a third party. Prior period information has been restated to include Querencia and reclass of Grand Lodge activity to discontinued operations.

The 11 communities creating the Lifespace Obligated Group are:

Operating Name	Location
Abbey Delray	Delray Beach, Florida
Abbey Delray South	Delray Beach, Florida
Harbour’s Edge	Delray Beach, Florida
Friendship Village of Bloomington	Bloomington, Minnesota
The Waterford	Juno Beach, Florida
Friendship Village of South Hills	Upper St. Clair, Pennsylvania
Beacon Hill	Lombard, Illinois
Oak Trace	Downers Grove, Illinois
Village on the Green	Orlando, Florida
Claridge Court	Prairie Village, Kansas
Querencia at Barton Creek	Austin, Texas

NOTE 1 ORGANIZATION AND FUNCTION (CONTINUED)

The following division and entities of Lifespace are not members of the Obligated Group. As these entities have no obligation for the payment of long-term debt in Note 8, they are not included in these consolidated financial statements:

Legal/ Operating Entity	Location
Home Office	West Des Moines, Iowa
Edgemere	Dallas, Texas
The Stayton	Ft. Worth, Texas
Newcastle Place, LLC	Mequon, Wisconsin
Prairie View Club	Prairie Village, Kansas
Lifespace Foundation	West Des Moines, Iowa
Lifespace Services, Inc.	West Des Moines, Iowa
Lifespace Management, Inc.	West Des Moines, Iowa
Seniority, Inc.	Addison, Texas
SQLC	Addison, Texas
Augustine Home Health Texas, LLC (50%)	Dallas, Texas

Lifespace was the sole member of Deerfield Retirement Community, Inc. (Deerfield) a nonprofit organization that was organized to own and operate a CCRC in suburban Des Moines, Iowa. On August 1, 2021, Deerfield was sold to the same third party as Grand Lodge.

Lifespace provides multiple services to the Lifespace Obligated Group, including accounting, compliance, construction management, corporate governance, financing, human resources, information technology, insurance, legal, management, marketing, risk management, and treasury. Lifespace allocates home office expenses to all communities it operates. Lifespace Obligated Group's portion of the home office allocation was \$20,373 and \$17,088 for the years ended December 31, 2021 and 2020, respectively.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Lifespace Obligated Group consolidated financial statements are not intended to represent the consolidated financial position and activities of Lifespace and all of its subsidiaries. The Master Indenture requires the preparation of the Lifespace Obligated Group consolidated financial statements which present the consolidated balance sheet, consolidated statement of operations and changes in net assets without donor restrictions, and consolidated cash flows of the Lifespace Obligated Group. Group consolidated financial statements present the financial position and activities of the Lifespace Obligated Group only and omit any other entities affiliated with the Lifespace Obligated Group, which would otherwise be required to be consolidated with the Lifespace Obligated Group under accounting principles generally accepted in the United States of America.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The assets and liabilities and net assets of the Lifespace Obligated Group are reported as follows:

Without donor restrictions – Those resources over which the board of directors has discretionary control. “Board Designated” amounts represent those resources which the board has set aside for a particular purpose.

With donor restrictions – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the organization or the passage of time. The donors of these resources permit the organization to use all or part of the income earned, including capital appreciation, on related investments for unrestricted purposes.

As December 31, 2021 and 2020, no net assets with donor restrictions were held by the Lifespace Obligated Group.

Investments

The majority of investments are held in two pooled common trust funds. One pooled common trust fund consists of a money market investment, fixed income securities, and equity securities while the second consists of a money market investment and fixed income securities. Each participant in the pooled common trust funds own shares of the fund. All pooled common trust fund shares are valued on a daily basis, based on the fair market value of each individual investment comprising the fund. Fair values are determined based on readily determinable market values. See Note 4 on the determination of fair value.

The Lifespace Obligated Group’s investment portfolio, including the underlying investments of the pooled common trust fund, is designated as trading. Changes in unrealized gains and losses on investments designated as trading are reported within the investment income. In addition, net cash flows from the purchases and sales of investments are reported as a component of operating activities in the accompanying consolidated statements of cash flows.

Accounts Receivable

Accounts receivable and related revenues have been adjusted to the estimated amounts expected to be received. These amounts are subject to further adjustments upon review by third-party payors. The Lifespace Obligated Group provides an allowance for doubtful accounts which is offset against the gross amount of accounts receivable. The allowance for doubtful accounts is an estimate of collection losses that may be incurred in the collection of all receivables. The allowance is based upon historical experience, coupled with management’s review of the current status of the existing receivables over 90 days. Past-due balances are written off after all collection efforts have been exhausted. The allowance for doubtful accounts was $1,476 and $866 at December 31, 2021 and 2020, respectively.

(IN THOUSANDS)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Common Reserve Fund

The Lifespace Obligated Group has established a common reserve fund under policy guidelines adopted by Lifespace for the mutual support, assistance, and protection of eligible Lifespace communities. At December 31, 2021 and 2020, the Lifespace Obligated Group's common reserve fund of $50,085 and $48,553, respectively, is reflected as current assets in the consolidated balance sheets.

Property and Equipment

Property and equipment are recorded at original cost plus capitalized interest, when applicable. Depreciation of property and equipment is provided on the straight-line method over the estimated useful lives of the assets. During the years ended December 31, 2021 and 2020, the Lifespace Obligated Group capitalized interest charges of $4,568 and $5,070, respectively.

Credit Risk

The Lifespace Obligated Group maintains its cash and cash equivalents in bank deposit accounts that may exceed federally insured limits. Most investments and assets limited as to use are held in a custodial arrangement and consist of investment grade interest bearing securities. The Lifespace Obligated Group has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

The Lifespace Obligated Group grants credit without collateral to its residents, most of whom are local individuals and are covered under third-party payor agreements. The mix of receivables from residents and third-party payors was as follows:

	December 31	
	2021	2020
Medicare	37 %	25 %
Medicaid	3	5
Residents and Other Third-Party Payors	60	70
Total	100 %	100 %

Inventory

Inventory consists principally of food, plant supplies, and medical supplies. Inventories are valued at cost determined by the first-in, first-out (FIFO) method.

Assets Limited as to Use

Assets limited as to use consist of employee, resident and future resident funds held in trust by the Lifespace Obligated Group as a fiduciary and funds held by trustees under bond indenture agreements. Assets limited as to use that may be used for obligations classified as current liabilities or that may be used to pay construction costs are reported as current assets.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill represents the excess of the purchase price over the fair value of assets acquired. In May 2019, the accounting standards were updated allowing the Lifespace Obligated Group to elect to amortize goodwill. The Lifespace Obligated Group made this election, which applies to all existing and future goodwill.

Goodwill of $52,823 was recorded as part of the Oak Trace acquisition. Starting January 1, 2020, this goodwill is amortized on a straight-line basis over 10 years. The accumulated amortization was $15,847 and $10,564 at December 31, 2021 and 2020, respectively.

Goodwill of $6,903 was recorded as part of the Querencia acquisition. Starting June 1, 2019, this goodwill is amortized on a straight-line basis over nine years. The accumulated amortization was $2,055 and $1,243 at December 31, 2021 and 2020, respectively.

Deferred Expenses

Net deferred expenses of $1,861 and $1,130 at December 31, 2021 and 2020, respectively, are sales costs that are capitalized. These costs are amortized on a straight-line basis over the estimated life expectancy of the residents. The accumulated amortization was $460 and $284 in 2021 and 2020, respectively.

Intangible Assets

Intangible assets were recognized in the Oak Trace acquisition pertaining to health care bed licenses in the amount of $2,755. The value associated with the health care bed licenses are not amortized. Oak Trace intangible assets are evaluated for impairment on an annual basis or more frequently if impairment indicators arise.

Intangible assets were recognized in the Querencia affiliation which include values assigned to the residency agreements in place at the time. The value associated with the residency agreements is being amortized over nine years on a straight-line basis and is evaluated for potential impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Residency agreements acquired in the affiliation were $11,759. The accumulated amortization was $3,675 and $2,205 at December 31, 2021 and 2020, respectively.

Entrance and Membership Fees

Entrance and membership fees represent payments made by a resident in exchange for the use and privileges of the community for life or until termination of the residency agreement. However, under the terms of the residency agreements, refunds of these fees will generally be paid from the proceeds of fees received from a successor resident. Therefore, these amounts are similar to a “permanent funding” arrangement except that the residents do not acquire an interest in the real estate and property of the community.

(IN THOUSANDS)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Entrance and Membership Fees (Continued)

The Lifespace Obligated Group presently has two residency plans: a traditional plan and a return-of-capital plan. Under the traditional plan, the entrance fees received are nonrefundable and recorded as deferred entrance fees. This deferred entrance fee is recognized as revenue earned on a straight-line basis over the estimated remaining life, actuarially adjusted annually, of each resident beginning with the date of each resident's occupancy. Under certain circumstances, a portion of the deferred entrance fee may be refunded to the resident upon termination of occupancy; such payments are charged against deferred entrance fees. Any unrecognized deferred entrance fee at the date of death or termination of occupancy of the respective resident is recorded as income in the period in which death or termination of occupancy occurs.

Under the return-of-capital plan, a portion of the entrance fee (0% to 50%) is nonrefundable and is recognized on the same basis as under the traditional plan. The remaining amount represents that portion of the entrance fee, less unreimbursed fees and expenses, which will be refunded to the resident upon termination of occupancy after receipt of a new entrance fee from a successor resident. This refundable portion is recorded as a liability until the time of payment.

