

CPCC Q&A Volume 4 – Final Version
March 15, 2021

1. Of the current residents, what portion are P.E.O.s?
Currently 100% of the Chapter House residents are P.E.O.s. However, we are currently advertising available units and will consider accepting non-P.E.O.s if sponsored by a current P.E.O. member as provided in our bylaws. Failing to consider non-P.E.O.s would compromise our 501(c)(3) status. In addition, the large one-bedroom units are ideal for couples.

2. Does the CPCC board have concerns about spending money considering another Senior Living Center may buy it?
Of course we do!
Continuing to deplete the Chapter House project's funds to cover operating losses that have totaled over \$400,000 over the past four years is an issue this board struggles with every time another deferred maintenance item or safety issue is discovered at the Chapter House property, or another payroll is paid, or monthly grocery and utilities bills are paid, or insurance policies are renewed and paid, or an apartment is updated so we can try to find a renter.
However, unless and until the membership votes to sell the property, the Colorado P.E.O. Charitable Corporation ("CPCC") board will follow its charge in the CPCC Articles of Incorporation to "operate and maintain" the Chapter House property as long as funding allows. This includes maintaining a residence that is safe and habitable for the residents. As such, necessary maintenance and upkeep of the property will be done as long as there are residents.

A point of clarification with respect to who/what entity may buy the property if the membership votes to sell it: we have no idea what person or type of entity may be interested in buying the property and suggest that setting any limitation regarding who or what type of entity may buy the property would be unwise and not in the best interest of the project.

3. What does International have to do with it?
International Chapter has no ownership in, and no fiduciary or management responsibility for CPCC or any of its projects. International Chapter provides no financial support to the CPCC or any of its projects. International Chapter considers the CPCC to be a "related party" under IRS definitions and therefore considers CPCC to be subject to its direction.

4. Is there a penalty cost for selling the property?
This is a persistent question, the source of which is unknown. We have carefully reviewed the Deed by which we purchased the property in 1965, the related purchase agreement, and the memorandum of sale. None of these documents contains a penalty of any kind for selling the property. In addition, there is no mortgage or other lien of any nature against the property.

5. Was the Chapter House property given to the corporation by a P.E.O.?
No.

The property was *purchased* in December 1965 by Colorado P.E.O. Chapter House, Inc. (this was before our corporation changed its name to CPCC) from The Myron Stratton Home (a corporation) for \$65,000.

These facts come from a Memorandum of Sale* dated December 22, 1965, between Seller-The Myron Stratton Home and Buyer-Colorado P.E.O. Chapter House, Inc. (now known as CPCC), which states the purchase price of the property as \$65,000, and that such purchase price was paid by the Buyer's delivery of a promissory note for \$150,000. The initial advance under the promissory note was for the \$65,000 purchase price. The remainder of the money financed part of the construction of the residence.

Some of our members may recall the partially burned mortgage/note document that is framed and hanging in the chapter house library, which commemorates the pay-off of this \$150,000 loan.

6. I have heard for many years that there are restrictions on our sale of the property including who the property may be sold to and/or restrictions on the permitted uses by any future buyer of the property. What are these restrictions?

The board has heard different versions of this question more than once.

Buckle up and grab a coffee – this is a thorough response. 😊

As of today, here's what we know:

The Deed* from the CPCC's purchase of the property dated December 22, 1965 (this date was before our corporation had changed its name from Colorado P.E.O. Chapter House, Inc. to CPCC) contains only one restriction on our corporation's use of the property: we were required to allow the continued possession of the home on the property at that time by the then resident for the rest of her life. The board's best guess is that we complied with this requirement or would have been subject to legal action if we had not.

An Agreement* dated December 22, 1965 between Seller-The Myron Stratton Home and Buyer-Colorado P.E.O. Chapter House, Inc. states that:

- a. the Seller has the right to approve the plans and specs of the building to be constructed by Buyer; and
- b. the Seller has the right to repurchase the property if construction is (was) not commenced by December 22, 1966.

Both of these conditions were satisfied.

We know that construction began in February 1966 from an undated news release* regarding the groundbreaking ceremonies for the chapter house on February 6, 1966. Therefore, the construction-commencement-date condition was met.

We also know that the Seller (which was also the lender) continued to advance money to Colorado P.E.O. Chapter House, Inc., as evidenced by (i) a letter dated June 6, 1966* from The Myron Stratton Home to Mrs. Lawrence T. Brown, then

the treasurer of the Colorado P.E.O. Chapter House, Inc. (as identified in the news release referenced above), enclosing a check for \$30,000 as an advance on the loan, “which brought the new loan balance to \$95,000,” and by (ii) the partially burned and paid-off mortgage/note for \$150,000 that currently hangs in the chapter house library. From these two documents, we have concluded that the Seller approved the plans and specs of the chapter house building.

