

STONERIDGE RETIREMENT LIVING

As I reflected on this year's conference theme – "Press On" – I realized how sometimes that is easier said than done. Especially when things have been going well and all appears to be in order, and the future has what appears to be a challenging road ahead. That is where StoneRidge Retirement Living stands at the moment, which has been a pretty comfortable and rewarding couple of years after a fairly long and challenging time period. We are now faced with more of those long challenging years ahead, and while we need to forget the past, we will rely on proven principles and valuable lessons learned to prepare for an uncertain future. After all, isn't this what trusting in our wonderful Lord and Savior is all about?

Since 2014, we have been busy integrating our new communities into our operations and streamlining processes to become more efficient and developing best practices. We also realized this was necessary if we were to make another attempt at growth, as a sustainable system would be required to support any additional resident and team member population. We finished some very critical aspects of this process in 2016, and are now fine-tuning them throughout 2017 as we prepare for our next phase of growth. This growth will most likely come from four primary sources: development of a new community, development of new service lines, acquisition of other communities and continued expansion of existing properties.

When we acquired Church of God Home, there was 300 plus acres of land that was purchased for the development of a new continuing care retirement community. With the economic downturn in 2008, that project was placed on hold by Church of God Home. StoneRidge is now picking up that project to assess the feasibility of developing the property and building a state of the art community similar to Poplar Run in Carlisle. This project will consume a significant amount of our senior Management's time if the board determines it is the next step for our ministry.

We are also looking to expand our service line into more home and community based services, as the trend to stay out of nursing homes continues. While our admissions to our skilled nursing have more than doubled in the past year, our total census days diminished. The trend to have a very short stay and discharge back home is no longer considered a trend, but the reality of today's consumer. In response to this new reality, our desire is to provide discharged residents with additional services in their home in addition to finding others at home who are also in need of service but may be choosing to stay in their house.

There continues to be stand-alone communities struggling to stay in business as they do not have the financial strength or the professional expertise to manage through these difficult times. We continue to explore these opportunities as they become available and as they fit our geographic and demographic expansion model. Unfortunately, we are not always the chosen partner and are not always privileged to the reasons, making it difficult to determine where we could improve on our strategy and focus.

We have been experiencing an increased demand of our Poplar Run community, to the point that we could achieve 100% occupancy by early summer. This will be the first time since the community opened that this will have been achieved, and certainly the highest we have ever experienced since our acquisition in 2000. We look forward to celebrating this milestone and have continued our marketing efforts to now have a sizeable waiting list, another first for our community. This demand is centering our attention on possible expansion of our independent living footprint, as we are now established as a place people want to be.

Our biggest challenge continues to be recruitment and retention of a qualified work force. We are not alone in this challenge, as many of our peer organizations struggle with the same issue. The number of people who desire to make long-term care nursing a career appears to be dwindling each year. Compound this with other businesses being able to pay their work force more make the nursing shortage a reality nationwide. The retention issue deals with some of the same problems, however, we do have control over how enjoyable we make the work atmosphere

and how flexible we can be for individual schedules to meet these growing expectations. Our senior leadership will be focused on both retention and recruitment in 2017.

Benevolence continues to grow at all communities as the cost of care outpaces many of our seniors financial resources. Government reimbursement continues to be cut as the federal, state and local governments deal with deficits and pressures to reduce spending. We have been fortunate to sustain the increased level of benevolence over the past several years but will be forced to look at a cap as our contributions toward this program continue to decline. The church is a big help toward keeping this program alive, especially when every church participates and is able to send volunteers. Our volunteer program has also continued to decline as everyone is challenged with more places to be, things to do and the increasing demands on our busy lifestyles.

The opportunities to minister continue to be present inside the communities. It is amazing how many people: residents, team members and family members all have needs at different points in their lives. Through our vesper service offerings, chapel services, daily devotion times, Bible studies, one on one visitations and group interactions there are plenty of opportunities to share the gospel, listen, support, and live out an example that glorifies our Lord and Savior. Our chaplains, as well as some other team members, do an excellent job in helping this ministry make StoneRidge Retirement Living Communities a great place to live. We ask for your continued prayers, volunteer efforts and your financial contributions to continue making StoneRidge a place where people can live worry free with endless opportunities to come, find, grow and serve the Lord.

Respectfully submitted in Christ's Service,

Steven J. Reiter, CPA
President & CEO