The initial residents of Village on the Green and Harbour's Edge were required to pay an entrance fee consisting of an admission fee and a membership fee at the time of occupancy of an independent living home in the community. The membership entitles the holder to occupy a particular independent living home as well as access to the skilled nursing center and common areas of the community. The membership fees collected on sales to initial residents are recorded as a liability. Upon death or termination of occupancy, the community purchases the membership contract to sell as a return-of-capital contract.

The following is a summary of deferred entrance fees and refundable entrance and membership fees:

	December 31	
	2021	2020
Deferred Entrance Fees	$ 165,153	$ 148,692
Refundable Entrance and Membership Fees	512,943	459,313
Total	$ 678,096	$ 608,005

In addition, residents have the option at the time of initial occupancy to upgrade from the Lifespace Obligated Group's standard model of the independent living home they have selected at an additional cost to the resident. The additional amount received from the resident are in the nonrefundable entrance fees and are amortized consistent as the traditional contracts above.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Independent Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue)

Resident care service revenue is reported at the amount that reflects the consideration to which the Lifespace Obligated Group expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits and reviews. Generally, the Lifespace Obligated Group bills independent living, assisted living and skilled nursing fees to residents at the beginning of the month. The Lifespace Obligated Group bills third-party payors in the month following the services being performed. Revenue for all communities is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Lifespace Obligated Group. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Lifespace Obligated Group believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in our community living in an independent or assisted living apartment, or receiving skilled nursing services over a period of time. The Lifespace Obligated Group measures the performance obligation from admission into the community to the point when it is no longer required to provide services to that resident, which is generally at the time the resident exits the community.

Residency plan contracts have no termination date and can be cancelled by residents at any time. Income under the residency plan contracts is not considered to provide a material right to future services. As result, fees under this contract are recognized monthly as services are performed.

Because all of the Lifespace Obligated Group's remaining performance obligations relate to contracts with a duration of less than one year, the Lifespace Obligated Group has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the residents are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Lifespace Obligated Group determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provide to third-party payors, or residents. The Lifespace Obligated Group determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Independent Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue) (Continued)

The services provided through third-party payors are primarily paid through the Medical Assistance and Medicare programs. The Medical Assistance programs are covered through the state departments of health and rates charged are in accordance with the rules established in those states. The Medicare program is administered by the United States Centers for Medicare and Medicaid Services (CMS). The Medicare program pays on a prospective payment system, a per diem price based system.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Lifespace Obligated Group's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Lifespace Obligated Group. In addition, the contracts the Lifespace Obligated Group has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Lifespace Obligated Group's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price were not significant in 2021 or 2020.

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Lifespace Obligated Group estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the Resident's ability to pay are recorded as bad debt expense.

(IN THOUSANDS)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Independent Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue) (Continued)

The Lifespace Obligated Group has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors and service lines. Tables providing details of these factors are presented below.

The composition of Resident care service revenue by primary payor for the years ended December 31 are as follows:

	2021	2020
Residency Plan Agreement	$ 161,593	$ 158,611
Private Pay	34,912	30,770
Medicare	35,181	29,266
Medicaid	7,631	8,432
HMO/Managed Care	4,933	4,842
Hospice	606	709
Other	64	170
Total	$ 244,920	$ 232,800

Revenue from resident's deductibles and coinsurance are included in the categories presented above based on the primary payor.

The composition of resident care service revenue based on the lines of business for the years ended December 31 are as follows:

	2021	2020
Service Lines:		
Independent Living	$ 129,744	$ 128,847
Skilled Nursing Facility	80,501	75,428
Assisted Living and Memory Care	21,685	17,212
Home Health	12,990	11,313
Total	$ 244,920	$ 232,800

The Lifespace Obligated Group has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due to the Lifespace Obligated Group's expectation that the period between the time the service is provided to a resident and the time that the Resident or a third-party payor pays for that service will be one year or less. However, the Lifespace Obligated Group does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

(IN THOUSANDS)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Independent Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue) (Continued)

The opening and closing balances were as followed:

	Accounts Receivables	Deferred Entrance Fees
Balances as of January 1, 2020	$ 12,728	$ 163,485
Balances as of December 31, 2020	13,019	148,692
Balances as of December 31, 2021	10,185	165,153

The Lifespace Obligated Group has elected to apply the practical expedient provided by FASB ASC 340-40-25-4, and expense as incurred the incremental customer contract acquisition costs for contracts in which the amortization period of the asset that the Lifespace Obligated Group otherwise would have recognized is one year or less. However, incremental costs incurred to obtain residency agreements for which the amortization period of the asset that the Lifespace Obligated Group otherwise would have recognized is expected to be longer than one year are capitalized and amortized over the life of the contract based on the pattern of revenue recognition from these contracts. The Lifespace Obligated Group regularly considers whether the unamortized contract acquisition costs are impaired if they are not recoverable under the contract. During the year ended December 31, 2021, no unamortized costs were expensed as a result of the impairment analysis. At December 31, 2021 and 2020, the customer contract acquisition costs are $2,321 and $1,414, respectively. During the years ended December 31, 2021 and 2020, the Lifespace Obligated Group recognized amortization expense of $236 and $241, respectively. The net is presented in deferred expenses on the accompanying consolidated balance sheets.

Reserve for Health Center Refunds

The reserve for health center refunds relates to residents with a return-of-capital plan who have been permanently assigned to a higher level of a care, who have given up their independent living home, and it has been reoccupied by a successor resident. The refundable portion of the entrance fee will be paid to the original resident or their estate upon termination of occupancy.

Hardship Discounts

Residents accepted into residency may from time to time, through no fault of their own, run out of financial resources and request financial assistance with their monthly fee and other living expenses. The Lifespace Obligated Group provides such financial assistance (hardship discounts and living expense assistance) to its residents when they have used up their financial resources judiciously, and the community can provide the hardship discount or assistance without jeopardizing the financial well-being of the entire community. The amount of hardship discounts recognized in the consolidated statements of operations and changes in net assets were $2,774 and $2,408 for the years ended December 31, 2021 and 2020, respectively.

(IN THOUSANDS)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Net Assets

The consolidated statements of operations has a line entitled "Change in Net Assets" which is an important performance indicator for the Lifespace Obligated Group. Changes in net assets which are excluded from the performance indicator, consistent with industry practice, include grant proceeds for capital purposes, assets released from restriction for capital purposes, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Income Taxes

The Lifespace Obligated Group has been granted exemptions from federal income tax under Section 501(c)(3) of the Internal Revenue Code and have been designated as publicly supported organizations (rather than private foundations).

The Lifespace Obligated Group evaluates tax positions taken or expected to be taken in the course of preparing its tax returns to determine whether it is "more likely than not" that each tax position would be sustained upon examination by a taxing authority based on the technical merits of the position. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. As of or during the years ended December 31, 2021 and 2020 the Lifespace Obligated Group has not recorded any such tax benefit or expense in the accompanying consolidated financial statements. No examinations are in progress or anticipated at this time. The Lifespace Obligated Group's federal income tax returns are open to examination for the years ended **December 31, 2018** through December 31, 2020.

Consolidated Statements of Cash Flows

For purposes of the consolidated statements of cash flows, cash, cash equivalents and restricted cash represent investments routinely used in operations with original maturities of three months or less.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheet that sum to the total of the same such amounts shown in the statement of cash flows.

	December 31, 2021	December 31, 2020
Cash and Cash Equivalents	$ 20,422	$ 17,193
Restricted Cash included in Assets Whose Use is Limited - Current	22,367	23,743
Restricted Cash included in Assets Whose Use Is Limited - Noncurrent	21,296	17,776
Total Cash, Cash Equivalents, and Restricted Cash Shown in the Statements of Cash Flows	$ 64,085	$ 58,712

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidated Statements of Cash Flows (Continued)

During the years ended December 31, 2021 and 2020, the Lifespace Obligated Group received interest income of $4,415 and $5,192, respectively, and paid interest charges of $24,156 and $23,235, respectively.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Future Service Obligation

The Lifespace Obligated Group is obligated to provide future services to residents based upon the resident contracts in place. A liability recognizing an obligation to provide future services to residents is recorded if the present value of future cash outflows, adjusted for certain noncash items, exceeds the present value of future cash inflows, adjusted for unamortized deferred revenue. The comparison between the estimated future costs to serve residents and the revenues from those residents who were parties to a resident agreement resulted in no future service obligations at December 31, 2021 and 2020.

Coronavirus Relief Funds

During the year ended December 31, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Due to the Coronavirus pandemic, there were certain relief funds issued to the Lifespace Obligated Group from the U.S. Department of Health and Human Services (HHS), state of Pennsylvania, and the state of Nebraska. The government made available emergency relief grant funds to health care providers through the Coronavirus Aid, Relief and Economic Security Act Provider Relief Fund and other related programs. The relief funds are subject to certain restrictions on eligible expenses or uses, reporting requirements, and will be subject to audit. Lifespace Obligated Group considers the relief funds conditional, and therefore the funds are not recognized as revenue until conditions on which they depend are met. The Lifespace Obligated Group received relief funds, has determined the conditions on which they depend were met, and therefore recognized the relief funds of $1,127 and $8,784 as revenue for the year ended December 31, 2021 and 2020, respectively.

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS

Disclosures are required of fair value information about financial instruments, whether or not recognized in the consolidated balance sheets, for which it is practical to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparisons to independent markets and, in many cases, could not be realized in immediate settlement of the instrument.

