

LeadingAge[®]PA

2023

FALL FINANCE

CONFERENCE

Session 1-I

SHORT-RANGE IMPROVEMENTS TO MAINTAIN LONG-TERM VIABILITY

Tuesday, October 31, 2023 | 3:30-4:30 PM



JOHN Sauder
President
Mennonite Home /
Woodcrest Villa



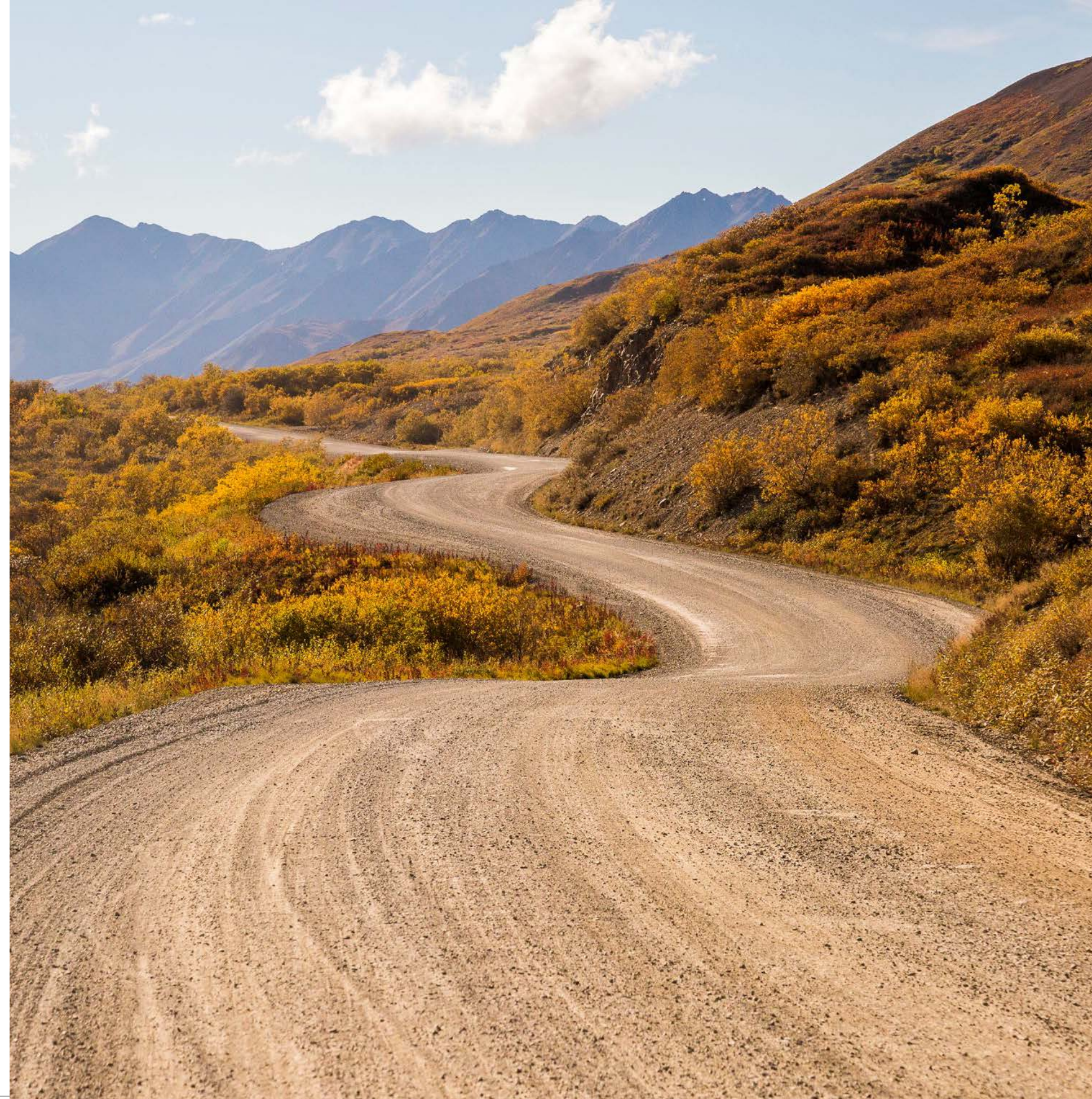
CAROLYN Jacobs,
RN, BSN, CPA
Senior Manager
Baker Tilly



STACY Hollinger Main,
IIDA
Partner
RLPS Architects

AGENDA

1. What Consumers Want
2. Capital Planning
3. Funding Sources
4. Financial Ratio Considerations
5. Incremental Updates
6. Ongoing Evolution



1

WHAT DO CONSUMERS WANT?



● What they want: *ask your sales team!*



● What they want: *focus groups*



- Open Plan
- Storage
- Daylight
- Kitchen Features
- Casual Dining Options

● **What they want:** *positive first impression*



● What they want: *open floor plan*



● What they want: *kitchens*



- Appliance options
- Casework upgrades



● What they want: *kitchens*



- Storage solutions

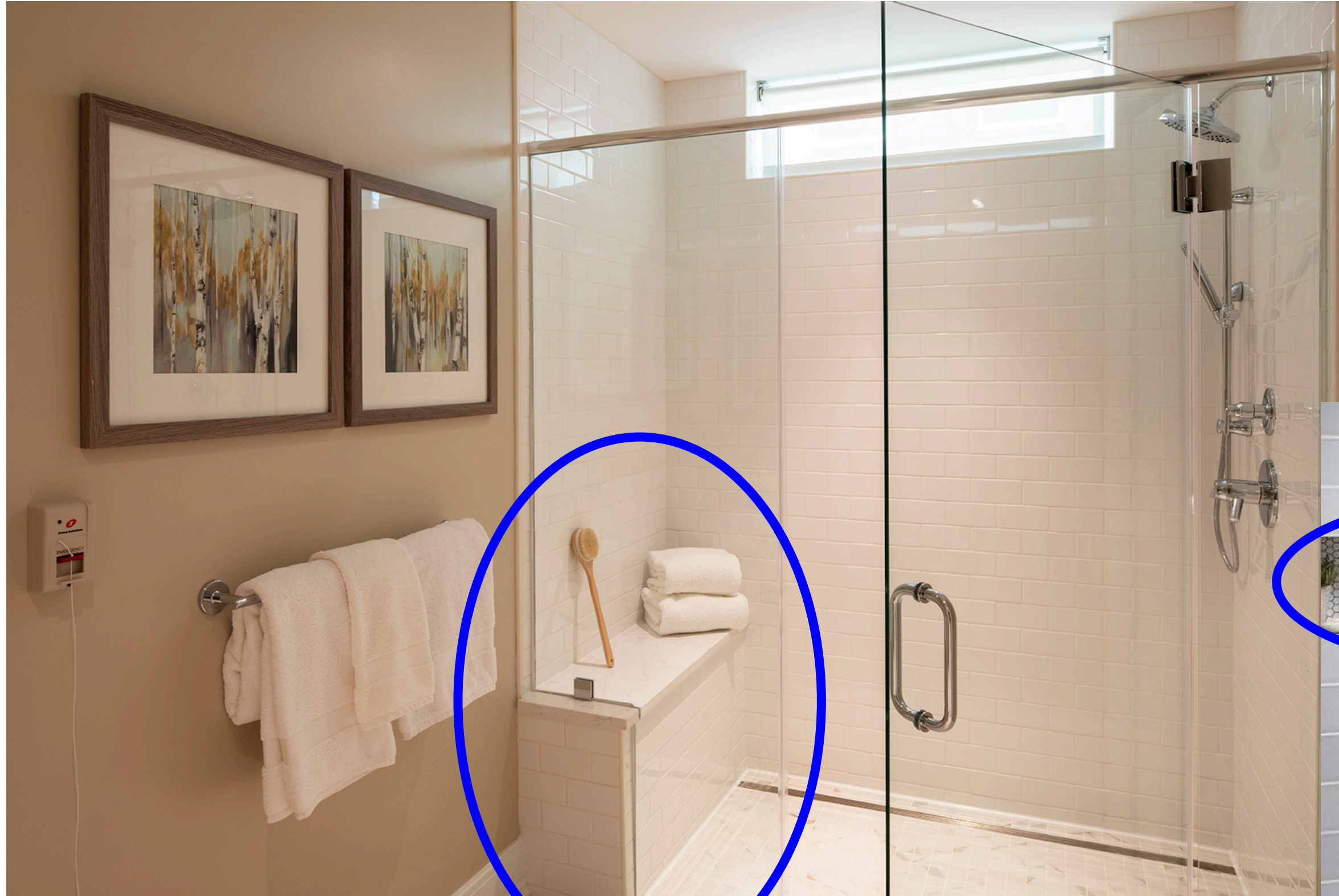


● What they want: *bathrooms*



- Barrier Free
- Storage

● What they want: *bathrooms*



- Barrier Free
- Storage
- Built-ins



● What they want: *bathrooms*



solid surface



quartz



cultured marble

● What they want: *laundry*



- Elevated side-by-side
- Storage
- Convenience

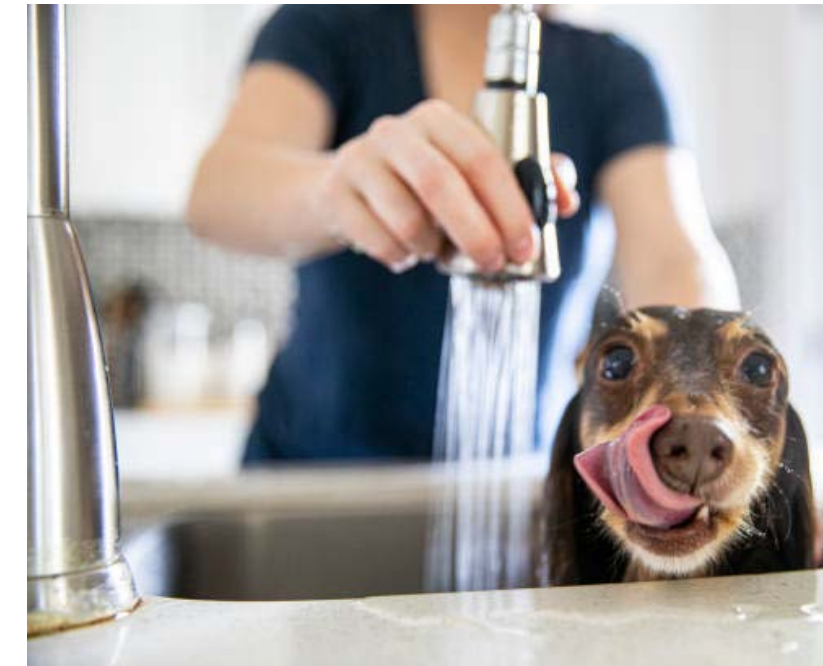
● What they want: *storage*



● What they want: *den flex space*



● What they want: *pet accommodations*



● **What they want:** *beyond the dwelling*



● **What they want:** *beyond the dwelling*



● **What they want:** *beyond the dwelling*



● What they want: *beyond the dwelling*



● What they want: *beyond the dwelling*



● What they want: *beyond the dwelling*



● What they want: *beyond the dwelling*



● What they want: *dining experiences*



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● What they want: *dining experiences*