We have also obtained copies of several other relevant documents, none of which contains any restrictions on the sale or use of the property (other than zoning-related uses), including the El Paso County Assessor’s web page* concerning the property as of February 8, 2021; a plat/map of Pine Grove subdivision dated May 1925*; and a survey of the Stratton Park property dated April 28, 1965*.

We believe that at least some misunderstandings regarding any conditions on the sale or future use of the property may have arisen out of a history of the Chapter House project that appears in the Marguerite Memories book. The relevant page states:

“On January 24, 1965, the board of trustees received a letter from the attorney for the Stratton Home Estates trustees offering to sell 8.84 acres on Cheyenne Avenue in Colorado Springs, known as the Stratton Park, to the corporation for \$65,000. The proposal required the Stratton home Trustees’ approval of the architectural design for any structure built on the site, that the property not be subdivided, and that the landscape be altered as little as possible.”

Please note that this language states that these were the conditions in the proposal from the Seller. Of these proposed conditions, only the one regarding the Seller’s approval of the architectural design of our building made it to the final purchase/sale documents, including the Deed, the Memorandum of Sale (referenced in the response to question #5 above) and the Agreement referenced above in this response.

Bottom line: as described above, the two actual conditions on our purchase of the property have been satisfied, and we have been unable to locate any other documents that would restrict our potential sale and/or a future owner’s use of the property other than zoning.

[Note: Copies of any of the documents marked with an asterisk above may be requested from the board by email to coloradopeocharitableco@gmail.com.]

7. What will happen to the proceeds if sale of the property is authorized by the membership?
If the sale of the property is authorized by membership under the current Bylaws, dissolution of not only the Chapter House project, but also the Share the Care Fund and the Endowment Fund, will occur. Upon dissolution, the Share the

Care Fund and Endowment Fund are to be used to provide assistance to the residents who were living at the chapter house at the time it was dissolved, and to others in need who are residing in facilities similar to the chapter house.

Please see the current CPCC Bylaws, Article X, Section 7 E; Article X, Section 8 D and Article X, Section 9 D.

Any assets of the Chapter House project, which would include any proceeds from the sale of the property, would be disbursed to the general funds of the CPCC, and their use determined by the membership.

8. What are the options for continuing the CPCC's charitable and benevolent purpose if we stop operating and maintaining the Chapter House?
Bylaw changes are needed to recognize that STC and Endowment are independent from any other CPCC project and are separate funds.

With some adjustments to our governing documents, the CPCC projects could evolve and grow according to the wishes of our membership. For example, the membership, through the CPCC, could implement a grant assistance program for Coloradans. This is similar to what most if not all other states' 501(c)(3) corporations have done with proceeds from the sale of their chapter house.

See for example:

Illinois P.E.O. Home Fund, Inc. at [Illinois P.E.O. Home Fund – Illinois State Chapter \(peoillinois.org\)](http://peoillinois.org);

Iowa P.E.O. Projects Fund, Inc. at [Iowa P.E.O. Project Fund, Inc. \(IPPF\) | Iowa State Chapter P.E.O. \(peoiowa.org\)](http://peoiowa.org);

Missouri P.E.O. Outreach Fund at [Missouri P.E.O. Outreach Fund – P.E.O. Missouri State Chapter](http://peomissouri.org); and

Texas Star Oaks Fund, Inc. at [TSOFI-History-The-Complete-Story-4-2020.pdf \(peotexas.org\)](http://peotexas.org).

9. Is there any outside pressure to sell?
There is no outside pressure to sell (such as casual offers to purchase). The many factors supporting the recommendation of the Chapter House Review Committee that the chapter house be sold are set out in the Chapter House Review Committee Report. This can be found on coloradopeo.org>CPCC>Charitable Corporation Connections> look for the link just below the page title, next to the graphic of the woman typing on her laptop.

10. What is the process to decide, is it still a successful vote at two consecutive annual CPCC meetings?
According to the current CPCC bylaws, dissolution of the Colorado P.E.O. Chapter House project is subject to the approval of three-fourths of the votes cast at two consecutive annual meetings of CPCC.
According to International Chapter, this is the only current bylaw CPCC may use for authorization of and sale of the Chapter House property.

Please note that if this bylaw is not changed, and the requisite consecutive successful votes are cast under **this current bylaw**, dissolution of not only the Chapter House project, but also the Share the Care Fund and the Endowment Fund, will occur.