The following determinations were made by the Lifespace Obligated Group in estimating its fair value for financial instruments:

Cash and Cash Equivalents – These assets are stated at fair value, which is based on quoted market prices, where available.

Investments – These assets are stated at fair value, which is based on quoted market prices, where available (see Note 4).

Fair value is defined as the price the Lifespace Obligated Group would receive upon selling a security in a timely transaction to an independent buyer in the principal or most advantageous market of the security at the measurement date. A hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Observable inputs are inputs that reflect the assumptions that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Lifespace Obligated Group. Unobservable inputs are inputs that reflect the Lifespace Obligated Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 – Quoted prices available in active markets for identical securities as of the reporting date. The type of securities included in Level 1 is listed equities and commercial paper, as applicable.

Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.). Investments that are generally included in this category are U.S. government obligations and corporate bonds.

Level 3 – Significant unobservable inputs (including the Lifespace Obligated Group's assumptions in determining the fair value of investments).

(IN THOUSANDS)

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Lifespace Obligated Group in determining fair value is greatest for instruments categorized in Level 3.

Fair values of equity securities are determined using public quotations. Fair values of debt securities have been determined through the use of third-party pricing services using market-observable inputs. The following is a summary of the inputs used:

	December 31, 2021			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
ASSETS				
Money Market	$ 43,522	$ 43,522	$ -	$ -
Pooled Common Trust Funds	195,930	-	195,930	-
Corporate Bonds	70,543	-	70,543	-
U.S. Government and Federal Issues	19,853	-	19,853	-
Foreign Issues	30,719	30,719	-	-
Total Assets	$ 360,567	$ 74,241	$ 286,326	$ -

	December 31, 2020			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
ASSETS				
Money Market	$ 41,789	$ 41,789	$ -	$ -
Pooled Common Trust Funds	196,867	-	196,867	-
Corporate Bonds	36,267	-	36,267	-
U.S. Government and Federal Issues	20,404	-	20,404	-
Foreign Issues	20,602	20,602	-	-
Municipals	32	-	32	-
Total Assets	$ 315,961	$ 62,391	$ 253,570	$ -

There were no investments measured at fair value using significant unobservable inputs (Level 3) during the years ended December 31, 2021 and 2020.

(IN THOUSANDS)

NOTE 4 INVESTMENTS

A summary of the investments is as follows:

	December 31	
	2021	2020
Money Market Funds	$ 43,522	$ 41,789
Pooled Common Trust Fund	195,930	196,867
Corporate Bonds	70,543	36,267
U.S. Government and Federal Agency Bonds	19,853	20,404
Foreign Domiciled U.S. Equity Securities	30,719	20,602
Municipal Bonds	-	32
Total	$ 360,567	$ 315,961

The investments noted above are represented in the consolidated balance sheets in the following line items:

	December 31	
	2021	2020
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	$ 159,745	$ 160,908
Assets Whose Use is Limited – Current	112,962	65,254
Assets Whose Use is Limited – Noncurrent	87,860	89,799
Total	$ 360,567	$ 315,961

A majority of the Lifespace Obligated Group's investments are held in two pooled common trust funds, which are administered by an outside investment advisor. The asset allocation of the pooled common trust funds is as follows:

	December 31	
	2021	2020
Money Market Funds	5 %	4 %
U.S. Government Obligations	15	12
Corporate Bonds	26	28
Asset-Backed Securities	3	5
Common Stock	47	46
Mortgage Backed Securities	4	5
Total	100 %	100 %

The Lifespace Board of Directors is responsible for determining asset allocations through an investment policy governing the outside investment advisor. The Finance and Investment Committee meets periodically with the outside investment advisor to review targeted allocations, discuss specific investments, and, if necessary, adjust targeted asset allocations.

(IN THOUSANDS)

NOTE 4 INVESTMENTS (CONTINUED)

Investment income is comprised of the following:

	December 31	
	2021	2020
Dividend and Interest Income	$ 4,415	$ 5,192
Net Realized Gains on Investments	8,004	13,182
Change in Unrealized Appreciation of Investments	5,909	3,300
Total Investment Income	$ 18,328	$ 21,674

Investment management and custodial fees amounted to $468 and $561 for the years ended December 31, 2021 and 2020, respectively.

NOTE 5 LIQUIDITY AND AVAILABILITY

As of December 31, 2021 and 2020, the Lifespace Obligated Group has a working capital surplus of $215,167 and $172,216 and days cash on hand of 301 and 327, respectively.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	December 31,	
	2021	2020
Cash and Cash Equivalents	$ 20,422	$ 17,193
Investments in Trading Portfolio, at Fair Value	159,745	160,908
Accounts and Other Receivables	12,184	14,433
Assets Whose Use is Limited	200,822	155,053
Total Financial Assets	393,173	347,587
Less Amounts Unavailable to be Used Within One Year:		
Operating and Renewal and Replacement Funds	33,959	34,407
Funds Held by Trustee	147,200	103,003
Entrance Fee and Wait List Deposits	19,656	17,544
Team Member Appreciation Funds	7	99
Total Unavailable Within One Year	200,822	155,053
Financial Expenditures Available to Meet Cash Needs Within One Year	$ 192,351	$ 192,534

NOTE 6 ENTRANCE FEE DEPOSITS

When a residency agreement is signed, a deposit of generally 10% of the entrance fee is collected. The balance of the fee is payable prior to occupancy, but generally no later than 90 days from the date of the agreement. Generally, depositors may cancel their residency agreements at any time prior to admission and receive at least a partial refund of their deposit.

At December 31, 2021 and 2020, deposits of $5,888 and $11,424, respectively, had been received from future residents who have signed residency agreements and an approximate additional $52,992 and $102,816, respectively, is due upon occupancy by the future residents. Funds on deposit are generally classified as assets whose use is limited until the final balance is collected from the resident.

At December 31, 2021 and 2020, the Lifespace Obligated Group had six and nine residents on the deferred entrance fee contract, respectively, and will pay the final portion of $1,428 and $1,386, respectively, in the following year. The remaining portion due is classified within trade accounts receivables.

NOTE 7 CONSTRUCTION IN PROGRESS

The Lifespace Obligated Group has construction in progress of $47,207 and $130,725 at December 31, 2021 and 2020, respectively. A portion of this represents updates to common areas at various communities. For the years ended December 31, 2021 and 2020, $7,867 and $9,453 of construction payables are recorded in accounts payable, respectively.

Two of the communities are in the process of significant construction at December 31, 2021. During 2020, there were three construction projects of which one construction project and another partial construction project was completed and opened in 2021. The construction in progress for these construction projects is $26,465 and $121,881 at December 31, 2021 and 2020, respectively. As with any construction project, the timing of expenditures and project budget can change through the passage of time or as the project advances in development.

(IN THOUSANDS)

NOTE 8 FINANCING AGREEMENTS

Long-term debt for the consolidated entity consisted of the following:

	December 31	
	2021	2020
Revenue Bonds:		
Series 2021, 4.0%	$ 120,879	$ -
Series 2019, 2.875% - 5.0%	79,215	106,065
Series 2018, 4.125% - 5.0%	164,925	164,925
Series 2016, 5.00%	69,544	69,544
Series 2015, 1.5% - 5%	107,780	112,036
Series 2014, adjustable monthly	662	1,327
Series 2010, 5.00%	-	25,686
Series 2005, 3.375%	890	1,860
Series 2005, 2.71%, adjustable	-	9,034
Series 2004, 6.00%	590	765
Series 2004, 4.00%	2,655	2,655
Series 2003, 3.56%, adjustable	-	5,321
Series 2001, 3.40%	82	992
Other:		
Line of Credit	6,426	3,589
Unsecured Debt with Lifespace	2,675	2,675
Total	556,323	506,474
Plus: Net Unamortized Original Issue Premium/Discounts on Bonds	33,357	23,155
Less: Unamortized Financing Costs	(9,644)	(7,510)
Total	580,036	522,119
Less: Amounts Due within One Year	12,704	11,376
Long-Term Debt Due after One Year	$ 567,332	$ 510,743

The Lifespace Obligated Group line of credit has a variable interest rate and a maturity date in August 2023.

The Lifespace Obligated Group has unsecured debt with Lifespace, Inc. for operational needs as they occur.

Revenue Bonds

The Lifespace Obligated Group enters into loan or lease agreements with government entities to be the issuer of tax-exempt debt. Tax-exempt debt is then issued on behalf of the Lifespace Obligated Group through the issuer. Payments under a loan or lease agreement between the Lifespace Obligated Group and the issuer become the vehicle for servicing the debt on behalf of the Lifespace Obligated Group. The bonds, loan agreements, and lease agreements are reflected in the accompanying consolidated financial statements as financing arrangements and related obligations of the Lifespace Obligated Group.

(IN THOUSANDS)

NOTE 8 FINANCING AGREEMENTS (CONTINUED)

Revenue Bonds (Continued)

At the time of issuance, bonds are often sold at a premium or an original issue discount. Any premium or discount is amortized over the life of the bonds and is recognized as an increase to or reduction of interest expense.

Long-term debt includes deferred financing costs of $12,958 and $11,075 as of December 31, 2021 and 2020, respectively, which are being amortized over the life of the bonds issued in relation to the debt outstanding. The Lifespace Obligated Group added $2,899 in new financing costs from the 2021 financing. The Lifespace Obligated Group wrote off deferred financings costs of $1,016 for debt that is no longer held or was paid off. The accumulated amortization was $3,314 and $3,565 in 2021 and 2020, respectively. The annual expense which is included in interest expense was $474 and $451 in 2021 and 2020, respectively.