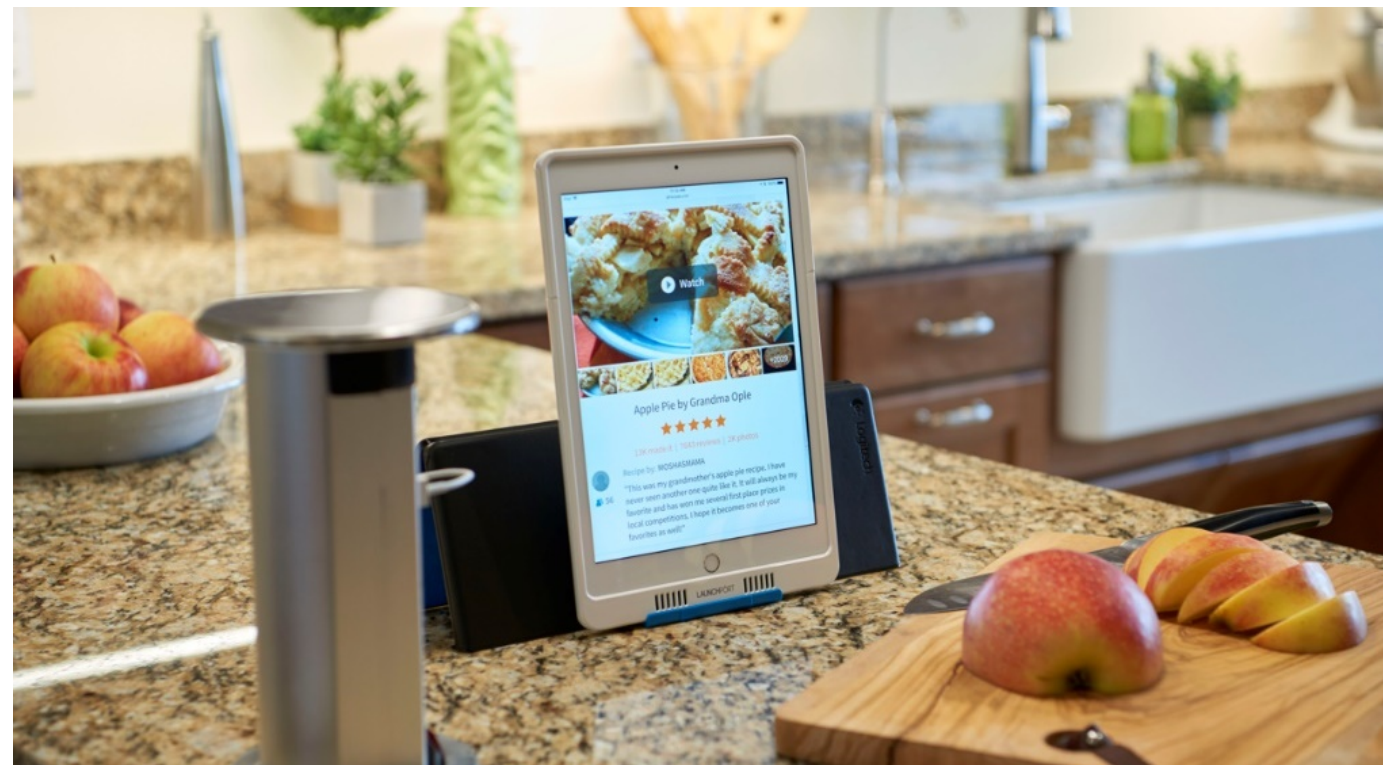
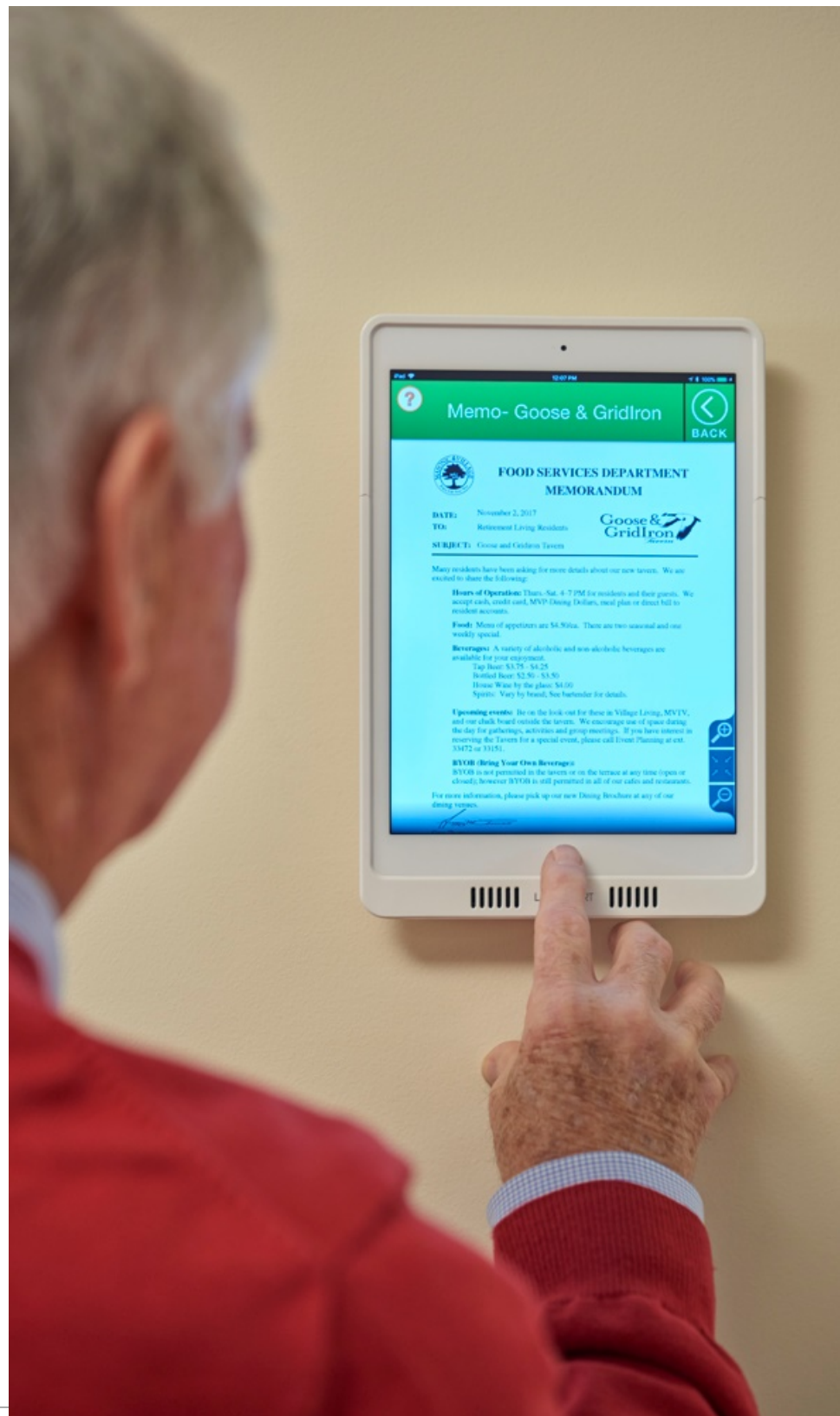
● What they want: *dining experiences*



