

WHAT HAVE WE LEARNED AT ALDERSGATE?

A resident's view

Well, we're still learning, even as recovery progresses and a new future is being charted.

It is important to note some key components of the financial crisis at Aldersgate. We were a stand-alone CCRC until about 2015. At that time a Parent Company was created with a mission to expand the Aldersgate brand to multiple sites of senior living communities and home care services. The parent company created a top-heavy, very expensive staff to oversee the planned expansions. Over time all of the new initiatives failed to progress, and millions of dollars were wasted. In early 2022 the CFO was terminated and the entire finance department resigned.

There were other early signs of problems in addition to financial. Trust between residents and management eroded away and then became a landslide of mistrust, angst and anger as the on-going health of Aldersgate operations was neglected. As phone calls and emails were not answered, parent company management became more and more aloof and even belligerent towards residents. The failures piled up, financial control was non-existent and resident service fees began to escalate at an accelerated rate.

During the year 2022, The Resident Association's Finance Committee appealed to the CFO and the CEO, and did not get a coherent response. A letter was written to the board of directors and our concerns were rebuffed by board leadership who claimed full confidence in finances and in senior management.

And so, the first and most important learning was to enlist help. We in North Carolina are blessed to have a regulatory agency

that holds the interests of CCRC residents as a priority. Our Resident Finance Committee called on the Department of Insurance for help. It was almost too late.

Let me digress a moment for a relevant story:

There is a species of Water Beetle, the *Regimbartia Attenuata* that lives in low lying areas of North Carolina and South Carolina, in the bogs and swamps and low savannahs of our states. These bugs regularly get swallowed whole by frogs who share those habitats. While there are a lot of things you can do to keep from being eaten, once you're inside the frog, your options are severely limited.

Generally, you get digested, but this particular species of beetle said "I bet there's another way", and it started walking. In fact, it walked through the frog's digestive tract and out the back end.

This is 100% true. You can look it up. 19 out of 20 of these beetles will simply walk out of the frog unharmed. It usually takes about an hour, although one beetle speed-ran the frog in five minutes, which was I'm sure very exciting for the frog.

I tell you this story because it has a moral: that no matter how dark the situation, there is always a way through. And there's always a light at the end of the frog.

So, what did we learn during these dark times, and what did we do?

1. Residents must find a way for their voice to be heard by management and the governing body. Semi-Annual Business Meetings had become Dog and Pony Shows from management with no interaction of residents. We

- began to have some very contentious Semi-Annual Business Meetings as residents demanded to be heard. These semi-Annual meetings became very important to get the attention of the board of directors.
2. A skilled resident committee is needed in order to have an understanding of financial condition, ask questions, get responses that make sense and report to the Residents' Association.
 3. The strictly autonomous management style, poor communications, incompetent financial management and uncaring, uninformed, unengaged boards responsible for governance became onerous and intolerable for residents.
 4. The board of directors must have a direct connection for communications with residents; there should at least be a "safety valve" for residents to appeal in the event of management unresponsiveness. The board of directors must balance current and on-going needs of the CCRC with their strategic planning.
 5. The Residents' Association took an assertive approach to improve communications to become more timely and complete.
 6. The Residents' Association staked its claim on behalf of residents to be recognized as key stakeholders, and demanded an effective voice in governance.
 7. The Residents' Association worked on improving performance on work orders for maintenance, housekeeping and other services using our network of resident Area Representatives.
 8. The Residents' Association improved efficiency of meetings to prioritize the most important information

- relating to finances, management behaviors and governance.
9. The Residents' Association set a course to create a more collaborative relationship between residents and management, trying to overcome the years of an autonomous, arms-length relationship with management.
 10. The Residents' Association wrote a 5-page declaration of resident expectations of Aldersgate insisting that the mission and vision of the organization be changed to bring focus on residents of Aldersgate.
 11. The President of the Residents' Association spoke at Semi-Annual Business Meetings calling for changes in governance.
 12. The Residents' Association established support groups on "How to Deal with Uncertainty." These resident-led groups helped to deflate rampant rumors, provide the best real information we could get and offered concerned residents support in the midst of uncertainty.
 13. Dealing with failures of Senior Management (CEO) and Board of Directors required persistence, calling out misinformation, drilling down into suspicious financial statements, and ultimately required the Department of Insurance interventions. In hindsight, we should have called them earlier.

Residents have a right to expect all the things we signed up for including stability, safety and a relatively stress-free retirement. At the same time, though, we residents also must realize that we have a responsibility to ourselves and each other to pay attention for any financial excursions, foggy and incomplete communications, deflections, delays, and for not meeting our expectations. Make your expectations known and call out

behaviors that do not meet expectations. The Resident Association should strive for a collaborative relationship with management that contributes resident talents, ideas, expertise and experience and promotes alignment with the common goals of the organization. I hope Leading Age will be helpful in educating its members of the advantages of such a relationship model. And don't hesitate to call on the NC Department of Insurance if things begin to go sideways.

If I might add as a postscript, I would like to say that Aldersgate is today alive and well. We are indeed alive and are a vibrant and active community. We are not totally well just yet, but we have a new Interim CEO, a new CFO, a reconstituted board of directors, all with a revised mission statement that has focus on resident well-being. Previous errors have been corrected and we are charting a course for improved financial health.

- Some internal re-structure has been implemented as well as a reduction in staff to bring about efficiencies, eliminate redundancy and save money without reducing services.
- Cost reductions and improved purchasing procedures are bringing about savings.
- The newly constituted board of directors is actively exploring whether an affiliation of some sort (a potential merger or partnership for example) might create a synergistic system of mutual benefit. It is too soon to tell what the result of that exploration might be.
- The Department of Insurance continues to be actively engaged with our board of directors in both the corrective actions and the forward-looking long-term direction of Aldersgate.

- The Residents' Association President plus two other elected resident members of the board of directors are included in and contributing to these efforts as well.
- Together, we are a strong leadership team that has gained the trust of residents, and we have confidence that we will not only survive, but flourish.

Pgj/september, 2024