Under the borrowing arrangements, the Lifespace Obligated Group has mortgaged the real property and has granted a security interest to the trustees in the equipment, accounts receivable, and contract rights of its communities; however, the secured interest provides that the liabilities of the Lifespace Obligated Group and Grand Lodge are limited to the revenues and collateral of the respective communities and that, upon litigation thereunder, the amount of any recovery from the Lifespace Obligated Group shall be limited to such assets and shall not extend to any other assets of the Lifespace Obligated Group. The debt arrangements contain various covenants with which the Lifespace Obligated Group must comply.

Most of the bonds have level debt service with increasing annual principal payments as interest payments decrease. The term for principal repayment on each series bonds are shown in the table below:

	Principal Payments	
	Next Payment	Final Payment
Revenue Bonds:		
Series 2021	2023	2056
Series 2019	2023	2055
Series 2018	2032	2048
Series 2016	2022	2047
Series 2015	2022	2045
Series 2014	2022	2022
Series 2005	2022	2022
Series 2004	2022	2034
Series 2001	2022	2022

Most of the revenue bonds contain optional prepayment provisions that allow the Lifespace Obligated Group to repay certain bonds prior to maturity at par or various premium rates over defined timeframes. Mandatory repayment of all revenue bonds is without premium.

(IN THOUSANDS)

NOTE 8 FINANCING AGREEMENTS (CONTINUED)

Scheduled Maturities

At December 31, 2021, scheduled maturities (including mandatory sinking fund requirements) are as follows:

Year Ending December 31,	Amount
2022	$ 12,704
2023	7,120
2024	7,677
2025	7,950
2026	23,364
Thereafter	497,508
Total	$ 556,323

Restricted Assets

Under the terms of the Lifespace Obligated Group's various financing arrangements, wait list agreements, residency agreements, and state statutes, the use of certain funds has been restricted and shown as assets whose use is limited, as detailed below:

	December 31	
	2021	2020
Operating and Renewal and Replacement Reserve Funds	$ 33,906	$ 34,354
Debt Service Reserve Funds	34,245	37,923
Principal and Interest Funds	9,697	7,989
Pennsylvania Liquid Reserve	53	53
Project Funds	103,214	57,091
Cost of Issuance Fund	44	-
Entrance Fee Deposits	17,521	15,506
Wait List Deposits	2,135	2,038
Team Member Appreciation Funds	7	99
Total	200,822	155,053
Less: Current Portion	112,962	65,254
Long-Term Portion	$ 87,860	$ 89,799

Fund amounts are classified as current to the extent that they may be used to pay construction costs or liabilities classified as current.

Operating and Renewal and Replacement Reserve Funds

Abbey Delray, Abbey Delray South, Harbour's Edge, The Waterford, and Village on the Green are required by the state of Florida to maintain operating and renewal and replacement reserve funds in amounts sufficient to satisfy certain minimum reserve requirements.

NOTE 8 FINANCING AGREEMENTS (CONTINUED)

Debt Service Reserve Funds

Under the terms of the Lifespace Obligated Group's various financing arrangements, various series of bonds are required to maintain either a debt service reserve fund equal to the maximum annual principal and interest coming due in any succeeding fiscal year or a balance specified in the trust indenture for the specified series of bonds.

Principal and Interest Funds

Each series of bonds require monthly principal and interest payments or monthly deposits to their debt service funds in an amount sufficient to make periodic principal and interest payments on the respective underlying debt. The Series 2019 and Series 2021 bond financings included approximately 24 months of funded interest that is included in this amount.

Pennsylvania Liquid Reserve

South Hills is required by the state of Pennsylvania to maintain reserves calculated from debt service and operating costs. Based on a December 31, 2021 calculation, South Hills is required to maintain $3,381 in reserves. South Hills has $5,962 in restricted accounts at December 31, 2021 that meet this requirement.

A majority of the reserves are held in the debt service and debt service reserve funds. When the balance in the debt service and debt service reserve funds is not adequate to meet the Pennsylvania requirement, deposits are made into the Pennsylvania Liquid Reserve account.

Project Funds

Revenue bond proceeds are segregated in a separate bank account. These funds are drawn on to meet the obligations of the construction projects as they are due.

Cost of Issuance Fund

Revenue bond proceeds are segregated in a separate bank account. These funds are drawn on to meet the obligations of the financing costs that are due.

Entrance Fee Deposits

Entrance fee deposits represent deposits collected to secure a specific independent living home for residency in the community and are placed in an escrow account in accordance with the residency agreement. Funds are maintained in the entrance fee escrow until the resident closes on the independent living home and the community requests the funds be disbursed in accordance with the escrow agreement.

Wait List Deposits

Wait list deposits represent deposits collected to secure a position on the waiting list for residency in the respective community.

(IN THOUSANDS)

NOTE 8 FINANCING AGREEMENTS (CONTINUED)

Team Member Appreciation Funds

Residents at each community may voluntarily establish a fund to provide team member appreciation disbursements.

NOTE 9 DISCONTINUED OPERATIONS

Effective August 1, 2021, Lifespace Obligated Group sold Grand Lodge to an unrelated entity substantially all of the assets for a purchase price of $14,117. A portion of the proceeds were used to redeem the bonds outstanding at that time.

In accordance with the accounting standard Accounting for the Impairment or Disposal of Long-Lived Assets, the operating activity for this entity is presented as discontinued operations in the consolidated statement of operations and changes in net assets.

The amounts included in discontinued operations as of December 31, 2021 and 2020 consist of:

	December 31, 2021	December 31, 2020
Total Revenues	$ 4,444	$ 6,955
Total Expenses	3,459	6,130
Net Gain from Discontinued Operations	$ 985	$ 825

Upon sale of the assets for this one entity a gain on sale of $11,922 was recorded for the year ended December 31, 2021.

NOTE 10 FUNCTIONAL CLASSIFICATION OF EXPENSES

As discussed in Note 1, the Lifespace Obligated Group provides housing, skilled care and ancillary services to residents. The functional classification of expenses related to providing these services consisted of the following for the years ended December 31:

	Year Ended December 31, 2021						
	Program Services					Supporting Services	
	Independent Living	Home Health	Skilled Nursing	Assisted Living	Total Program Services	Management and General	Total
Salaries and Benefits	$ 39,762	$ 11,436	$ 50,015	$ 11,760	$ 112,973	$ 9,941	$ 122,914
General and Administrative	39,914	-	8,700	4,888	53,502	12,198	65,700
Plant Operations	12,623	-	3,354	1,884	17,861	-	17,861
Housekeeping	1,060	-	281	158	1,499	-	1,499
Dietary	15,363	-	4,081	2,293	21,737	-	21,737
Medical and Other Resident Care	1,008	1,430	9,837	2,131	14,406	-	14,406
Depreciation	35,063	-	9,316	5,234	49,613	2,611	52,224
Amortization	8,066	-	2,143	1,204	11,413	812	12,225
Interest	12,345	-	3,280	1,843	17,468	-	17,468
Total Expense	$ 165,204	$ 12,866	$ 91,007	$ 31,395	$ 300,472	$ 25,562	$ 326,034

(IN THOUSANDS)

NOTE 10 FUNCTIONAL CLASSIFICATION OF EXPENSES (CONTINUED)

	Year Ended December 31, 2020						
	Program Services					Supporting Services	
	Independent Living	Home Health	Skilled Nursing	Assisted Living	Total Program Services	Management and General	Total
Salaries and Benefits	$ 47,318	$ 9,701	$ 44,041	$ 6,610	$ 107,670	$ 11,829	$ 119,499
General and Administrative	31,126	-	7,145	3,224	41,495	9,640	51,135
Plant Operations	11,108	-	3,146	1,420	15,674	-	15,674
Housekeeping	1,139	-	323	146	1,608	-	1,608
Dietary	16,852	-	4,773	2,154	23,779	-	23,779
Medical and Other Resident Care	974	603	9,485	693	11,755	-	11,755
Depreciation	31,662	-	8,968	4,047	44,677	2,351	47,028
Amortization	10,673	-	3,023	1,364	15,060	813	15,873
Interest	10,475	-	2,967	1,339	14,781	-	14,781
Total Expense	$ 161,327	$ 10,304	$ 83,871	$ 20,997	$ 276,499	$ 24,633	$ 301,132

The loss on the disposal of property and equipment is excluded for the years ending December 31, 2021 and 2020. The extinguishment of debt is excluded for the year ended December 31, 2021.

NOTE 11 LEASES

The Lifespace Obligated Group has operating lease agreements for office equipment. The right-of-use asset for these agreements is $675 and $1,088 at December 31, 2021 and 2020, respectively. Payment and the related expenses for these leases is $309 and $340 in 2021 and 2020, respectively. The leases have a weighted-average discount rate of 3% and a weighted-average remaining lease term of under three years.

The Lifespace Obligated Group has financing leases for the purchase of community vehicles. The asset recorded within furniture and equipment on the balance sheet for these agreements is $355 and $829 at December 13, 2021 and 2020, respectively. The leases have a weighted-average discount rate of 5% and a weighted-average remaining lease term of under two years.