11. Could there be other uses for the property?
The Articles of Incorporation of the CPCC state that the objects and allowable purposes for which our corporation is formed include:
To establish a fund to receive contributions, membership dues, gifts and bequests for the philanthropic, benevolent, charitable and nonprofit benefit of members of the Colorado State Chapter of the P.E.O. Sisterhood;
To establish, maintain and operate in the state of Colorado a home for the benefit of members of the P.E.O. Sisterhood (including members of their families who meet criteria established by the corporation), who may desire to live in such a home; and
To erect, build or otherwise procure a suitable building or buildings for the aforesaid purpose.
12. What is the recommendation of the board?
According to International Chapter's rules of circularization, the CPCC board is not allowed to discuss any specific proposed amendments or resolutions until any such amendments or resolutions are distributed to the membership on or before May 1.
We urge you to find and read the Chapter House Review Committee Report and all published information on the Charitable Corporation Connections page under the CPCC tab on the Colorado P.E.O. member website.
13. Can the Bylaws be changed?
Yes.
According to our current bylaws:
"Proposed amendments shall be subject to the approval by two-thirds of the votes cast at the annual meeting of Colorado P.E.O. Charitable Corporation."
14. Would we have to do grant assistance, or could the money just be disbursed?
CPCC membership is responsible for any evolved direction the Corporation or its projects may take in future years. Grant assistance is just one idea, for which successful examples exist in most if not all other states that have sold their chapter house. Please see the examples listed in response #8 above.
15. Would there ever be an instance where money from the sale of the house would be used for operating expenses?
If the chapter house property is sold, there will no longer be operating expenses.

16. What account covers our operating expense shortfalls each month?
The short answer is we cash in Chapter House investments as needed, or use the interest earned on the Endowment Fund, consistent with CPCC bylaws. See also item #22 in the FAQ-with-answers linked in the mid-January CCC:

Bonus information:

In practice, the CH, MF, MF Shower, STC, and Endowment Fund are five different bank accounts and five distinct projects – money does not cross over between projects. **However, in our bylaws, the CH, STC, and Endowment Fund are tangled up together**, even though each account/project has separate funds and purposes. Explanations in the newsletters clarify the distinctions. (Watch for proposed amendments to address that “tangled up” issue.) Why does it matter, you may ask? **A recurring point of confusion is that members lump the Corporation’s total assets together in their minds, and wonder: if we have over a million dollars in assets, what is so difficult about maintaining and operating the Chapter House with those funds? The answer is that the million dollars is divided in pieces and designated for specific purposes.** (See CPCC financial statements on the Colorado P.E.O. member web site.)

17. How much longer will the investments that are being used to cover the operating losses of the chapter house last?
In December 2020, at the direction of International Chapter, the CPCC board engaged the audit firm that performed the corporation’s fiscal year 2020 financial audit to forecast how much longer the Chapter House investments – the investment account that is used to cover the operating losses of the Chapter House operations – will last if the Chapter House operation’s annual financial results remain the same as the last four years. The forecast report estimates that the Chapter House investments will be depleted sometime during fiscal year 2023. In other words, the investments used to cover the operating losses of the Chapter House operations are estimated to run out sometime between April 1, 2022 and March 31, 2023.
18. Have we gotten a recent appraisal of the chapter house property?
We do not have an appraisal because appraisals are often based in part on comparable properties. There are no properties in Colorado Springs comparable to the Chapter House property. The Chapter House Review Committee engaged a local, experienced realtor and obtained a broker’s price option as part of the committee’s review/research. You can find the broker’s price opinion in the Chapter House Review Committee Report.

19. Are there any concerns for residents or employees regarding exposure during asbestos removal inside the chapter house?

No.

First, asbestos becomes airborne (and a health risk) only when the building material in which it is present is disturbed. In other words, asbestos containing building materials in the Chapter House residence does not equal the presence of asbestos in the air unless the building materials are disturbed/cut into/torn up or torn out.

Second, Dunrite Environmental was chosen as the asbestos abatement contractor for their experience in the industry, by recommendation from other contractors, and after gathering several bids. Dunrite Environmental follows all Colorado State Regulations, and all work was completed by a licensed General Abatement Contractor with a licensed supervisor onsite during the project. A certified Air Monitoring Specialist was required to complete a final air clearance, including a visual inspection, air sample, and comprehensive report. That process was completed by a third-party company. All openings within the area were covered with a minimum of one layer of 6-mil polyethylene sheeting. Negative air pressure in the designated work area was utilized utilizing a negative air scrubber machine to maintain the state minimum air pressure. The filtered air was exhausted outside, and a three-stage decontamination chamber was attached to the work area. We are confident that all appropriate measures in accordance with OSHA, EPA, and Colorado State Reg 8 were taken.

20. Why are we spending so much money to keep Chapter House going and not considering moving the four residents to other facilities of their choice and help them with current Share The Care funds now?

We did consider moving the residents to other places. However, under the current bylaws, unless the Chapter House is dissolved, using STC funds is only authorized in the bylaws for Chapter House residents *while at the Chapter House residence*. "Article X. Section 7. A. Share The Care Fund was established to provide assistance for Chapter House residents whose financial position impedes residency at Chapter House."