● What they want: *dining experiences*

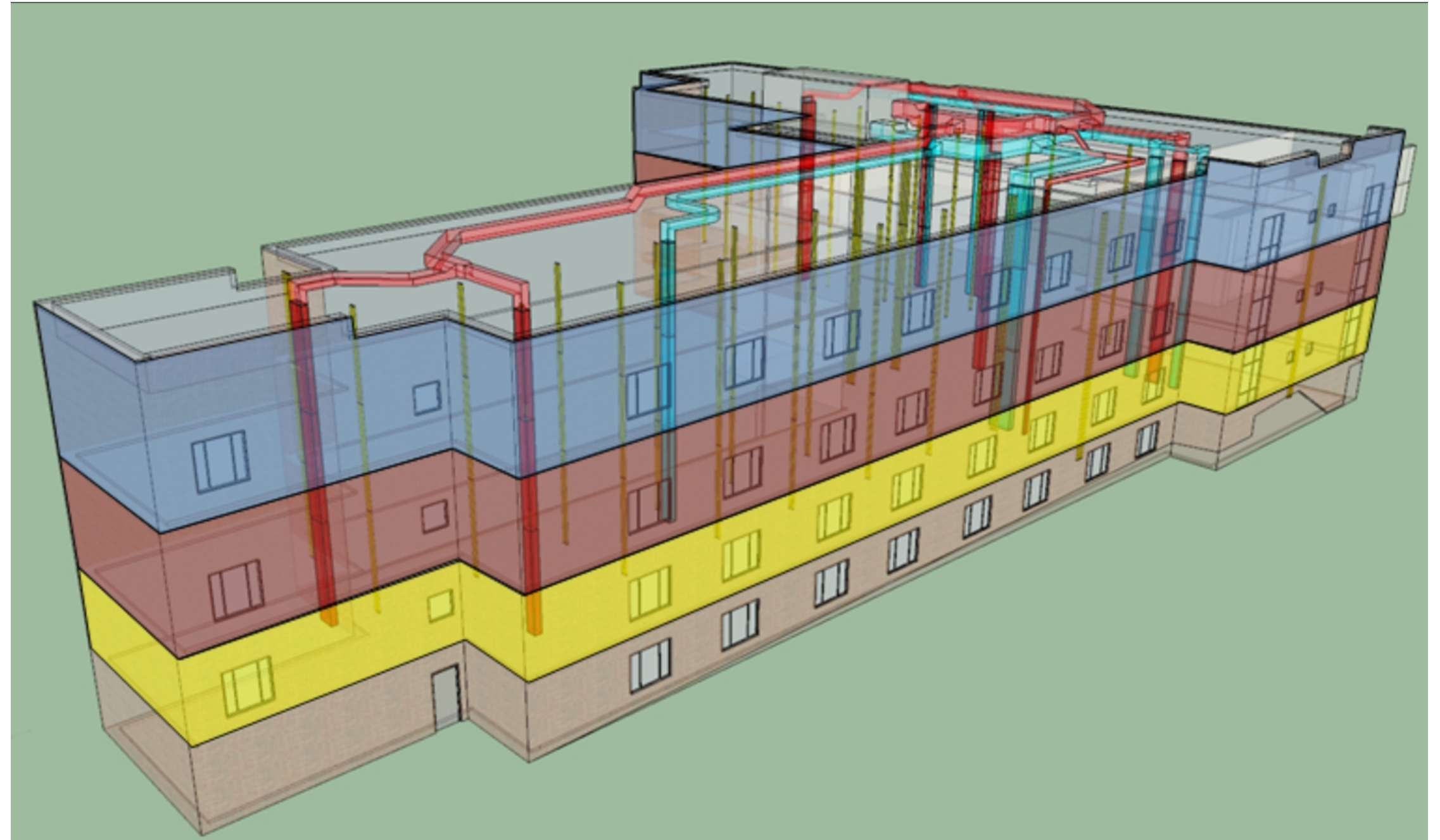


What they want: *infrastructure*



● What they want: *infrastructure*

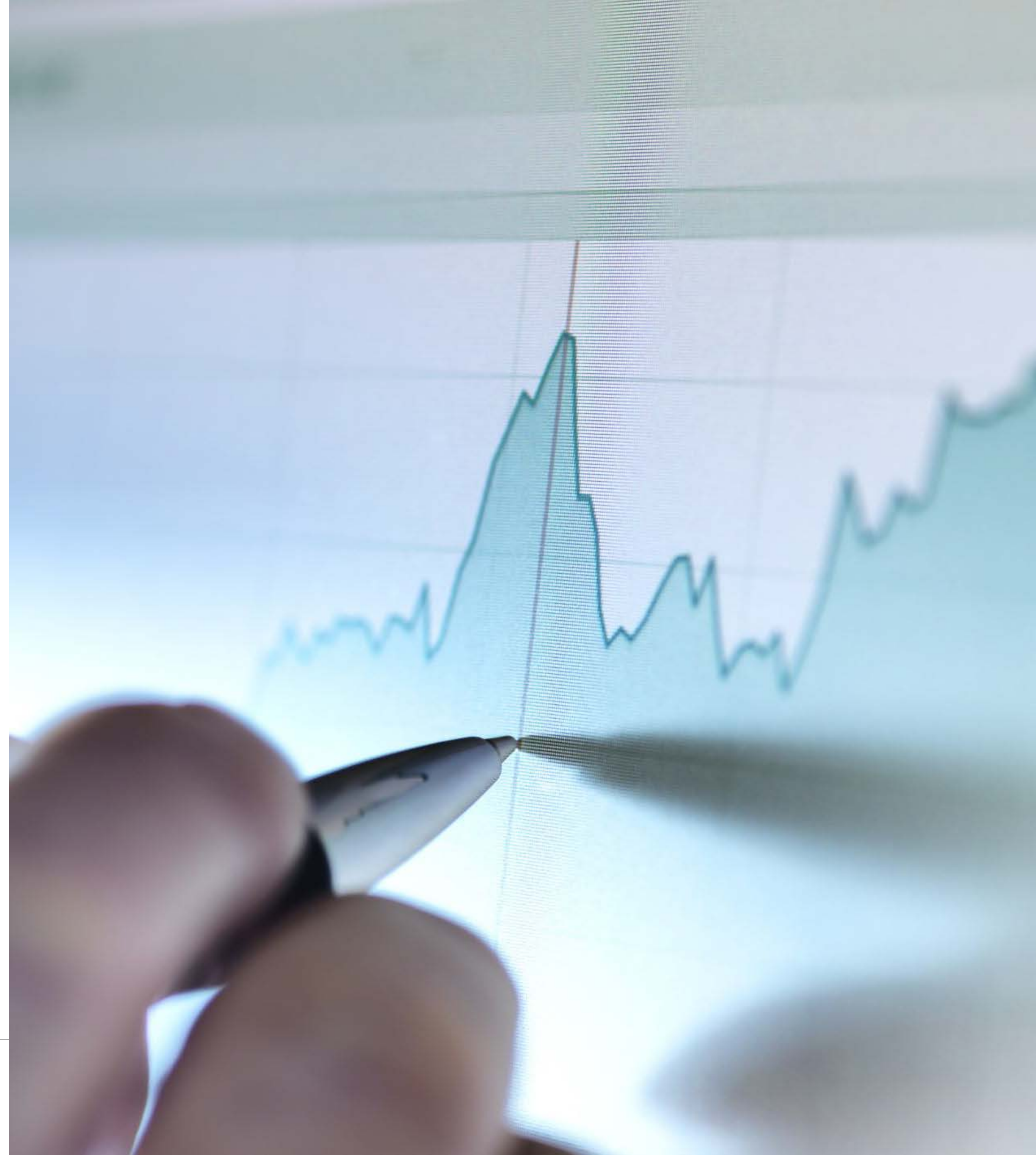
- ✓ Equipment “Life Expectancy”
- ✓ Pay Now or Pay More Later





2

CAPITAL PLANNING



● ● ● **Cycle**

**Capital
Reinvestment**

**Campus
Marketability**



Margin

Occupancy



Capital Plan – Benefits

- ✓ Keeps campus relevant
- ✓ Allows for timely repair/replacement of aging infrastructure



Capital Plan – Benefits

- ✓ Balances need for improvement with financial resources



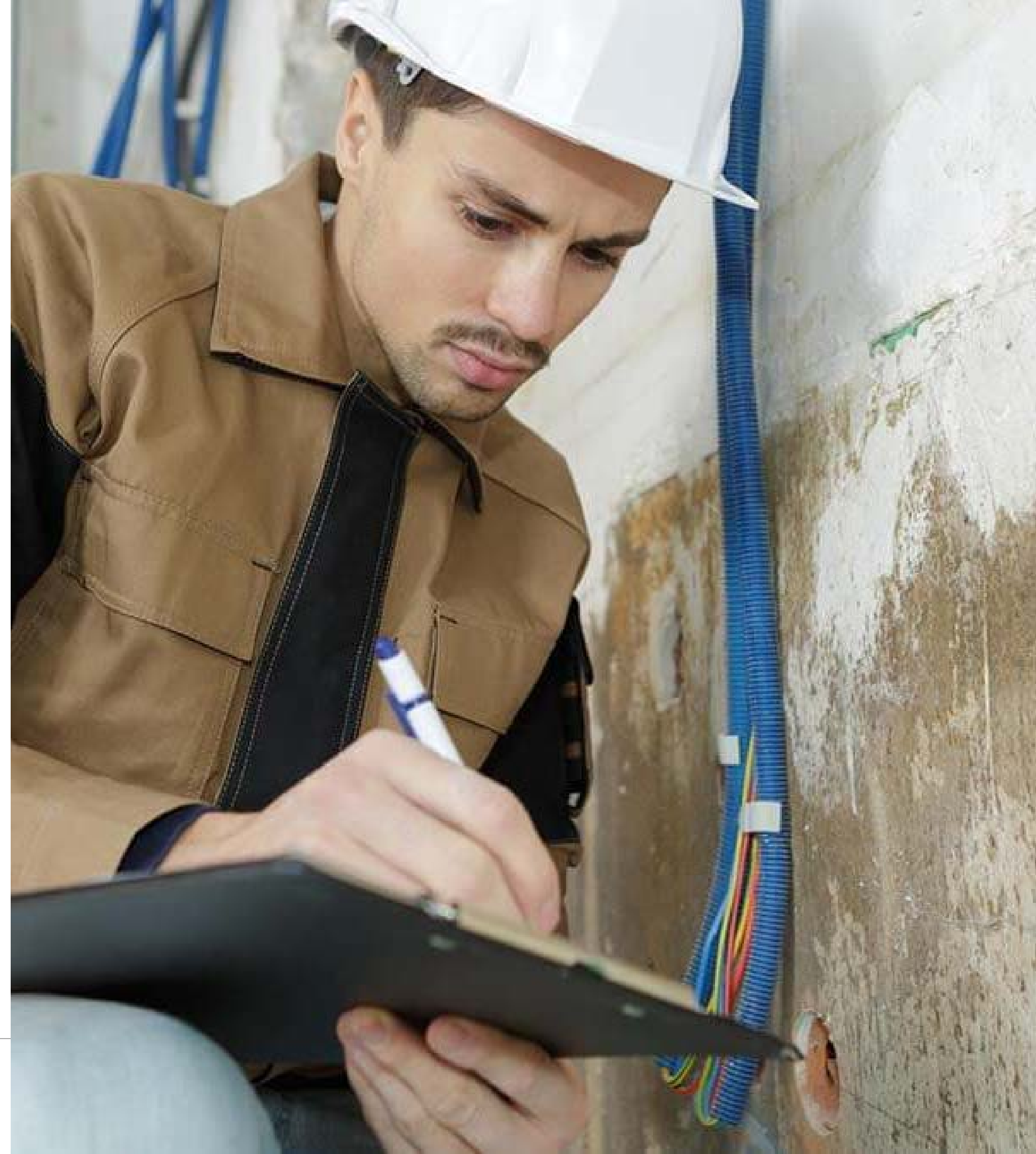
Capital Plan – Benefits

- ✓ Multi-year plan anticipates upcoming needs to aid budgeting



Capital Plan – Development

Capital needs assessment



Assessment

- In-House Facility Staff
- Third Parties
- ✓ In-house resources could cost more in the long run, if not everything is considered or known