The maturity of operating leases and financing leases are as follows:

Year Ending December 31,	Financing Leases	Operating Leases
2022	$ 312	$ 265
2023	268	193
2024	39	118
2025	-	97
2026	-	39
Thereafter	-	-
PV Discount	(16)	(37)
Total	$ 603	$ 675

NOTE 12 COMMITMENTS AND CONTINGENCIES

Health Care

The health care industry is subject to numerous laws and regulations by federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for resident services, and Medicare and Medical Assistance fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

General and Professional Liability

General and professional liability claims have been asserted against the Lifespace Obligated Group by certain claimants. The claims are in various stages of processing and some may ultimately be brought to trial. In the opinion of management, the outcome of these actions will not have a material effect on the financial position or the results of operations of the Lifespace Obligated Group. Incidents occurring through December 31, 2021 may result in the assertion of additional claims. Other claims may be asserted arising from services provided to residents in the past. Management believes that these claims, if asserted, would be settled at amounts that can be paid through normal operations and would not have a material effect on the financial position or results of operations.

Construction in Progress

As of December 31, 2021, the Lifespace Obligated Group had a number of capital projects ongoing. The Lifespace Obligated Group has entered into various contracts in relation to these capital projects. The total commitments as of December 31, 2021 and 2020 were approximately $89,758 and $128,658, respectively.

COVID-19

During the year ended December 31, 2021, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Lifespace Obligated Group, COVID-19 impacted various parts of its 2021 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the Lifespace Obligated Group is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of April 26, 2022.

NOTE 13 EMPLOYEE BENEFIT PLAN

The Lifespace Obligated Group has a tax deferred annuity (TDA) employee benefit plan covering substantially all employees. Eligible employees are permitted to contribute up to 25% of their compensation to the TDA. Employee contributions relating to the first 6% of compensation receive a 50% match from the Lifespace Obligated Group. All employee contributions to the TDA are fully vested, while contributions made by the Lifespace Obligated Group vest over a five-year period. Total expense under this plan was approximately $1,273 and $1,147 for the years ended December 31, 2021 and 2020, respectively.

NOTE 14 SUBSEQUENT EVENTS

The Lifespace Obligated Group has evaluated events or transactions that may have occurred since December 31, 2021, that would merit recognition or disclosure in the consolidated financial statements. This evaluation was completed through April 26, 2022, the date the consolidated financial statements were available to be issued. No material recognized or nonrecognized subsequent events were identified for recognition or disclosure in the consolidated financial statements or the accompanying notes to the consolidated financial statements, except for those disclosed above.

LIFESPACE OBLIGATED GROUP
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2021
(IN THOUSANDS)

ASSETS	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	Village on the Green	Total Obligated Group	Eliminations and Other	Adjusted Obligated Group
CURRENT ASSETS														
Cash and Cash Equivalents	$ 122	$ 134	$ 273	$ 231	$ -	$ 278	$ 446	$ 203	$ 2,297	$ 623	$ 476	$ 5,083	$ 15,339	$ 20,422
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	(5,211)	11,034	25,091	10,492	40,224	17,416	46,212	(7,803)	21,342	7,124	(1,214)	164,707	(4,962)	159,745
Accounts and Other Receivables	1,287	1,094	645	545	134	343	1,687	960	299	845	2,346	10,185	-	10,185
Receivable from Lifespace Communities, Inc.	104	96	5	356	1,326	2	58	226	704	49	1,620	4,546	(2,547)	1,999
Inventories	102	43	118	33	118	56	107	96	40	58	79	850	-	850
Prepaid Insurance and Other	649	498	331	152	318	1,521	754	267	479	443	340	5,752	-	5,752
Assets Whose Use is Limited - Current	1,735	3,963	793	2,148	36,943	3,486	2,123	52,536	2,104	759	6,372	112,962	-	112,962
Total Current Assets	(1,212)	16,862	27,256	13,957	79,063	23,102	51,387	46,485	27,265	9,901	10,019	304,085	7,830	311,915
ASSETS WHOSE USE IS LIMITED														
Noncurrent	11,496	7,163	2,693	140	10,507	5,551	11,388	13,376	8,575	9,179	7,792	87,860	-	87,860
PROPERTY AND EQUIPMENT, AT COST														
Land and Improvements	5,839	2,268	5,828	2,400	4,928	7,639	12,178	9,736	8,343	7,113	4,843	71,115	-	71,115
Buildings and Improvements	112,895	73,179	84,760	41,963	179,788	113,102	129,273	84,416	64,507	80,215	106,121	1,070,219	-	1,070,219
Furniture and Equipment	9,965	8,072	7,554	6,121	9,048	15,920	7,946	7,057	1,632	4,536	8,141	85,992	-	85,992
Construction-in-Progress	1,679	1,702	2,013	1,787	9,878	597	633	18,351	2,244	7,528	795	47,207	-	47,207
Subtotal	130,378	85,221	100,155	52,271	203,642	137,258	150,030	119,560	76,726	99,392	119,900	1,274,533	-	1,274,533
Less: Accumulated Depreciation	63,438	52,268	61,032	29,695	70,465	62,755	77,681	22,432	4,669	49,480	39,273	533,188	-	533,188
Net Property and Equipment	66,940	32,953	39,123	22,576	133,177	74,503	72,349	97,128	72,057	49,912	80,627	741,345	-	741,345
GOODWILL, Net of Accumulated Amortization	-	-	-	-	-	-	-	36,976	4,848	-	-	41,824	-	41,824
DEFERRED EXPENSES, Net of Accumulated Amortization	191	146	225	83	293	155	192	154	89	162	171	1,861	-	1,861
INTANGIBLE ASSET, Net of Accumulated Amortization	-	-	-	-	-	-	-	2,755	8,084	-	-	10,839	-	10,839
Total Assets	$ 77,415	$ 57,124	$ 69,297	$ 36,756	$ 223,040	$ 103,311	$ 135,316	$ 196,874	$ 120,918	$ 69,154	$ 98,609	$ 1,187,814	$ 7,830	$ 1,195,644

LIFESPACE OBLIGATED GROUP
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2021
(IN THOUSANDS)

LIABILITIES AND NET ASSETS	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	Village on the Green	Total Obligated Group	Eliminations and Other	Adjusted Obligated Group
CURRENT LIABILITIES														
Accounts Payable:														
Trade	$ 1,488	$ 1,127	$ 2,447	$ 1,196	$ 6,983	$ 2,113	$ 2,022	$ 3,355	$ 1,119	$ 1,093	$ 1,539	$ 24,482	$ 27	$ 24,509
Lifespace Communities, Inc.	288	224	216	612	1,801	233	233	278	228	130	184	4,427	(2,542)	1,885
Accrued Liabilities:														
Employee Compensation Expense	964	805	1,048	524	882	726	1,048	1,241	438	658	676	9,010	1	9,011
Interest	269	31	126	71	605	370	90	679	270	128	442	3,081	-	3,081
Property Taxes	-	95	180	75	691	-	240	294	337	158	24	2,094	-	2,094
Other	335	271	450	185	320	603	411	532	182	576	557	4,422	-	4,422
Entrance Fee Refunds	36	-	575	741	332	1,493	4,290	1,868	850	-	372	10,557	-	10,557
Reserve for Health Center Refunds	-	-	4,876	2,158	7,685	4,796	1,282	5,782	-	-	1,251	27,830	-	27,830
Long-Term Debt Due within One Year	82	313	1,651	694	-	451	564	-	1,460	7,489	-	12,704	-	12,704
Obligations under Leases Due within One Year	65	70	21	32	41	65	66	95	66	75	59	655	-	655
Total Current Liabilities	3,527	2,936	11,590	6,288	19,340	10,850	10,246	14,124	4,950	10,307	5,104	99,262	(2,514)	96,748
LONG-TERM LIABILITIES														
Entrance Fee Deposits	1	3	-	39	625	93	40	4,878	5	62	142	5,888	-	5,888
Wait List Deposits	-	1	20	46	106	49	20	-	945	6	8	1,201	-	1,201
Long-Term Debt Due After One Year	45,510	10,716	19,199	8,299	113,569	63,476	13,556	153,571	41,840	20,901	76,695	567,332	-	567,332
Obligations under Leases Due After One Year	95	51	12	55	24	99	62	32	76	20	97	623	-	623
Deferred Entrance Fees	18,349	19,813	14,043	3,087	19,421	13,896	26,526	3,280	5,463	25,044	16,231	165,153	-	165,153
Refundable Entrance and Membership Fees	-	-	48,018	43,343	103,383	50,725	93,380	50,596	87,224	-	36,274	512,943	-	512,943
Total Long-Term Liabilities	63,955	30,584	81,292	54,869	237,128	128,338	133,584	212,357	135,553	46,033	129,447	1,253,140	-	1,253,140
Total Liabilities	67,482	33,520	92,882	61,157	256,468	139,188	143,830	226,481	140,503	56,340	134,551	1,352,402	(2,514)	1,349,888
NET ASSETS														
Without Donor Restrictions	9,933	23,604	(23,585)	(24,401)	(33,428)	(35,877)	(8,514)	(29,607)	(19,585)	12,814	(35,942)	(164,588)	10,344	(154,244)
Total Net Assets	9,933	23,604	(23,585)	(24,401)	(33,428)	(35,877)	(8,514)	(29,607)	(19,585)	12,814	(35,942)	(164,588)	10,344	(154,244)
Total Liabilities and Net Assets	$ 77,415	$ 57,124	$ 69,297	$ 36,756	$ 223,040	$ 103,311	$ 135,316	$ 196,874	$ 120,918	$ 69,154	$ 98,609	$1,187,814	$ 7,830	$ 1,195,644

LIFESPACE OBLIGATED GROUP
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2021
(IN THOUSANDS)

