

CPCC Q&A Volume 3
January 18, 2021

Regarding the Chapter House, are all the repairs finished and the rooms all rented?

No to both.

Re: repairs:

There are 2 former overnight guestrooms that are being converted to efficiency apartments (to find out if there is a market for apartments this small – approx. 320 s.f.; there are 3 additional former guestrooms – nothing is being done with them at this time). These conversions (construction of kitchenettes, update of bathrooms, paint, new carpeting) were put on hold while we have the necessary asbestos abated before the conversions can continue.

[NOTE: During late December 2020/early January 2021, two residents moved to assisted living facilities. As a result, the board decided to put conversion of the 2 former overnight guestrooms, and the related expenses, on hold, and instead prioritize getting the now 3 vacant one-bedroom apartments rented as soon as possible in order to increase Chapter House operating income. **Updated 2.15.21**]

Many other repairs are in progress: patio door and resident-room window replacement, roof and gutter repair from the 8.5.20 hailstorm, water heater replacement, dishwasher replacement.

Also, one resident room still has a bathtub, so that is being replaced with a shower for safety reasons.

Re: rooms rented:

There are currently 4 apartments rented. [**Updated 2.15.21**]

We have 3 vacant 1-bedroom apartments – being advertised in CPCC newsletter and in the P.E.O Record.

If and when the conversions of our 2 efficiency apartments are completed, our plan is to advertise those as well.

There are 3 additional former overnight guestrooms that are not rentable because they have no kitchenettes.

What is the current cost to rent a retirement unit?

\$2800 – 1-bedroom unit

\$2500 – studio unit

\$2200 – efficiency unit

All meals and utilities included.

Who approves the renovations?

The CPCC board.

Who is the current manager and how many other employees are needed to run it?

Current House Manager – Bill Tremmel.

1 Assistant Manager-also a part-time housekeeper.

1 part-time bookkeeper.

1 House Assistant- part time cook, housekeeper, grounds and maintenance.

2 cooks.

Currently there is no full-time maintenance/grounds person, but the house manager, assistant manager and house assistant are sharing those duties, and the house manager is gathering price information for

possible contracted mowing/weed eating/raking, etc. for spring/summer as an alternative to having a grounds/maintenance employee.

What is the situation with the asbestos found?

Abatement inside the chapter house (3 rooms) will begin as soon as the permit is obtained from the State of CO.

Abatement of the cottage will occur immediately after the chapter house abatement is finished.

When do you estimate completion of the projects?

Chapter house abatement will last approximately 1-2 weeks after the permit is obtained (10-business-day waiting period).

I don't know the estimated length of the cottage abatement task.

After abatement is completed inside the chapter house, the conversions/bathtub replacement will be performed/completed - approximately 2 months.

The remaining chapter house repairs will be completed when contractors are selected and available – we are hopeful they will be completed by the end of the fiscal year – 3.31.21.

This info is relevant only to the repairs that have been identified and prioritized for now. Please see the Capital Needs Assessment for the chapter house for the repairs and maintenance that are recommended over the next 10 years. It is linked in the October newsletter without attachments. If you would like the complete report, please let any board member know.

What is the decision regarding the cottage? Where is the caretaker presently living?

The staff member who was living in the cottage is our housekeeper/part-time assistant manager.

She is now living in an apartment in Colorado Springs.

During mold remediation in the cottage which required removal of three layers of flooring in the kitchen due to the extent of the mold, the contractor discovered that the water damage to the cottage, resulting from natural drainage because of its location at the bottom of a hill, had caused not only the mold but also structural damage – the sill plate was determined to be rotted and would need to be replaced to properly repair the cottage. He also discovered that the foundation was damp. The rough estimates for such structural damage repair were between \$30-50K, not including the necessary “finish” repairs in the cottage – kitchen, bath and flooring throughout.

The board determined that (a) because the cost of the structural repairs was significant, (b) because the damage resulted from the cottage's location and would occur again even if the repairs were done, and (c) the cottage is not part of the stated CPCC mission in the Articles of Incorporation and the Bylaws, it made no sense to perform the repairs.