Assessment

- Assess campus
- Set timeline
- Prioritize



Capital Plan – Development

Collaborate with team members, residents and prospects

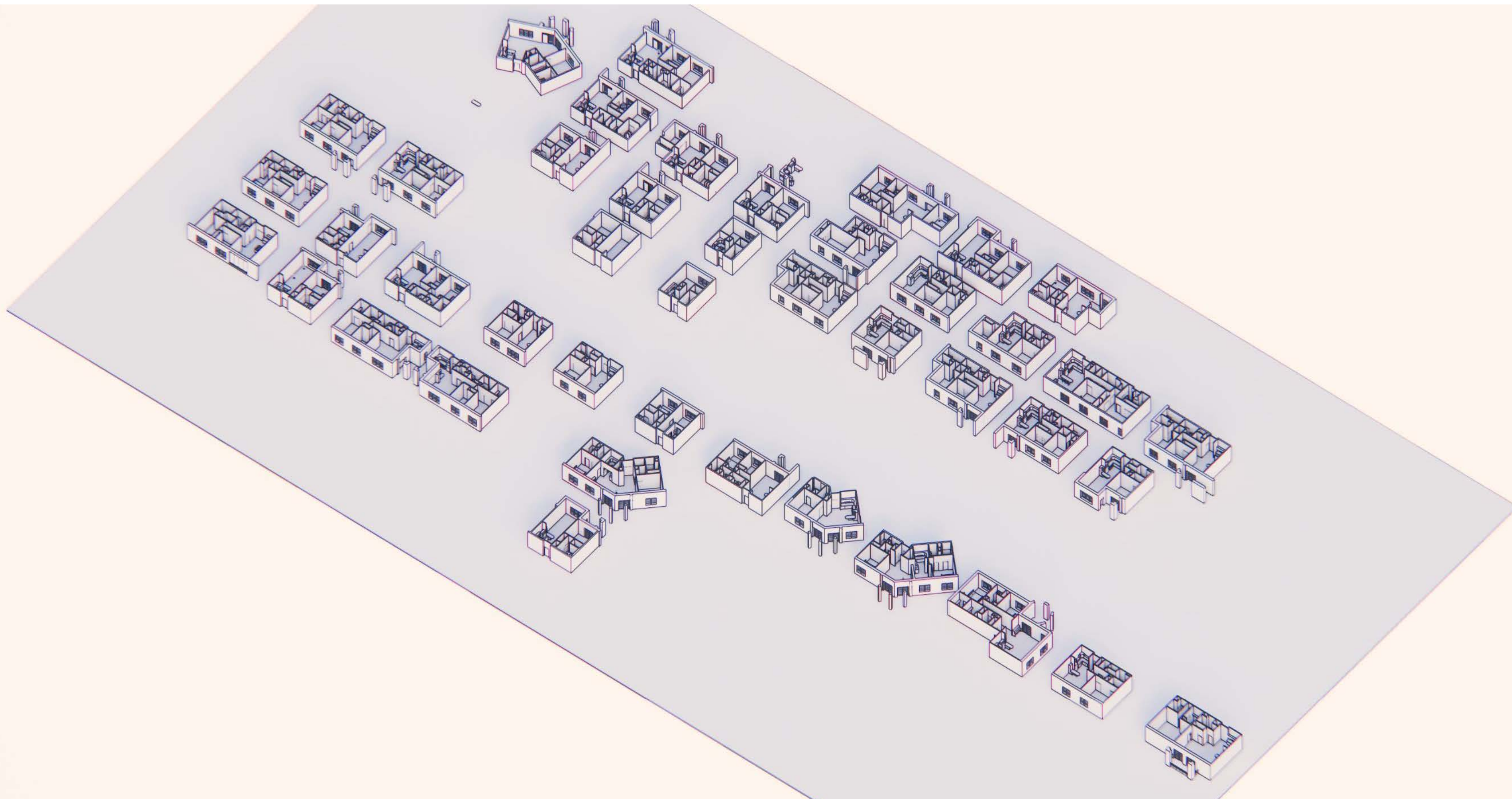


Capital Plan – Development

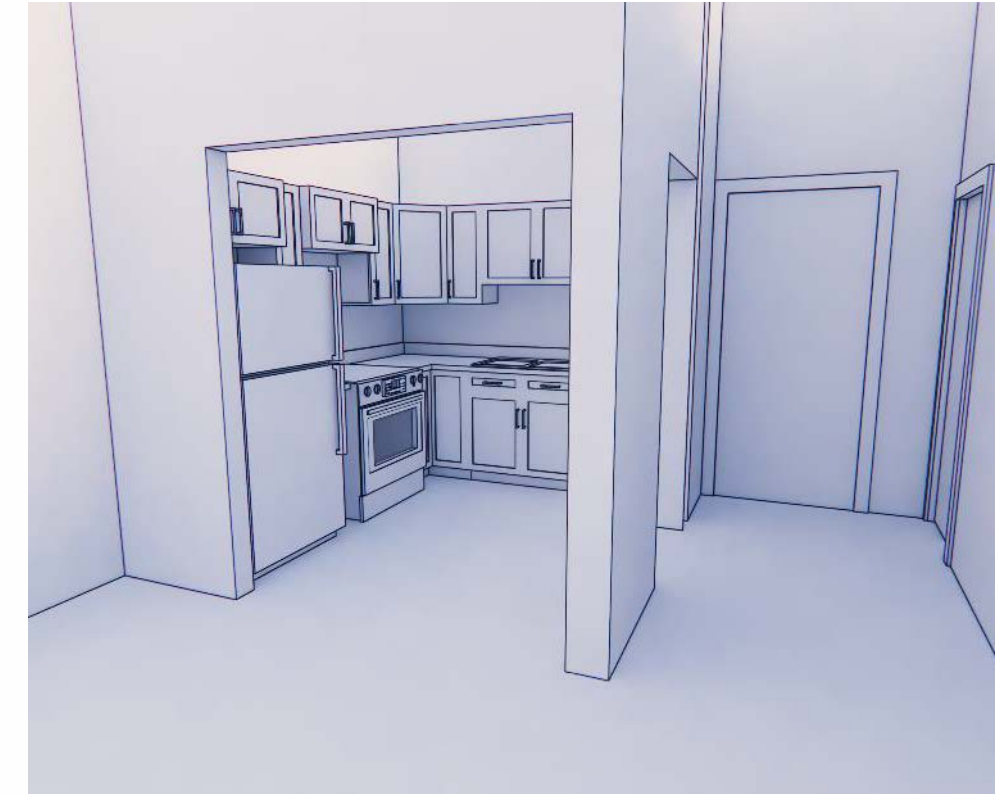
Align with strategic initiative, plot timeline, and prioritize



Capital Plan – Implementation



Capital Plan – Implementation



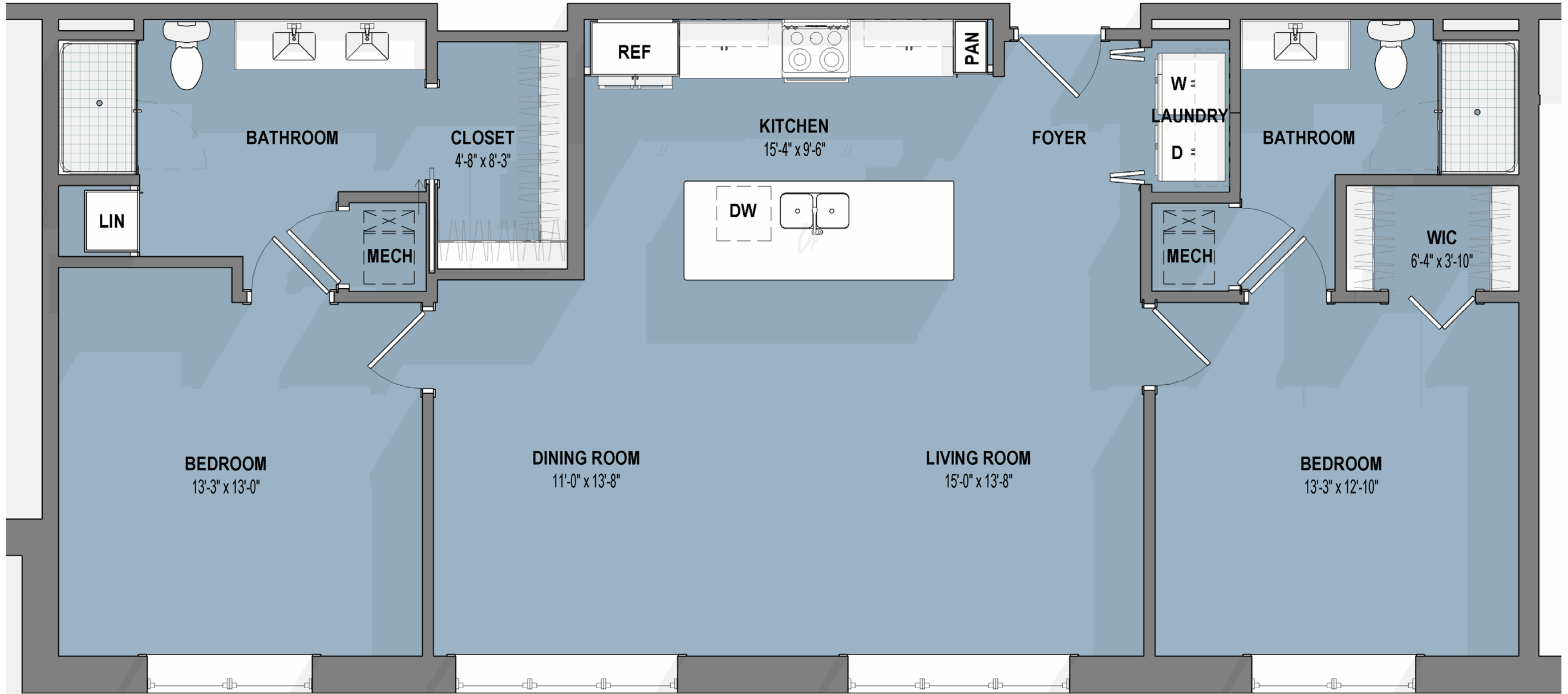
Capital Plan – Implementation



Capital Plan – Implementation



Capital Plan – Implementation



Capital Plan – Implementation



Capital Plan – Implementation





3

FUNDING SOURCES



Funding Sources

Excess cash from operations / net entrance fee proceeds

- Is sufficient cash generated from operations?
- Are net entrance fee proceeds available to reinvest in campus?
- Ideal source to fund smaller projects

Rightsizing

- Mennonite Home intentionally started to shrink nursing 5 years ago, ahead of rightsizing curve
- Went from roughly 480 healthcare residents to around 150 today