	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	Village on the Green	Total Obligated Group	Eliminations and Other	Total Obligated Group
REVENUES														
Independent Living Fees	$ 8,824	$ 9,109	$ 17,414	$ 6,475	$ 15,009	$ 13,378	$ 18,386	$ 9,172	$ 11,763	$ 9,860	$ 10,354	$ 129,744	$ -	$ 129,744
Entrance Fees Earned and Nonrefundable Fees	4,085	4,115	2,844	706	2,380	2,157	4,321	915	1,007	4,486	2,788	29,804	-	29,804
Skilled Nursing and Assisted Living Fees	15,423	9,771	9,553	4,416	8,613	11,531	11,174	19,259	9,508	7,888	8,040	115,176	-	115,176
Other	-	78	251	-	146	254	54	79	66	106	93	1,127	-	1,127
Total Revenues	28,332	23,073	30,062	11,597	26,148	27,320	33,935	29,425	22,344	22,340	21,275	275,851	-	275,851
EXPENSES														
Operating Expenses:														
Salaries and Benefits	13,236	10,863	13,606	5,799	11,961	10,447	12,606	15,414	9,925	9,158	9,899	122,914	-	122,914
General and Administrative	7,701	6,068	5,138	2,401	6,064	6,482	8,337	7,055	4,811	5,719	5,924	65,700	-	65,700
Plant Operations	2,142	1,527	1,647	664	1,584	2,110	1,728	1,488	1,702	1,506	1,763	17,861	-	17,861
Housekeeping	205	147	157	73	162	217	59	171	112	103	93	1,499	-	1,499
Dietary	2,255	1,749	2,456	991	2,270	2,252	2,325	2,319	1,832	1,627	1,661	21,737	-	21,737
Medical and Other Resident Care	1,237	769	1,409	417	935	3,649	1,113	2,170	859	745	1,103	14,406	-	14,406
Depreciation	5,827	3,618	4,682	1,916	6,454	5,758	6,665	5,417	2,777	4,020	5,090	52,224	-	52,224
Amortization	33	9	27	13	20	17	19	5,328	6,713	21	25	12,225	-	12,225
Interest	2,085	255	723	243	2,043	2,780	486	3,427	2,217	1,038	2,171	17,468	-	17,468
Loss on Disposal of Property and Equipment	3	(6)	-	(24)	1	14	-	(1)	6	15	4	12	-	12
Extinguishment of Debt	-	-	-	46	65	42	-	-	-	-	61	214	-	214
Total Expenses	34,724	24,999	29,845	12,539	31,559	33,768	33,338	42,788	30,954	23,952	27,794	326,260	-	326,260
NONOPERATING INCOME														
Investment Income	875	1,136	2,222	1,275	4,945	1,717	3,309	(652)	2,227	944	330	18,328	-	18,328
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(5,517)	(790)	2,439	333	(466)	(4,731)	3,906	(14,015)	(6,383)	(668)	(6,189)	(32,081)	-	(32,081)
DISCONTINUED OPERATIONS														
Gain from Operations of Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-	-	985	985
Gain on Sale of Property and Equipment	-	-	-	-	-	-	-	-	-	-	-	-	11,921	11,921
Loss on Sale of Related Party Investment	(739)	(1,023)	(1,869)	(693)	(2,900)	(1,372)	(2,821)	-	(2,164)	(682)	(385)	(14,648)	-	(14,648)
Total Discontinued Operations	(739)	(1,023)	(1,869)	(693)	(2,900)	(1,372)	(2,821)	-	(2,164)	(682)	(385)	(14,648)	12,906	(1,742)
OTHER CHANGES IN NET ASSETS														
Equity Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to Lifespace Communities, Inc.	(65)	(56)	(67)	(30)	(17,178)	(70)	(77)	(73)	(973)	(53)	(50)	(18,692)	(13)	(18,705)
CHANGES IN NET ASSETS	(6,321)	(1,869)	503	(390)	(20,544)	(6,173)	1,008	(14,088)	(9,520)	(1,403)	(6,624)	(65,421)	12,893	(52,528)
Net Assets - Beginning of Year	16,254	25,473	(24,088)	(24,011)	(12,884)	(29,704)	(9,522)	(15,519)	(10,065)	14,217	(29,318)	(99,167)	(2,549)	(101,716)
NET ASSETS - END OF YEAR	$ 9,933	$ 23,604	$ (23,585)	$ (24,401)	$ (33,428)	$ (35,877)	$ (8,514)	$ (29,607)	$ (19,585)	$ 12,814	$ (35,942)	$ (164,588)	$ 10,344	$ (154,244)

LIFESPACE OBLIGATED GROUP
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021
(IN THOUSANDS)

	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	Village on the Green	Total Obligated Group	Eliminations and Other	Adjusted Obligated Group
CASH FLOWS FROM OPERATING ACTIVITIES														
Changes in Net Assets	$ (6,321)	$ (1,869)	$ 503	$ (390)	$ (20,544)	$ (6,173)	$ 1,008	$ (14,088)	$ (9,520)	$ (1,403)	$ (6,624)	$ (65,421)	$ 12,893	$ (52,528)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:														
Reconciling Items Included in Discontinued Operations	(739)	(1,023)	(1,869)	(693)	(2,900)	(1,372)	(2,821)	-	(2,164)	(682)	(385)	(14,648)	7,930	(6,718)
Entrance Fees Earned	(4,085)	(4,115)	(2,845)	(706)	(2,378)	(2,157)	(4,321)	(914)	(1,007)	(4,486)	(2,788)	(29,802)	-	(29,802)
Proceeds from Nonrefundable Entrance Fees and Deposits	6,045	6,835	3,015	818	7,813	4,104	8,637	1,265	2,515	5,178	5,147	51,372	-	51,372
Refunds of Entrance Fees	(1,256)	(681)	(42)	-	(82)	(184)	(410)	-	-	(1,075)	(624)	(4,354)	-	(4,354)
Depreciation and Amortization	5,860	3,627	4,709	1,929	6,474	5,775	6,684	10,745	9,490	4,041	5,115	64,449	-	64,449
Amortization of Financing Costs	43	12	24	11	77	57	34	109	-	30	77	474	-	474
Net Accretion of Original Issue Premium and Discounts	(138)	(68)	(100)	(18)	(218)	(203)	(73)	(301)	-	(166)	(213)	(1,498)	-	(1,498)
Change in Unrealized Appreciation of Investments	(98)	(293)	(853)	(750)	(2,031)	(602)	(1,103)	575	(522)	(276)	44	(5,909)	(9,044)	(14,953)
Net (Purchases) Sales of Trading Investments	2,402	(2,904)	(3,707)	(2,403)	3,509	319	(14,798)	(41,002)	2,012	711	12,664	(43,197)	6,580	(36,617)
Loss on Disposal of Property and Equipment	3	(6)	-	(24)	1	14	-	(1)	6	15	4	12	-	12
Change in entrance fee deposits	(5)	(45)	(69)	35	(6,676)	77	(274)	37	190	58	26	(6,646)	-	(6,646)
Contributions to Lifespace Communities, Inc.	65	56	67	30	17,178	70	77	73	973	53	50	18,692	13	18,705
Equity Transfer to Related Party	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on Extinguishment of Debt	-	-	-	46	65	42	-	-	-	-	61	214	-	214
Gain on Sale of Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-	-	(11,921)	(11,921)
Loss on Sale of Related Party Investment	739	1,023	1,869	693	2,900	1,372	2,821	-	2,164	682	385	14,648	-	14,648
Changes in Operating Assets and Liabilities:														
Accounts and Other Receivables, Receivables from Lifespace Communities, Inc., Inventories, and Prepaid Insurance and Other	290	(135)	131	45	(812)	445	(379)	(354)	(379)	(17)	(1,985)	(3,150)	-	(3,150)
Accounts Payable and Accrued Liabilities	1,052	597	1,792	1,271	(1,627)	1,528	1,689	3,269	916	1,216	(4,105)	7,598	-	7,598
Net Cash Provided (Used) by Operating Activities	3,857	1,011	2,625	(106)	749	3,112	(3,229)	(40,587)	4,674	3,879	6,849	(17,166)	6,451	(10,715)

LIFESPACE OBLIGATED GROUP
CONSOLIDATING STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021
(IN THOUSANDS)

