

CONCLUSIONS:

- The Chapter House property at 1819 W. Cheyenne Road Colorado Springs, CO 80906 is no longer sustainable as an independent living facility.
- The money currently being spent on maintenance, payroll, property insurance, groceries, and utilities would be better employed to expand the project to allow individuals from our entire state who live in residential care facilities to apply for assistance from, and to benefit from, the project.

RECOMMENDATIONS:

- Amend the Colorado P.E.O. Charitable Corporation's (CPCC's) Bylaws to clearly indicate that property may be sold without dissolving any project.
- Amend the CPCC Bylaws to make all dissolution clauses for CPCC projects identical at 2/3 majority vote at an annual or special meeting.
- Amend the CPCC Bylaws to move Share the Care and Endowment funds from the Chapter House Article X, create Article XI (Share the Care) and Article XII (Endowment), and renumber all subsequent Articles.
- After the requisite changes to the CPCC Bylaws have been adopted, propose the membership vote to sell the property at 1819 W. Cheyenne Road Colorado Springs, CO 80906.
- If the sell vote is successful, use proceeds from the sale of real property to assist people throughout the state, and use Share the Care and Endowment funds to assist with the relocation of current Chapter House residents.
- If the sell vote is unsuccessful, use operating funds to relocate current Chapter House residents, and reduce staffing to security, grounds maintenance, and bookkeeping. Leave the residence empty and reduce insurance coverage to a minimum amount.

Charge and Members

The Chapter House Review Committee (the "Committee") was appointed in January 2020 by then CPCC Chair Patty Fry, comprised of a representation of the general membership with regard to opinions about the future of Chapter House. The Committee's responsibility, as defined in the charge document attached hereto as Attachment 1, was to do thorough examination/review of the Colorado P.E.O.

Chapter House, including review of:

- Chapter House Financial records, including current investments, monthly operating expenses, major expenditures
- Operating revenue and donations
- Building/property, including a review of state of current structure(s) and mechanical systems
- Potential non-traditional options for operations of the Chapter House (i.e. Nebraska CH, management partnership idea)

The initial members of the Committee were:

Cheryl Burnside, Chapter ES, Denver, [then] Vice Chairman, CPCC

Lynn Doyle, Chapter GP, Denver

Velma Lucero, Chapter ED, Aurora

Patty Fry, Chapter IB, Dillon, [then] Chairman, CPCC (ex-officio)

When the new board year began on June 6, 2020, Patty Fry was appointed to Colorado State P.E.O. Executive Board and resigned from the Committee, and CPCC board member and treasurer LJ Van Belkum was appointed to fill the vacancy.

The Committee began meeting in March 2020, suspended its meetings when COVID restrictions began, and resumed its meetings in September 2020 via zoom.

The Committee's progress was reported to the CPCC Board of Directors at each regular board meeting via Cheryl Burnside.

The Committee has now completed its review.

Information Reviewed

The Committee considered and analyzed where necessary:

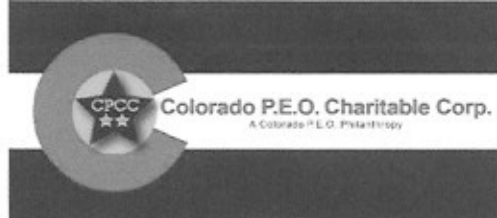
- CPCC Articles of Incorporation and bylaws, as a Colorado nonprofit corporation separate from the Colorado State Chapter of the P.E.O. Sisterhood;
- Chapter House property purchase and construction history;
- Financial statements, including annual donations and total revenue from 1980-present, with focus on comparative profit/loss statements from FY 2016 – present (the time period that CPCC's accounting has been done in QuickBooks) and current investments available for Chapter House operating expenses;
- 2003 Special Committee Report re: Chapter House operations and financial performance;
- Capital Needs Assessment prepared by Criterium McCafferty Engineers, signed 9.22.20, regarding the Chapter House building ("2020 CNA"), which projects the maintenance needs of the Chapter House residence over the next 10 years;
- Details of current maintenance issues, including but not limited to boiler repairs, aged water heater issues, wildfire mitigation expenses, yard debris removal, hail damage from 8.5.20 storm, non-tempered-glass issue re: resident-room patio doors/windows and emergency exit doors, and others;
- Current number of residents;
- Core staffing requirements/cost;
- Disposition, evolution, and current status of other states' P.E.O. chapter houses and/or resulting assistance funds (including Iowa, Minnesota, Idaho, Nebraska);
- Explosive growth over the past 20-30 years and current status of retirement living industry and ability of Chapter House residence to compete within that industry;
- Availability of multiple retirement living options closer to home for members and others;
- Potential alternate management opportunities with investor/industry partners, to no fruition;
- Broker's price opinion regarding the Chapter House real property of \$2.8 million dollars; and
- Direction of International Chapter of P.E.O. in November 2020 that CPCC may only sell the Chapter House property pursuant to the dissolution bylaws that require successful votes at two consecutive annual meetings, rather than via the sale of real property bylaw that requires a successful vote at one special or annual meeting.

Considerations

1. The retirement living/retirement resort industry was born after Chapter House was built, and has grown to the point that multiple facilities are now available in or close to every town in Colorado, with many amenities and standard offerings, often including continuum of care, that are not available at the Chapter House residence. This industry growth has decreased the demand for small scale, single location operations (i.e., not multiple-location- or chain-owned facilities) such as the Chapter House.

2. The Chapter House residence operations have resulted in net losses averaging \$100,000 per year for the past four fiscal years.
3. The Chapter House residence does not have a viable business model that allows it to break even each month. Prices of supplies and maintenance continue to go up, and employees must be paid. Even at full capacity after the current room remodels are completed, gross rental revenue may be enough to cover payroll expenses alone. Thus, this annual operating loss will likely continue at least at this level each year.
4. Annual donations to Chapter House operations have not changed materially since 2005 and were approximately \$38,000 for the fiscal year ended 2020. This is not sufficient to cover the Chapter House operating losses.
5. The remaining Chapter House investments available to cover operating losses are valued at approximately \$518,000 as of the date of this report.
6. The Chapter House residence, built in 1966, will require between \$200,000 and \$300,000 in deferred maintenance and system replacement costs over the next 10 years, according to the 2020 CNA described above. These expenses are over and above the operating expenses of the residence.
7. The 2020 CNA does not include the costs associated with emergency safety/habitability items and unexpected mechanical breakdowns. As an example, the 2020 CNA does not include some of the recently discovered urgent safety and habitability-related maintenance items that are immediately necessary.
8. Immediate repairs totaling approximately \$136,700 as of the date of this report needed to be authorized because of International Chapter's instruction to CPCC that it may not pose the sale-of-property question to the CPCC membership prior to June 2021.
9. The Chapter House residence is one of only two remaining independent living P.E.O. chapter houses in the U.S. All others have sold their residences and transitioned their former chapter house projects into grant assistance funds that have grown and thrived without the burden of operating expenses of a facility, and now serve hundreds of recipients per year.
10. The Chapter House residence resulted from the passion of Colorado P.E.O.s beginning in 1949, and the residence and operations have continued for 54 years. Colorado P.E.O.s can be proud of and celebrate this service to more than seventy (70) P.E.O.s and other residents over those years.
11. It is inevitable that the investments available to cover Chapter House operating losses will run out, most likely in the next 3-4 years.
12. It is not financially responsible to continue the operations of the Chapter House residence.
13. The Committee recommends that the CPCC Board seek membership approval to sell the Chapter House property as soon as possible without dissolving the project, and expand the project to allow individuals from our entire state who live in residential care facilities to apply for assistance from, and to benefit from, the project.
14. The Committee recommends that the CPCC Board take whatever action is necessary to continue to provide rent assistance to the residents who are residing at the Chapter House residence at the time of its closing through the Share the Care Fund and the Endowment Fund as provided in the bylaws.
15. By selling now, before the project runs out of money, the CPCC Board will have the opportunity and time to help relocate current residents, to give employees as much notice as possible, and to consider the best and highest options for sale of the property in order to maximize the proceeds for the continuation of the project.