Funding Sources

Investments

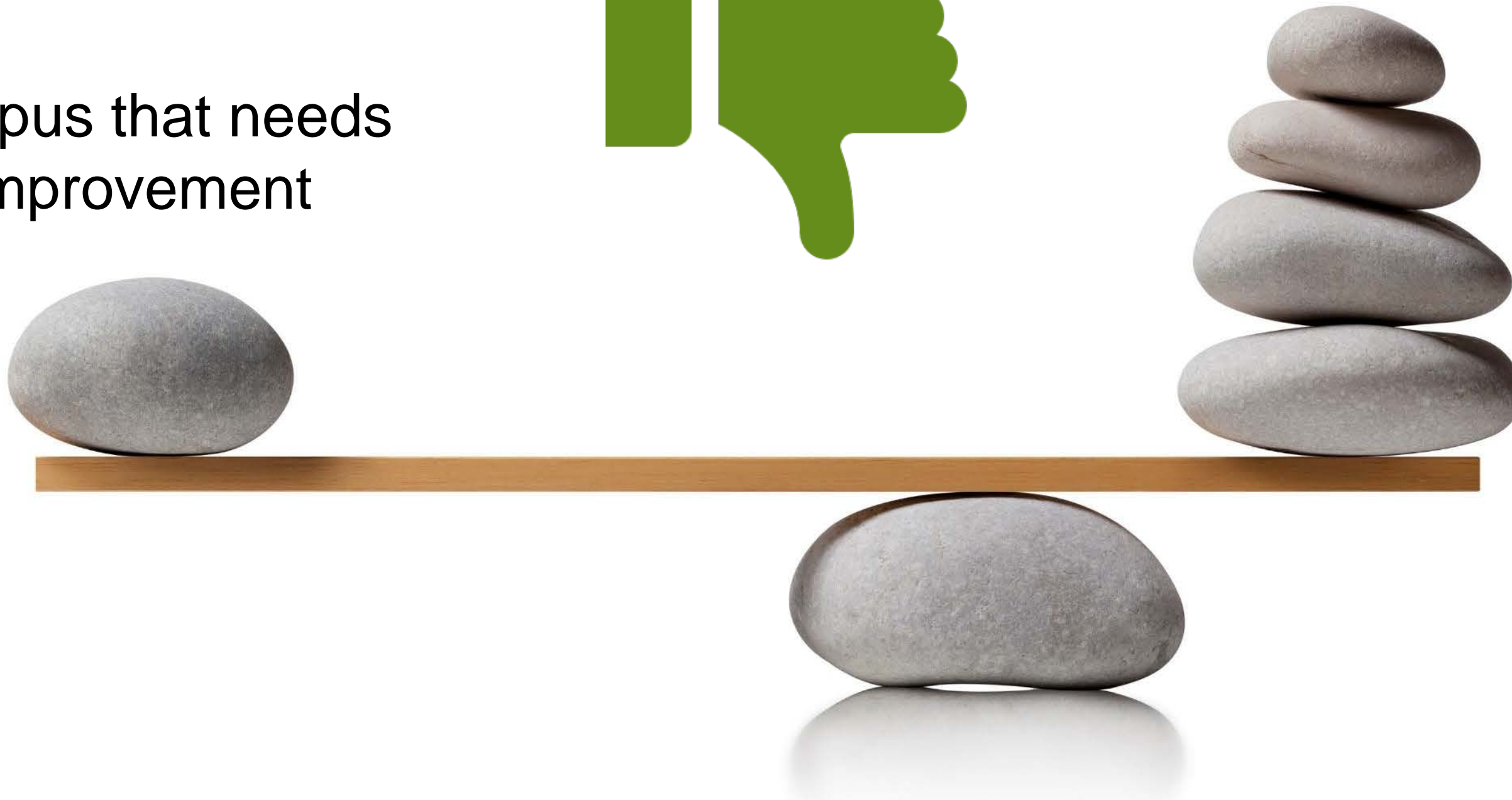
- Evaluate existing investment balances and investment return
- **Contemplate funding depreciation to meet future capital needs**

Funding Sources

campus that needs improvement



high number of days cash on hand



Funding Sources

Capital Campaigns / Grants

- Seek fundraising opportunities for specific projects
- Research available grant funding to support capital improvements

Funding Sources

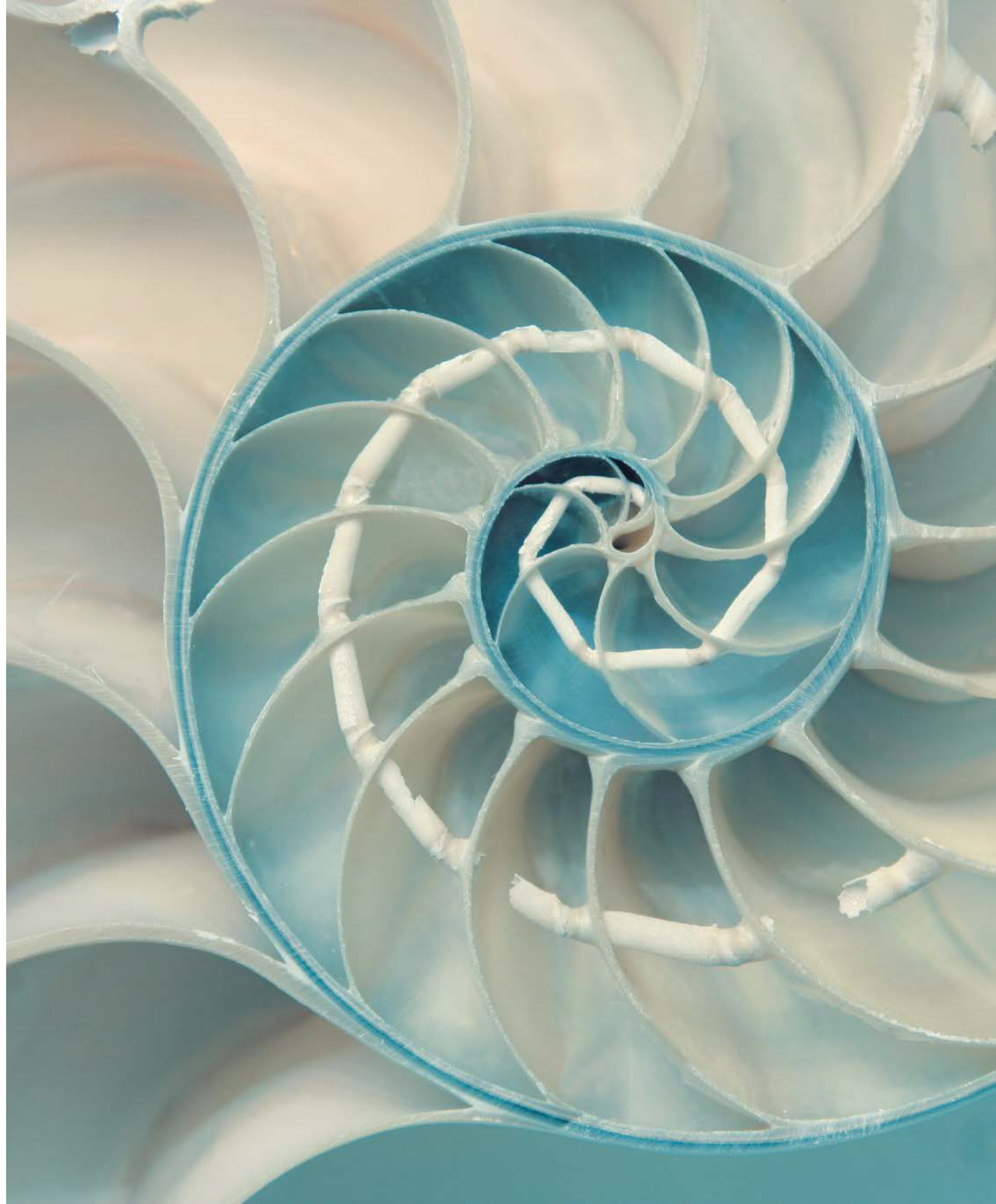
Borrow

- Consider existing debt capacity and interest rate environment
- Better utilized for large repositioning or expansion projects



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FINANCIAL RATIO CONSIDERATIONS

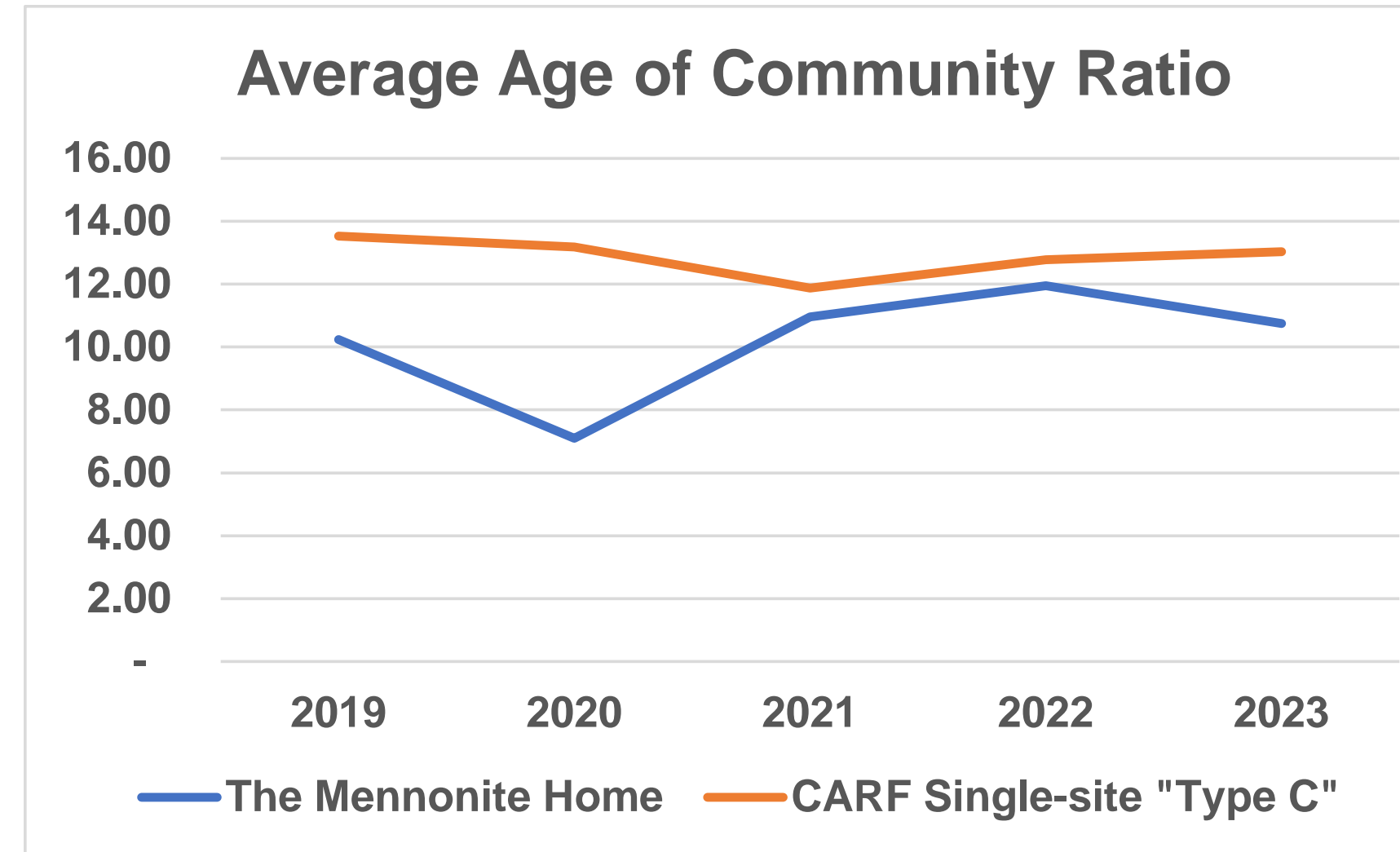
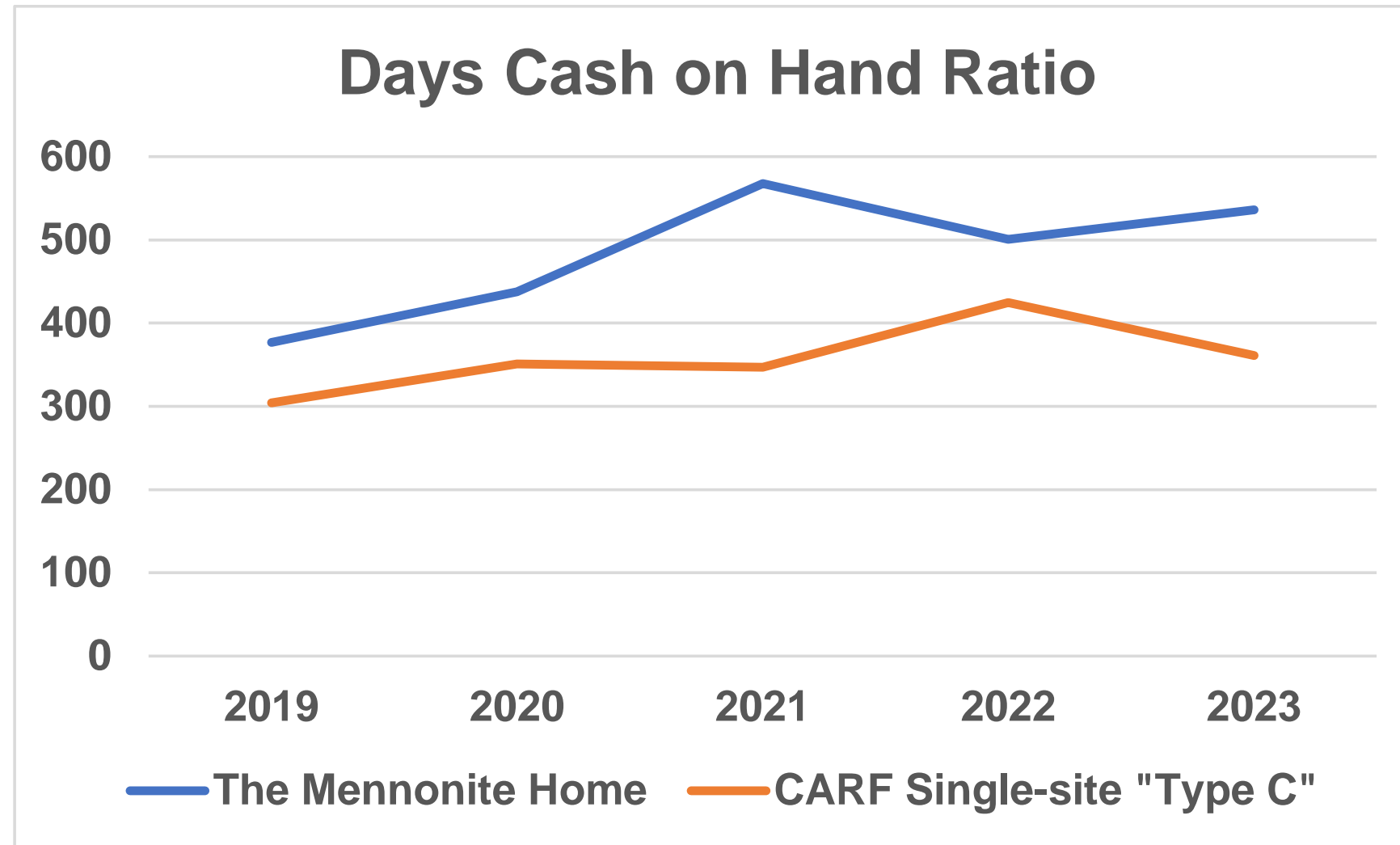