	Abbey Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Grand Lodge	Harbour's Edge	Oak Trace	Querencia	The Waterford	Village on the Green	Total Obligated Group	Eliminations and Other	Adjusted Obligated Group
CASH FLOWS FROM INVESTING ACTIVITIES															
Purchases of Property and Equipment	$ (3,668)	$ (4,602)	$ (3,183)	$ (2,362)	$ (35,964)	$ (2,549)	$ -	$ (4,506)	$ (9,096)	$ (2,799)	$ (5,430)	$ (13,083)	$ (87,242)	$ -	$ (87,242)
Proceeds from Sale of Property and Equipment	-	-	-	32	-	-	-	-	-	-	-	-	32	-	32
Net Cash Used by Investing Activities	(3,668)	(4,602)	(3,183)	(2,330)	(35,964)	(2,549)	-	(4,506)	(9,096)	(2,799)	(5,430)	(13,083)	(87,210)	-	(87,210)
CASH FLOWS FROM FINANCING ACTIVITIES															
Financing Costs Incurred	(10)	(87)	-	(133)	(765)	(98)	-	(61)	(1,561)	-	-	(181)	(2,896)	-	(2,896)
Proceeds from New Financings	544	4,606	-	7,466	44,713	5,392		3,263	57,514		-	9,022	132,520		132,520
Advances from Line of Credit	-	-	-	-	-	-	-	-	-	-	2,837	-	2,837	-	2,837
Repayment of Other Long-Term Debt	(910)	(299)	(1,698)	(696)	(26,850)	(431)	-	(537)	-	(1,390)	(1,015)	-	(33,826)	-	(33,826)
Payments on Leases	(43)	(53)	(16)	(17)	(32)	(37)	-	(62)	(47)	-	(56)	(18)	(381)	-	(381)
Extinguishment of Prior Debt	-	-	-	(5,521)	(7,839)	(4,879)	-	-	-		-	(7,447)	(25,686)	(13,956)	(39,642)
Proceeds on Disposal of a Community	-	-	-	-	-	-	-	-	-	-	-	-	-	14,117	14,117
Proceeds from Refundable Entrance Fees and Deposits	-	-	5,718	5,623	40,121	4,704	-	17,911	7,530	12,082	-	5,873	99,562	-	99,562
Refunds of Refundable Entrance Fees	-	-	(3,826)	(4,021)	(6,776)	(4,037)	-	(11,133)	(5,125)	(11,360)	-	(4,010)	(50,288)	-	(50,288)
Contributions to Lifespace Communities, Inc.	(65)	(56)	(67)	(30)	(17,178)	(70)	-	(77)	(73)	(973)	(53)	(50)	(18,692)	(13)	(18,705)
Net Cash Provided (Used) by Financing Activities	(484)	4,111	111	2,671	25,394	544	-	9,304	58,238	(1,641)	1,713	3,189	103,150	148	103,298
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(295)	520	(447)	235	(9,821)	1,107	-	1,569	8,555	234	162	(3,045)	(1,226)	6,599	5,373
Cash, Cash Equivalents, and Restricted Cash Beginning of Year	1,554	496	2,629	233	18,562	2,478	-	1,318	7,203	8,259	1,429	5,810	49,971	8,741	58,712
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	$ 1,259	$ 1,016	$ 2,182	$ 468	$ 8,741	$ 3,585	$ -	$ 2,887	$ 15,758	$ 8,493	$ 1,591	$ 2,765	$ 48,745	$ 15,340	$ 64,085

LIFESPACE OBLIGATED GROUP
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2020
(IN THOUSANDS)

ASSETS	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	Village on the Green	Total Obligated Group	Eliminations and Other	Adjusted Obligated Group
CURRENT ASSETS														
Cash and Cash Equivalents	$ 619	$ 204	$ 232	$ 158	$ 49	$ 336	$ 271	$ 1,661	$ 3,685	$ 656	$ 582	$ 8,453	$ 8,740	$ 17,193
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	(3,264)	11,105	20,426	8,700	51,391	15,687	31,725	(6,544)	21,113	7,323	1,565	159,227	1,681	160,908
Accounts and Other Receivables	1,987	1,137	1,000	480	1,007	1,440	1,583	1,193	672	1,225	1,285	13,009	10	13,019
Receivable from Lifespace Communities, Inc.	203	157	95	287	101	115	186	153	405	89	92	1,883	(469)	1,414
Inventories	121	90	64	33	60	252	162	74	113	105	54	1,128	-	1,128
Prepaid Insurance and Other	436	310	188	71	117	850	455	93	256	296	293	3,365	14	3,379
Assets Whose Use is Limited - Current	1,830	203	1,343	54	34,230	3,143	338	658	3,747	686	19,021	65,253	1	65,254
Total Current Assets	1,932	13,206	23,348	9,783	86,955	21,823	34,720	(2,712)	29,991	10,380	22,892	252,318	9,977	262,295
ASSETS WHOSE USE IS LIMITED														
Noncurrent	11,556	7,065	2,736	711	13,303	6,175	10,365	13,555	7,029	9,293	8,011	89,799	-	89,799
PROPERTY AND EQUIPMENT, AT COST														
Land and Improvements	5,808	2,140	5,828	2,400	3,888	7,598	11,553	9,721	8,241	7,101	4,432	68,710	-	68,710
Buildings and Improvements	110,042	70,201	83,493	40,709	93,243	110,461	125,620	82,792	64,162	78,669	50,242	909,634	-	909,634
Furniture and Equipment	9,988	7,453	7,581	6,136	7,411	15,809	7,906	7,100	1,611	4,518	3,854	79,367	-	79,367
Construction-in-Progress	960	908	140	721	63,275	1,006	716	10,968	8	3,812	48,211	130,725	-	130,725
Subtotal	126,798	80,702	97,042	49,966	167,817	134,874	145,795	110,581	74,022	94,100	106,739	1,188,436	-	1,188,436
Less: Accumulated Depreciation	57,620	48,715	56,385	27,817	64,140	57,022	71,260	17,069	1,918	45,505	34,214	481,665	-	481,665
Net Property and Equipment	69,178	31,987	40,657	22,149	103,677	77,852	74,535	93,512	72,104	48,595	72,525	706,771	-	706,771
GOODWILL, Net of Accumulated Amortization	-	-	-	-	-	-	-	42,259	5,660	-	-	47,919	-	47,919
DEFERRED EXPENSES, Net of Accumulated Amortization	141	56	156	47	112	104	108	131	51	121	103	1,130	-	1,130
INTANGIBLE ASSET, Net of Accumulated Amortization	-	-	-	-	-	-	-	2,755	9,554	-	-	12,309	-	12,309
ASSETS OF DISCONTINUED OPERATIONS, NET	-	-	-	-	-	-	-	-	-	-	-	-	1,923	1,923
Total Assets	$ 82,807	$ 52,314	$ 66,897	$ 32,690	$ 204,047	$ 105,954	$ 119,728	$ 149,500	$ 124,389	$ 68,389	$ 103,531	$ 1,110,246	$ 11,900	$ 1,122,146

LIFESPACE OBLIGATED GROUP
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2020
(IN THOUSANDS)

LIABILITIES AND NET ASSETS	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	Village on the Green	Total Obligated Group	Eliminations and Other	Adjusted Obligated Group
CURRENT LIABILITIES														
Accounts Payable:														
Trade	$ 912	$ 856	$ 975	$ 266	$ 10,716	$ 979	$ 994	$ 923	$ 412	$ 360	$ 6,290	$ 23,683	$ 317	$ 24,000
Lifespace Communities, Inc.	39	57	28	334	-	-	29	3	161	23	-	674	(490)	184
Accrued Liabilities:														
Employee Compensation Expense	786	665	860	426	696	692	891	1,047	317	616	568	7,564	155	7,719
Interest	273	40	313	40	552	381	67	567	278	135	419	3,065	-	3,065
Property Taxes	2	-	192	139	698	-	33	97	336	48	-	1,545	183	1,728
Other	280	337	328	187	247	465	341	473	154	345	250	3,407	31	3,438
Entrance Fee Refunds	552	271	518	-	375	522	2,309	558	3,010	543	649	9,307	-	9,307
Reserve for Health Center Refunds	-	-	5,562	2,354	7,894	5,208	1,088	5,806	-	-	560	28,472	-	28,472
Long-Term Debt Due within One Year	910	300	1,698	696	-	431	537	-	1,390	4,604	-	10,566	810	11,376
Obligations under Leases Due Within One Year	86	83	50	33	49	91	85	127	63	87	30	784	6	790
Total Current Liabilities	3,840	2,609	10,524	4,475	21,227	8,769	6,374	9,601	6,121	6,761	8,766	89,067	1,012	90,079
LONG-TERM LIABILITIES														
Entrance Fee Deposits	6	48	64	-	6,066	-	305	4,815	-	4	116	11,424	-	11,424
Wait List Deposits	-	1	25	50	1,341	65	29	26	760	6	8	2,311	7	2,318
Long-Term Debt Due After One Year	45,153	6,565	20,926	7,142	104,386	63,616	10,957	97,810	43,300	22,100	75,376	497,331	13,412	510,743
Obligations under Leases Due After One Year	193	115	34	82	57	236	132	111	142	142	31	1,275	18	1,293
Deferred Entrance Fees	17,361	17,503	13,878	2,975	14,088	12,332	22,526	3,531	5,043	25,159	14,296	148,692	-	148,692
Refundable Entrance and Membership Fees	-	-	45,534	41,977	69,766	50,640	88,927	49,125	79,088	-	34,256	459,313	-	459,313
Total Long-Term Liabilities	62,713	24,232	80,461	52,226	195,704	126,889	122,876	155,418	128,333	47,411	124,083	1,120,346	13,437	1,133,783
Total Liabilities	66,553	26,841	90,985	56,701	216,931	135,658	129,250	165,019	134,454	54,172	132,849	1,209,413	14,449	1,223,862
NET ASSETS														
Without Donor Restrictions	16,254	25,473	(24,088)	(24,011)	(12,884)	(29,704)	(9,522)	(15,519)	(10,065)	14,217	(29,318)	(99,167)	(2,549)	(101,716)
Total Net Assets	16,254	25,473	(24,088)	(24,011)	(12,884)	(29,704)	(9,522)	(15,519)	(10,065)	14,217	(29,318)	(99,167)	(2,549)	(101,716)
Total Liabilities and Net Assets	$ 82,807	$ 52,314	$ 66,897	$ 32,690	$ 204,047	$ 105,954	$ 119,728	$ 149,500	$ 124,389	$ 68,389	$ 103,531	$ 1,110,246	$ 11,900	$ 1,122,146

LIFESPACE OBLIGATED GROUP
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2020
(IN THOUSANDS)