Respectfully and lovingly submitted by
2020 Chapter House Review Committee
November 30, 2020



Colorado P.E.O. Charitable Corporation
1819 W. Cheyenne Road, Colorado Springs, CO 80906

CHAPTER HOUSE REVIEW COMMITTEE

The responsibility of this committee, appointed by CPCC Chairman, will be to do thorough examination/review of the Colorado P.E.O. Chapter House. This will include review of:

- Chapter House Financial records, including current investments, monthly operating expenses, major expenditures
- Operating revenue and donations
- Building/property, including a review of state of current structure(s) and mechanical systems
- Potential non-traditional options for operations of the Chapter House (i.e. Nebraska CH, management partnership idea)

The committee's primary focus will be research and review of documents and information relevant to Chapter House and no other entities within CPCC or CSC.

The committee will be comprised of three (3) members and the Chairman of CPCC BoD and will be a representation of the general membership (with regard to the future of Chapter House).

The committee will operate with the full cooperation and support of the CPCC Board of Directors and will have access to any relevant documentation and information.

The committee will provide ongoing progress reports to the CPCC Board of Directors.

It is the expectation that the committee will begin meeting in early March 2020 and complete its charge no later than December 1, 2020.

The committee, at its conclusion, will provide to the CPCC BoD, a report and recommendation(s) based on their findings.

Committee mileage expenses will be reimbursed by CPCC.

Committee Members:

Cheryl Burnside, Chapter ES, Denver, Vice Chairman, CPCC
Lynn Doyle, Chapter GP, Denver
Velma Lucero, Chapter ED, Aurora
Patty Fry, Chapter IB, Dillon, Chairman, CPCC (ex-officio)

****In no case shall any committee have the authority to act for the Board of Directors.**

• Because the decision to delay putting a question to the membership was made for us, and the board has a duty to protect and preserve our philanthropy, several expenditures for the safety of those at CH were immediately implemented. CPCC bylaws require membership approval for improvements of real property when the total amount involved exceeds \$100,000. The board determined however that, except for the remodels, these expenses were repairs, not improvements.

- \$1000.00 to OPR (Osborne, Parsons, Rosacker- the CPA firm that completed CPCC 2020 audit) to do a financial projection regarding longevity of CH investments to cover CH operating losses (not a repair, but strongly encouraged by International Chapter).
- \$55,300.00 for replacement of patio doors and windows at CH.
- \$7678.00 for the replacement of the glass in the emergency exit doors.
- \$20,667.00 for replacement of boiler and holding tank in the utility room at B&C wings of CH.
- \$7224.77 for treatment of all water damage items at CH.
- Up to \$4500.00 for replacement of 29-year-old water heater that serves the kitchen.
- Up to \$5000 to purchase (a/k/a replace dishwasher that ceased to work more than two years ago) a commercial dishwasher with sanitization capability.
- \$9400.00 for asbestos testing and demolition of the cottage; if asbestos tests have positive results, abatement will be required prior to demolition, per Department of Health requirements. [Update: since the list of these expenditures was authorized, we have learned that the cottage requires asbestos abatement before demolition.]
- Proceed with completion of the conversion in apartments A-2 and A-3 as soon as possible, including but not limited to all kitchenette features and items, carpet and contractor services for elements that will require permits.
- \$2200.00 for installation of carpeting in A-2 and A-3 after kitchenette and wall moving is complete. [Update: wall-moving required asbestos testing, which came back positive for asbestos; bids for abatement are currently being obtained by the board.]
- Identify roofing and gutter contractors and obtain bids on repair of the CH roof and gutters as the result of the 8/5/20 hailstorm – expenditure amount to be determined, \$60,000 received from insurance claim.
- Approved identifying bids for painting the exterior of the CH and the other items damaged by hail (bridges) – expenditure amount to be determined.