Financial Ratio Considerations

Average Age of Facility

Days Cash on Hand

Financial Ratios



Unrestricted cash & investments divided by
(Operating expenses less depreciation & amortization /365)

Accumulated depreciation divided by
Annual depreciation expense

CARF benchmark ratio source: CARF International annual publication Financial Ratios & Trend Analysis of CARF-Accredited Continuing Care Retirement Communities

More than Dollars & Cents

Listen to Staff and Resident needs, not just marketing

- “Leadership 101” – it’s an important thing to do
 - ✓ Show residents and staff that you’re listening
 - ✓ Example: sidewalk safety concerns - make a point of getting it fixed



More than Dollars & Cents

Listen to Staff and Resident needs, not just marketing

- Apartment “Turn” Considerations
 - ✓ 10 years ago, 90% occupancy in IL
 - ✓ Started to blow out kitchens and baths
 - ✓ Opened up floor plans
 - ✓ Combined smaller studios when flipping
 - ✓ Now 96.3% occupancy in IL





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Incremental Updates



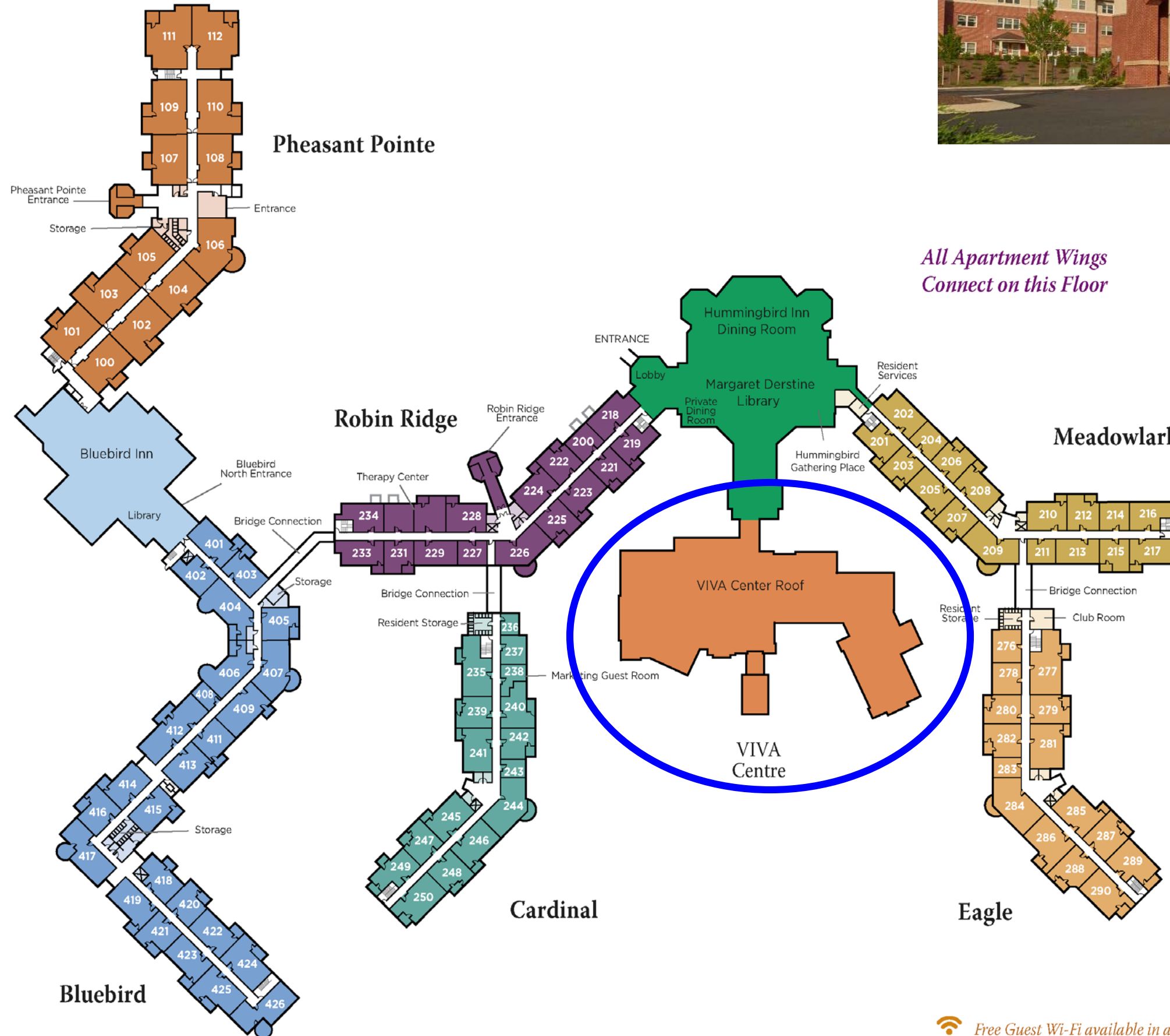
Incremental Updates

Start with Interiors Master Planning

- Set the stage for in-house updates
- Provide a framework for incremental turnover
- Supplement to master site plan