	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	Village on the Green	Total Obligated Group	Eliminations and Other	Adjusted Obligated Group
REVENUES														
Independent Living Fees	$ 9,748	$ 9,954	$ 17,610	$ 6,480	$ 12,309	$ 14,249	$ 17,655	$ 8,508	$ 11,422	$ 10,363	$ 10,549	$ 128,847	$ -	$ 128,847
Entrance Fees Earned and Nonrefundable Fees	4,256	4,604	2,661	771	2,474	1,994	5,149	712	940	5,540	2,318	31,419	-	31,419
Skilled Nursing and Assisted Living Fees	13,323	9,517	7,391	3,886	9,018	9,286	9,728	18,452	8,857	8,112	6,383	103,953	-	103,953
Other	1,041	950	671	460	720	825	1,071	957	644	792	653	8,784	-	8,784
Total Revenues	28,368	25,025	28,333	11,597	24,521	26,354	33,603	28,629	21,863	24,807	19,903	273,003	-	273,003
EXPENSES														
Operating Expenses:														
Salaries and Benefits	13,013	10,504	12,718	5,651	10,988	11,384	12,280	15,303	10,123	9,090	8,445	119,499	-	119,499
General and Administrative	5,784	4,911	4,722	1,910	4,529	5,031	6,907	5,197	3,580	4,222	4,342	51,135	-	51,135
Plant Operations	1,798	1,455	1,574	621	1,253	1,713	1,462	1,380	1,495	1,475	1,448	15,674	-	15,674
Housekeeping	92	130	119	53	126	197	144	187	99	99	362	1,608	-	1,608
Dietary	2,449	1,999	2,609	1,074	2,287	2,576	2,156	2,592	2,137	2,033	1,867	23,779	-	23,779
Medical and Other Resident Care	1,338	1,202	1,088	394	744	1,243	1,465	1,506	858	1,116	801	11,755	-	11,755
Depreciation	4,990	3,579	4,759	1,901	4,531	5,592	6,792	5,347	2,106	3,942	3,489	47,028	-	47,028
Amortization	27	34	27	9	27	23	43	5,297	10,326	38	22	15,873	-	15,873
Interest	1,938	282	1,107	400	338	2,924	524	3,606	2,284	948	430	14,781	-	14,781
Loss on Disposal of Property and Equipment	81	129	46	4	51	51	72	67	46	57	12	616	-	616
Total Expenses	31,510	24,225	28,769	12,017	24,874	30,734	31,845	40,482	33,054	23,020	21,218	301,748	-	301,748
NONOPERATING INCOME														
Investment Income	1,593	1,708	2,148	887	4,905	1,923	3,628	392	2,318	1,483	689	21,674	-	21,674
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(1,549)	2,508	1,712	467	4,552	(2,457)	5,386	(11,461)	(8,873)	3,270	(626)	(7,071)	-	(7,071)
DISCONTINUED OPERATIONS														
Gain from Operations of Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-	-	825	825
OTHER CHANGES IN NET ASSETS														
Contributions to Lifespace Communities, Inc.	(41)	(38)	(43)	(19)	(1,917)	(43)	(53)	(47)	(24)	(35)	(32)	(2,292)	(11)	(2,303)
CHANGES IN NET ASSETS	(1,590)	2,470	1,669	448	2,635	(2,500)	5,333	(11,508)	(8,897)	3,235	(658)	(9,363)	814	(8,549)
Net Assets - Beginning of Year	17,844	23,003	(25,757)	(24,459)	(15,519)	(27,204)	(14,855)	(4,011)	(1,168)	10,982	(28,660)	(89,804)	(3,363)	(93,167)
NET ASSETS - END OF YEAR	$ 16,254	$ 25,473	$ (24,088)	$ (24,011)	$ (12,884)	$ (29,704)	$ (9,522)	$ (15,519)	$ (10,065)	$ 14,217	$ (29,318)	$ (99,167)	$ (2,549)	$ (101,716)

LIFESPACE OBLIGATED GROUP
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020
(IN THOUSANDS)

	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	Village on the Green	Total Obligated Group	Eliminations and Other	Adjusted Obligated Group
CASH FLOWS FROM OPERATING ACTIVITIES														
Changes in Net Assets	$ (1,590)	$ 2,470	$ 1,669	$ 448	$ 2,635	$ (2,500)	$ 5,333	$ (11,508)	$ (8,897)	$ 3,235	$ (658)	$ (9,363)	$ 814	$ (8,549)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:														
Reconciling Items Included in Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-	-	343	343
Entrance Fees Earned	(4,255)	(4,604)	(2,657)	(771)	(2,471)	(1,994)	(5,149)	(711)	(940)	(5,540)	(2,318)	(31,410)	(284)	(31,694)
Proceeds from Nonrefundable Entrance Fees and Deposits	3,409	3,011	1,389	232	2,219	1,602	4,766	1,000	1,286	2,799	2,746	24,459	-	24,459
Refunds of Entrance Fees	(1,551)	(1,549)	(117)	-	(42)	(5)	(536)	(105)	-	(1,292)	(450)	(5,647)	-	(5,647)
Depreciation and Amortization	5,017	3,613	4,786	1,910	4,558	5,615	6,835	10,644	12,432	3,980	3,511	62,901	-	62,901
Amortization of Financing Costs	45	10	40	13	70	57	33	75	-	32	76	451	-	451
Net Accretion of Original Issue Premium and Discounts	(135)	(51)	(148)	(3)	(143)	(195)	(61)	(253)	-	(173)	(172)	(1,334)	-	(1,334)
Change in Unrealized Appreciation of Investments	(337)	(473)	(522)	(223)	(1,065)	(349)	(926)	(7)	1,149	(377)	(170)	(3,300)	(264)	(3,564)
Net (Purchases) Sales of Trading Investments	6,091	(940)	(1,723)	761	(8,860)	2,304	(5,729)	29,755	(6,450)	(1,090)	23,291	37,410	652	38,062
Loss on Disposal of Property and Equipment	81	129	46	4	51	51	72	67	46	57	12	616	-	616
Contributions to Lifespace Communities, Inc.	41	38	43	19	1,917	43	53	47	24	35	32	2,292	11	2,303
Change in Entrance Fee and Wait List Deposits	-	-	-	-	-	-	-	-	(866)	-	-	(866)	-	(866)
Changes in Operating Assets and Liabilities:														
Accounts and Other Receivables, Receivables from Lifespace Communities, Inc., Inventories, and Prepaid Insurance and Other	12	198	(143)	(207)	173	(1,031)	(52)	-	(179)	59	(333)	(1,503)	13	(1,490)
Accounts Payable and Accrued Liabilities	(3,237)	(499)	237	274	8,265	(1,504)	(54)	(566)	(385)	158	3,646	6,335	(38)	6,297
Net Cash Provided (Used) by Operating Activities	3,591	1,353	2,900	2,457	7,307	2,094	4,585	28,438	(2,780)	1,883	29,213	81,041	1,247	82,288

LIFESPACE OBLIGATED GROUP
CONSOLIDATING STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020
(IN THOUSANDS)

	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	Village on the Green	Total Obligated Group	Eliminations and Other	Adjusted Obligated Group
CASH FLOWS FROM INVESTING ACTIVITIES														
Purchases of Property and Equipment	$ (4,424)	$ (1,831)	$ (1,438)	$ (748)	$ (48,913)	$ (2,958)	$ (3,047)	$ (3,102)	$ (662)	$ (4,073)	$ (39,728)	$ (110,924)	$ (853)	$ (111,777)
CASH FLOWS FROM FINANCING ACTIVITIES														
Transfer of Financing Costs	-	-	-	-	(595)	-	-	595	-	-	-	-	-	-
Transfer of Bond Funds	-	-	-	-	36,680	-	-	(36,680)	-	-	-	-	-	-
Advances from Line of Credit	-	-	-	-	-	-	-	-	-	3,589	-	3,589	-	3,589
Repayment of Other Long-Term Debt	(860)	(290)	(2,035)	(682)	-	(658)	(516)	-	(1,325)	(984)	-	(7,350)	-	(7,350)
Payments on Leases	(42)	(52)	(15)	(23)	(32)	(37)	(58)	(63)	(2)	(56)	(21)	(401)	-	(401)
Proceeds from Refundable Entrance Fees and Deposits	-	-	3,962	1,649	6,620	3,002	7,274	7,683	11,352	-	2,880	44,422	-	44,422
Refunds of Refundable Entrance Fees	-	-	(3,982)	(3,028)	(8,203)	(3,741)	(8,998)	(7,873)	(8,027)	-	(4,167)	(48,019)	-	(48,019)
Contributions to Lifespace Communities, Inc.	(41)	(38)	(43)	(19)	(1,917)	(43)	(53)	(47)	(24)	(35)	(32)	(2,292)	(11)	(2,303)
Net Cash Provided (Used) by Financing Activities	(943)	(380)	(2,113)	(2,103)	32,553	(1,477)	(2,351)	(36,385)	1,974	2,514	(1,340)	(10,051)	(11)	(10,062)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(1,776)	(858)	(651)	(394)	(9,053)	(2,341)	(813)	(11,049)	(1,468)	324	(11,855)	(39,934)	383	(39,551)
Cash, Cash Equivalents, and Restricted Cash Beginning of Year	3,330	1,354	3,280	627	27,615	4,819	2,131	18,252	9,727	1,105	17,665	89,905	8,358	98,263
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	$ 1,554	$ 496	$ 2,629	$ 233	$ 18,562	$ 2,478	$ 1,318	$ 7,203	$ 8,259	$ 1,429	$ 5,810	$ 49,971	$ 8,741	$ 58,712

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