We can use STC funds for assisting our current residents at other facilities if the dissolution clause is invoked. "E. Dissolution of the Colorado P.E.O. Chapter House and Further Use of Share the Care Fund Assets. If the Colorado P.E.O. Chapter House is dissolved pursuant to Section 9 of this Article X, the assets of the Share the Care Fund are to be used to provide assistance to those who were residing at the Colorado P.E.O. Chapter House when it was dissolved." Under current bylaws, this will take two consecutive 3/4 majority votes at annual meetings.

21. It seems a waste of good money at this point when we know what is inevitable. Unless and until the membership votes to sell the property, we are following the charge to "operate and maintain" the Chapter House. A vote to sell is not, at this time, inevitable.

22. Since COVID is not going away any time soon, it seems it would be prudent to move them into safer, more secure, facilities where care is immediate since there is no Director to keep an eye on residents and no help at night.
There is a director, and he stays on site four days and three nights a week.

Bonus information:

Our Articles of Incorporation state: “Second. B. To establish, maintain and operate in the state of Colorado a home for the benefit of members of the P.E.O. Sisterhood (including members of their families who meet criteria established by the corporation), who may desire to live in such a home.”

Our first step was to come up with a business model that might result in less deficit spending. (Cut costs and increase rental income, basically.) To that end, we embarked on some upgrades to the rooms, to make them more attractive to potential residents. (We weren’t expecting the asbestos issue, because there was no record of asbestos in previous renovation projects.)

We had to consider the safety of the residents after we discovered the windows were not tempered glass. It was our early intention to call a special meeting in January to address the sale of the property without dissolving the project (Bylaw Article IX. Section 2. C.). International told us in no uncertain terms we were forbidden to do that – we must wait for an annual meeting and must dissolve the project.

Additional safety considerations that had to be addressed were heat and hot water. We covered these decisions in newsletters.

We do not know that the membership will vote to restructure the bylaws. We do not know if the membership will vote to sell the property. We neglect our responsibilities if we ignore safety concerns for six months until we know the results of voting at the annual meeting.

23. If the property is to be sold, before that happens can a committee be formed to come up with options to present to membership?
That was the Chapter House Review Committee’s purpose.
24. Could the Chapter House be sold according to our bylaws, in a Special Meeting?
Please see the bonus information after the answer to question #22 above.
25. Have we explored any avenues to keep the land, so it remains in P.E.O. hands?
It was a park before we bought it. It could be a sanctuary for writers, those experiencing unexpected life changes, or a place to gather with joy. All of these are within the scope of our P.E.O. Objects and Aims.
The chapter house property is one asset of the chapter house project within the Colorado P.E.O. Charitable Corporation (CPCC). The CPCC is a Colorado corporation with non-profit/501(c)(3) status granted by the IRS. As such, the CPCC is governed by federal statutes (IRS and others), Colorado statutes and its own Articles of Incorporation and bylaws. As you know, the Articles of Incorporation and bylaws were written by, and may be amended by, the CPCC membership (i.e., every dues-paying Colorado P.E.O.). Paying for the operating

costs of a property to accomplish any of the purposes you have listed above would require member-approved changes to the CPCC's Articles of Incorporation.

26. Are the current residents aware, how do they feel about the possibility of CH being sold?

Feelings are an inquiry best addressed to the residents. Our perception is that they are appreciative of the CPCC board sharing information with them. We gave the residents the Chapter House Review Committee Report first, before sharing with anyone else. Three board members (masked and socially distanced) were present at Chapter House for this meeting, and the remainder of the board was present via zoom call. The residents had the opportunity to ask questions during that meeting and can ask additional questions at any time. The board also had a zoom meeting with the residents' families in early March during which we were able to answer their questions as well. The families expressed their gratitude for the information being shared continually by the board, and for the care of their loved ones by our board members and our entire Chapter House staff.

27. Were we a 501(c)(3) when the CH was purchased? And does this make a difference to the IRS should there be a vote to sell? And if there is a vote to sell, will we have any extra taxes on the proceeds from the sale?
- a. YES – our corporation was a 501(c)(3) corporation when we purchased the real property on which the Chapter House was built. The corporation was formed as a non-profit corporation in 1949. However, it wasn't until 1954 that the Internal Revenue Code was revised to include section 501(c)(3) for non-profit status of corporations. Our corporation applied for and was granted 501(c)(3) status by the IRS in 1965.
 - b. YES – our status as a non-profit corporation makes a difference to the IRS in all of our actions/operations.
 - c. NO – if the membership authorizes the sale of the real property, there will be no income taxes to our non-profit corporation for sale proceeds if the proceeds are used in furtherance of our charitable purposes.