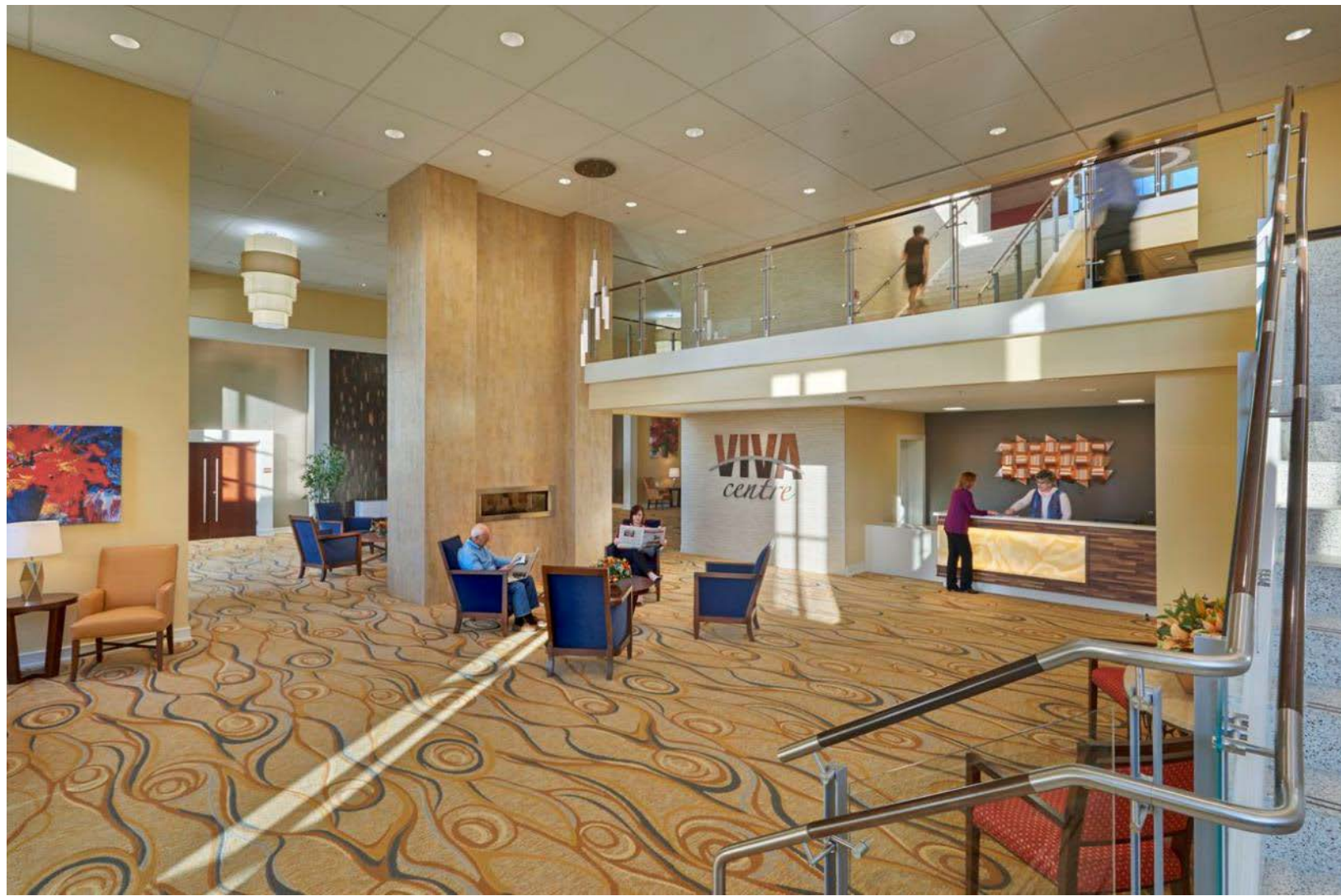


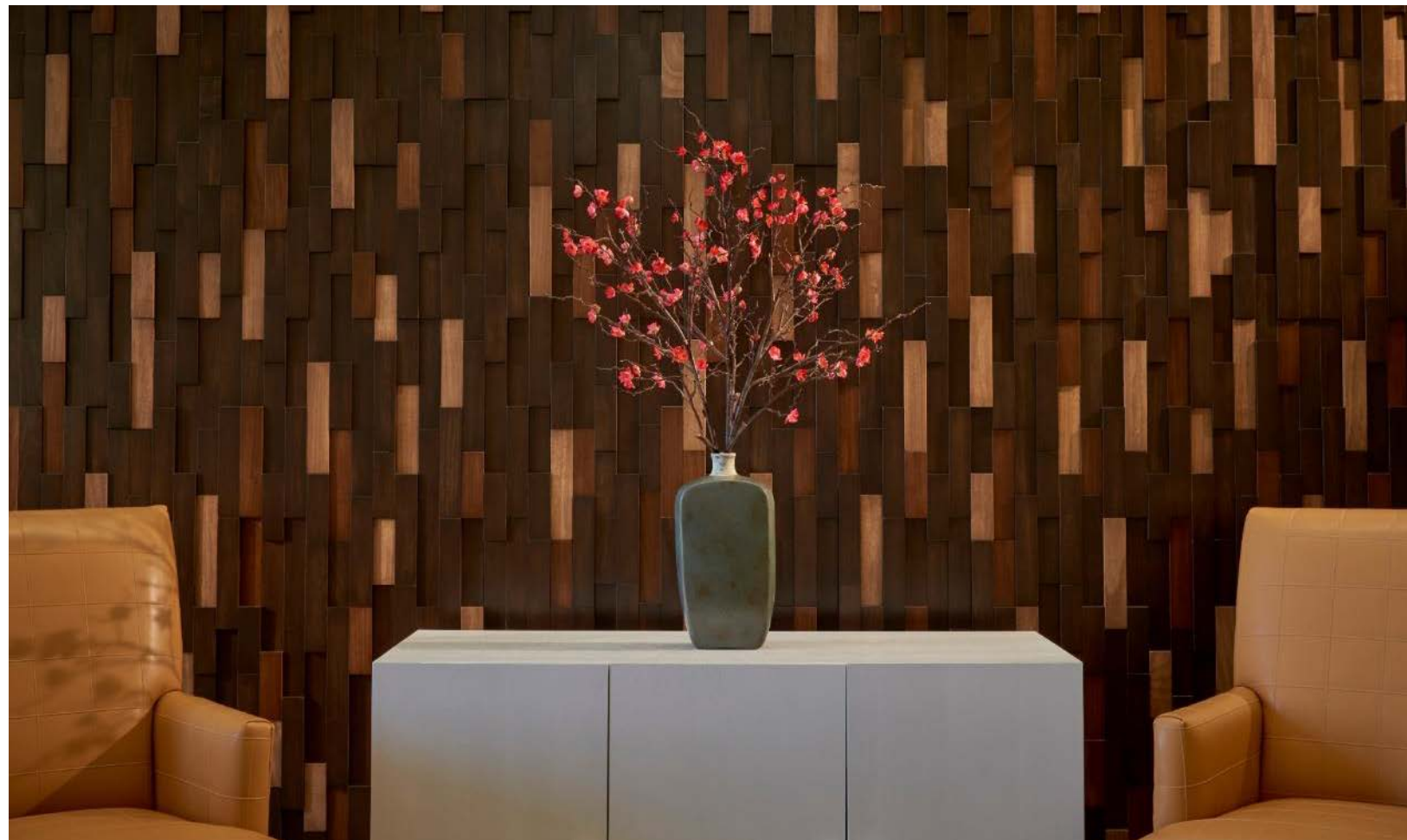
Interiors Master Plan



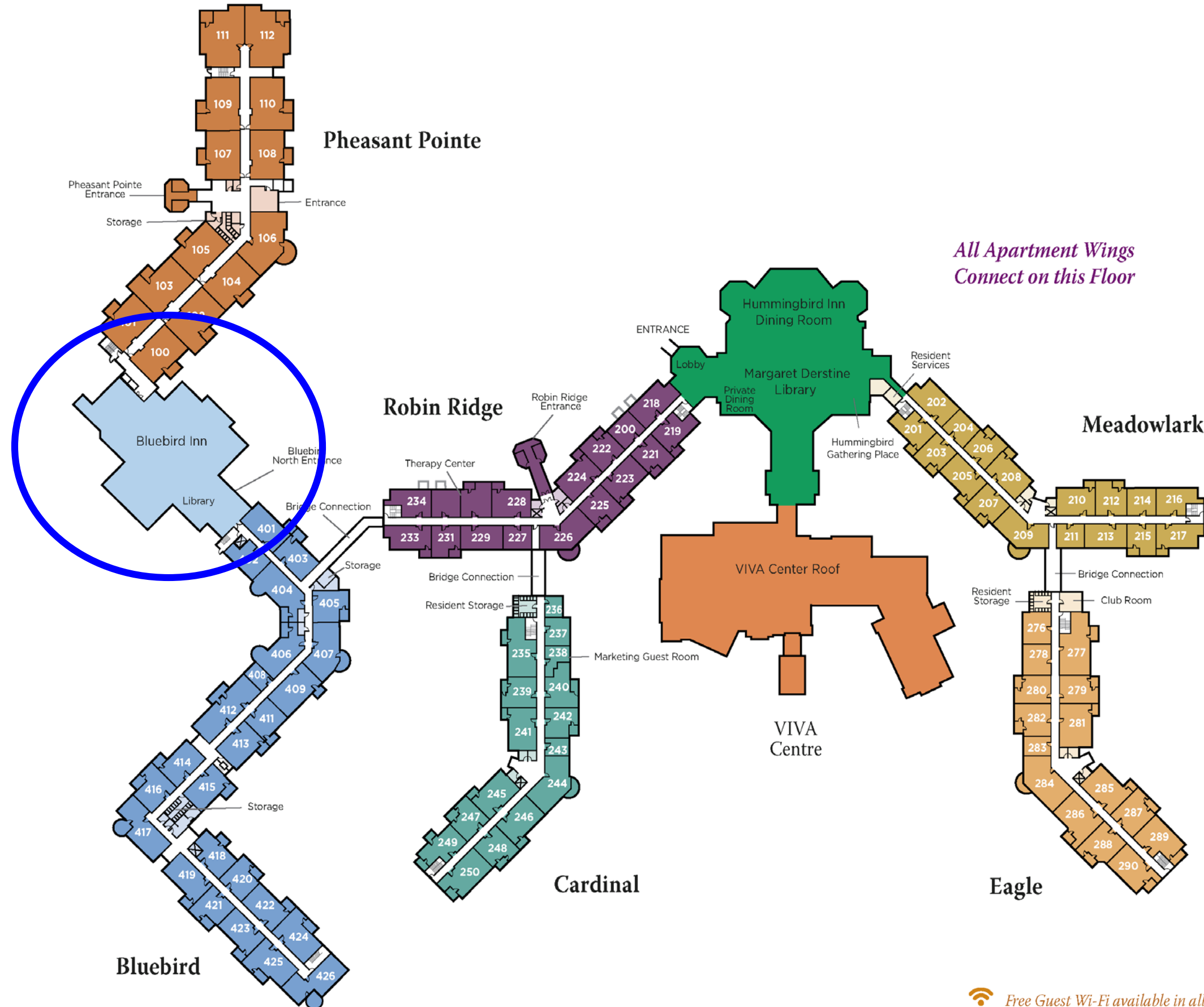
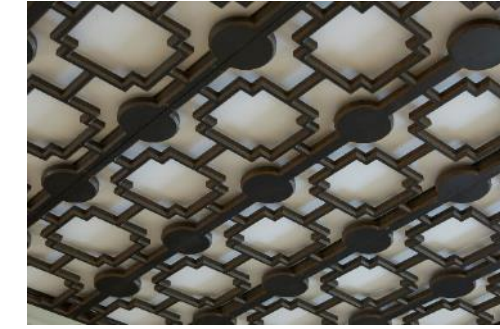
All Apartment Wings Connect on this Floor