The board also determined that leaving the cottage standing but abandoned could potentially attract local wildlife or vagrants and cause a safety issue to our staff, residents and neighbors, and therefore should be demolished. We learned that a demo permit required asbestos testing, and – you guessed it – the cottage is full of asbestos. All asbestos must be abated before demo can occur.

We have had discussions with the CSFD to use the cottage for a training exercise after the abatement is completed. After any such use by the CSFD is completed or if the CSFD decides not to use the cottage, the cottage will be demolished.

Financial concerns

It is disturbing that our loss yearly for operating the facility is \$100,000. One solution is to raise retirement unit rent \$1388 a month. Assuming there are six units rented, the deficit would then be covered. \$1388 a month is too big an increase for the residents. Have you considered using the endowment fund to cover

part of the increase, increase the rent of each retirement unit, and raise fees for the use of the building by chapters to operate with less loss?

I AGREE – it is a HUGE concern that the annual operating loss from the chapter house residence averages \$100,000 per year.

There are 4 units rented at this time – two of our residents moved to assisted living facilities during January 2021. [Updated: 2.15.21]

I also agree that a rent increase of \$1388 per month per resident is unreasonable.

Bonus information: based on information found in old chapter house flyers, it appears that before April 2020, resident rent had not been increased in nearly 10 years. The board's policies now state that rent will be evaluated and adjusted if necessary, each year as of 4.1.

The rental rates set out above were determined by the board last summer after a thorough cost analysis by our treasurer of every element of chapter house operating expenses. They are effective for any new residents and will become effective for our current residents as of 4.1.21.

The endowment fund is a restricted fund under accounting principles.

Under our bylaws, its interest and earnings can be used for chapter house operations, but its principal can only be used for the specific use designated by the donor, OR, if no specific use was designated by the donor, the principal cannot be used and simply accrues interest,

UNLESS the chapter house and endowment fund are dissolved under the current bylaws, in which case the endowment fund may be used to provide assistance for housing costs to residents of the chapter house at the time it was dissolved.

The Share the Care fund, however, may be used to help ease the burden of the significant increase that our new rental rates represent for each current resident, and is on the agenda for discussion at our next regular meeting on 2.6.21.

Has the Chapter House residence ever been self-sustaining?

Tough question, mainly because of the availability of detailed accounting records and the changes in accounting for chapter house separate from the rest of the CPCC projects over the past 9 years.

For fiscal years 2017 through 2020, operating losses have occurred each year and total \$403K.

For fiscal years 2013-2016, only 2015 shows an operating loss, but our bookkeeping was not done on QuickBooks and we believe that the operating income/loss numbers include the entire corporation. In other words, income (donations and interest) and expenses for Marguerite Fund, Marguerite Fund Shower, chapter house, Share the Care Fund, Endowment Fund, and the board account were included in the operating income/loss for each of those years.

For fiscal years 1980-2012 (when the corporation included only chapter house, Share the Care and the Endowment Fund), we have only summary financial information. It appears that there were 21 out of those 33 years in which the corporation had positive operating income.

We have not researched financial information for years prior to 1980.

In 2001 an individual gave \$500,000 to the Chapter House. Was that money given directly to the Chapter House, or was it distributed to the CPCC or as part of the "endowment fund"?

Based on the original documentation available, this gift was given to the Chapter House project without restrictions for its use. At the time it was given, it was incorrectly booked to the Endowment Fund.

Within a couple of years, the Chapter House Trustees (the decision-making authority until 2012), determined that the funds were not restricted by the donor and were correctly moved to the Chapter House unrestricted investments (so they could be used for operations).

Philanthropy

Explain the continuation of the “Philanthropy” and what has been done in other states.
See Q/A doc linked in January newsletter (now labeled Q/A Volume 2).

If the Chapter House is sold, please clarify what the “Philanthropy” is and how the funds from the sale would be put to use. See Q/A doc linked in January newsletter (now labeled Q/A Volume 2).

What happened to the Iowa, Minnesota, Idaho, Nebraska chapter houses and where is the other operating chapter house?