Interiors Master Plan



Multi-phased Updates



Multi-phased Updates



Multi-phased Updates



Multi-phased Updates



● ● ● Multi-phased Updates



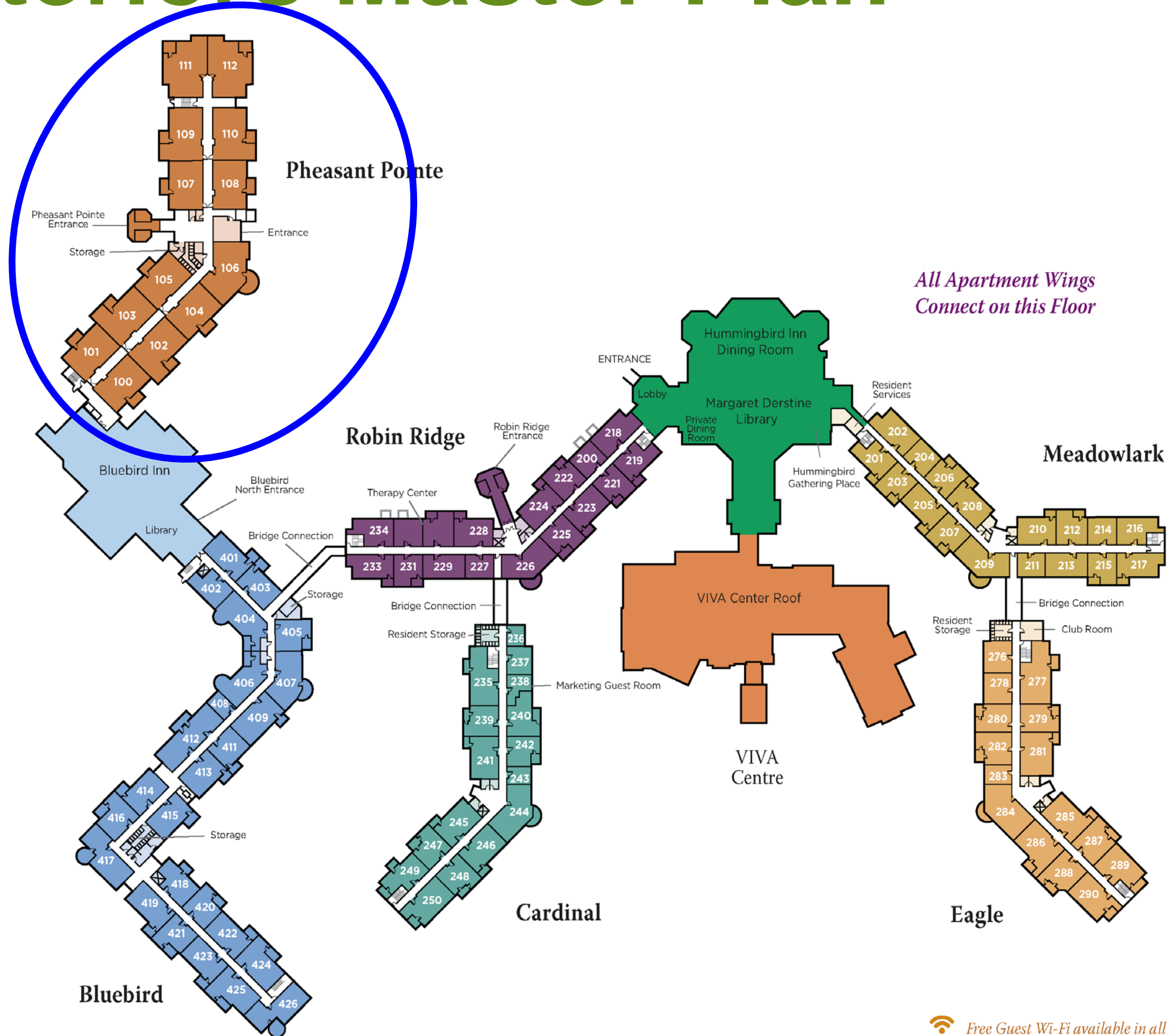
Multi-phased Updates



Multi-phased Updates



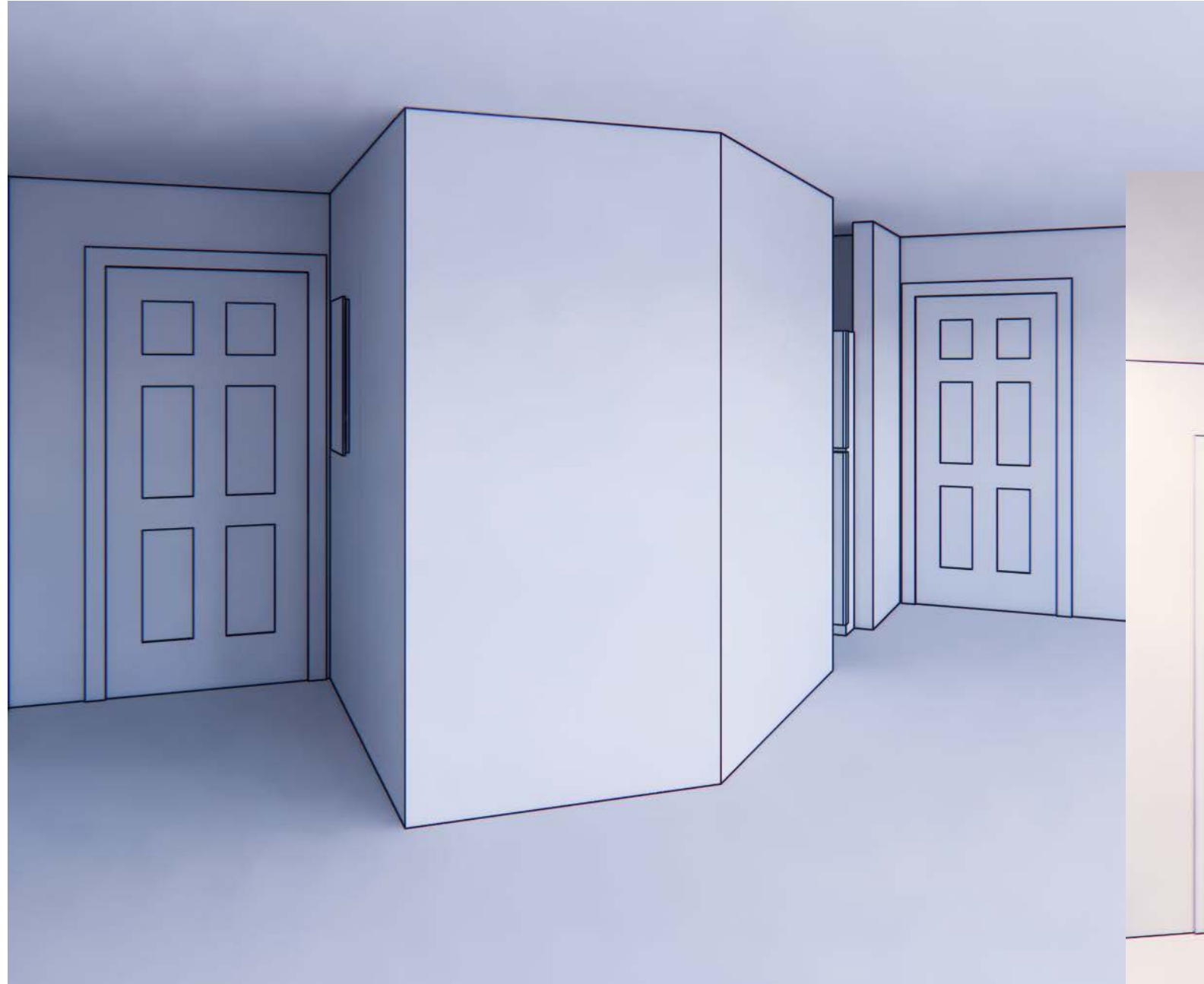
Interiors Master Plan



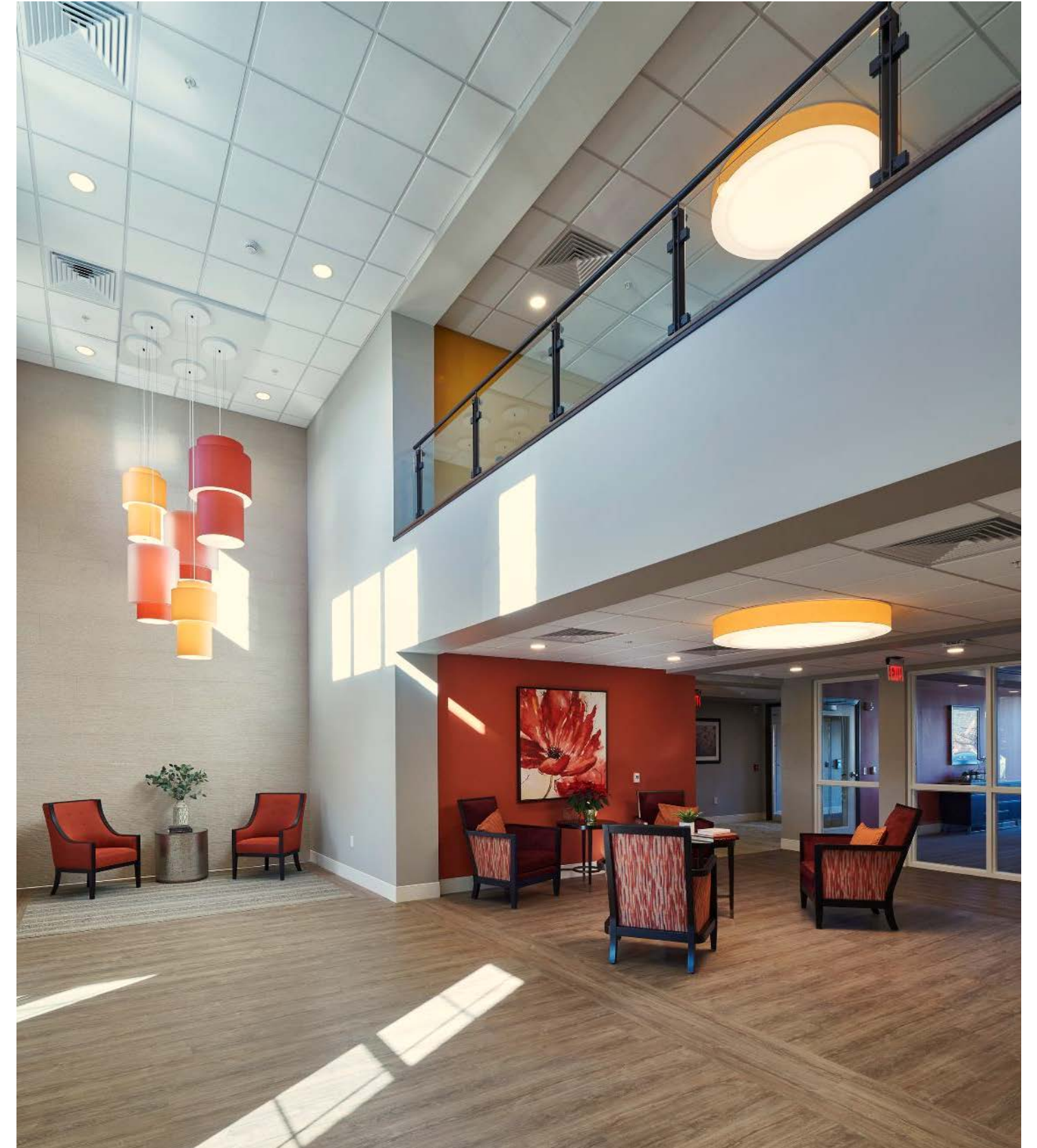


Multi-phased Updates – Unit Flips

● ● ● Multi-phased Updates – Unit Flips



Multi-phased Updates –



● ● ● Multi-phased Updates





6

Ongoing Evolution





Cash on Hand or Ability to Borrow

- Assess your needs
- Prioritize multi-year (3 – 5) plan
- Budget – do you have available cash to get this done?
 - ✓ Know Your Business Lines – Which can contribute (IL/AL/HC)
 - ✓ Entry Fee Proceeds?



“Bite-Sized” Update Strategies

- Have a Road Map (Interiors Master Plan)
- Remain Flexible
- Re-evaluate After Each Phase
- Use Lessons Learned to Adjust for Later Phases
- Manage Inventory

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Q&A



THANK YOU!



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President
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CAROLYN Jacobs,
RN, BSN, CPA
Senior Manager
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STACY Hollinger Main,
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