Iowa – **sold in 2000**, proceeds used to establish Iowa P.E.O. Projects Fund under same 501(c)(3) as had owned and operated the chapter house. As of 3.31.20, fund assets were approx. \$3.8 million and \$500K in grants were distributed in FY 2020. (Based on Info from Iowa P.E.O. website (happy to send if you would like to see it) as well as telephone conversations with the current board chair of the IPPF 501(c)(3) and with a member of the Iowa EB at the time the chapter house was sold.)

Minnesota – never had a house; after several chances to buy or be gifted a house, they decided to not have a house and the operating expenses that come along with it, established a 501(c)(3) grant assistance fund, and now give assistance grants from that fund for Minnesota residents with temporary needs. (Info from the Minnesota P.E.O. website – happy to send if you would like to see it.)

Idaho – only other remaining independent living chapter house in the U.S.; currently operating with operating losses each year. (Info from telephone conversations with current treasurer of 501(c)(3) board that owns and operates the chapter house.)

Nebraska – has now become an assisted living facility, NOT an independent living facility. Projected operating loss for FY2021 per the chapter house’s budget is nearly \$500,000.

Texas – **sold in 1993**; proceeds used to establish fund under same 501(c)(3) as had owned and operated the chapter house. Texas Star Oaks Fund, Inc. gives assistance grants to US. Citizens who are Texas residents with medical equipment, home repairs, elderly care, auto repairs, essential dental expenses, assistance with incremental education expenses and much more. For the year ending March 31, 2020, chapters and individuals contributed \$80,730.43, investment income from assets held at the P.E.O. Foundation was \$56,375.40, and grants totaling \$131,654.94 were awarded to 35 recipients.

Besides Idaho, ours is the only other operating independent living chapter house in the country.

Providing for the current residents and plans for future residents

You mentioned that we would be required to help the residents who would be displaced. Over a period of time this could become quite an expense looking at the cost of other independent living facilities.

Yes – our bylaws require that we use Share the Care funds and Endowment funds to provide assistance to the residents of the chapter house at the time it is dissolved. Two notes: those are the required uses of those funds upon dissolution, but only as long as those funds last; and the operative word is “help” with resident fees, not fund them completely. Additionally, all our residents are in their eighties and nineties, which is a consideration for how long assistance may be needed.

The Share the Care and the Endowment fund as of 10/31/20 have approximately \$452,105 when combined. Would this money be used to relocate the residents and then supplement their increased rent for the rest of their lives?

Relocate – not provided for in our bylaws.

Assistance with resident fees for the rest of their lives – yes if chapter house is dissolved, and if our funds last that long.

What are the plans for renting in the future? Is there marketing being done?

Our plans are to rent as soon as possible when we have available apartments.

Currently, we have 3 1-bedroom units available, and we will have 2 efficiency apartments available if and when the conversion is completed.

The 1 -bedroom units are being advertised in the CPCC newsletters, and we advertise the chapter house in every issue of the P.E.O. Record. [Updated: 2.15.21]

Thoughts for an expanded vision of the property and buildings

Have you explored extended visions for the Chapter House beyond its current use, such as a retreat center or event center? P.E.O. chapters and other users could hold meetings there. It would still demand management and monies for the use of the buildings and historic property, but without the larger responsibility of a senior living facility.

These uses are not included in our purposes under our current articles and bylaws, so we did not explore them.

If we eventually vote to sell, have you considered the option to sell the property to GOCO or a local entity so it can become a small park where we could all enjoy the beautiful property vs selling it to a developer (assuming that sale would bring in the same 2.8 million dollars)?

We have no idea what individuals, entities or agencies may be interested in buying the property.

General Questions

When was the CPCC formed?

The CPCC is became the name of our 501(c)(3) corporation in 2012. Prior to that time, its name was Colorado P.E.O. Chapter House, Inc., which was incorporated in June 1949.

The Chapter House website is currently down. Is it being fixed?

See Q/A doc linked in January 2021 newsletter (now labeled Q/A Volume 2).