

CURRENT ISSUES

- Can't remove people without eviction process
- People do not pay full fees on time, they fall behind and then leave
- Fees are about \$9,000 in arrears
- Not enough focus on testing; no full-time house manager
 - As a result, some people still use and drink

3/26/2017

CURRENT ISSUES

- CSS said they would remove people who continued to use and take them back. They are not doing this.
- CSS indicated that they would not refer people to Co-Act unless we joined MASH. That is the given reason; may be other reasons.
- Joining MASH will not solve the eviction process.
- So far, we have not proven that Co-Act can run program successfully

CURRENT ISSUES

- Before Paul left on vacation, we were just skating by with hardly enough to pay current bills.
- Have about \$17,000 due to creditors:
 - \$7,000 to LF
 - \$6,500 to BB
 - \$1,000 to Belle
 - \$1,269 to Verizon
 - \$1,066 to Selective
- Not generating enough cash to pay creditors. People keep moving out
- We are now at 67% vacancy rate; did not try to fill rooms when Paul was gone for 6 weeks. This represents ~\$2,800/m of lost revenue.
- No house manager while Paul was gone
- As a result, we are running a significant negative cash flow

Current Cash Flow

Problem at 67% occupancy

	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
Net Cash @ 100% of full rev	\$3,454	\$650	\$2,147	\$2,352	\$1,433	\$2,738	\$1,714	\$2,515	\$2,145	\$1,253	\$3,513	\$2,945	\$3,851
Net Cash @ 90% of full rev	\$2,514	\$290	\$1,207	\$1,412	\$493	\$1,718	\$764	\$1,475	\$1,105	\$213	\$2,473	\$1,905	\$2,811
Net Cash @ 85% of full rev	\$2,044	\$760	\$737	\$942	\$23	\$1,208	\$289	\$955	\$585	\$307	\$1,953	\$1,385	\$2,291
Net Cash @ 80% of full rev	\$1,574	\$1,230	\$267	\$472	\$447	\$698	\$186	\$435	\$65	\$827	\$1,433	\$865	\$1,771
Net Cash @ 75% of full rev	\$1,104	\$1,700	\$203	\$2	\$917	\$188	\$661	\$85	\$455	\$1,347	\$913	\$345	\$1,251
Net Cash @ 67% vacancy	\$204	\$2,600	\$1,103	\$898	\$1,817	\$512	\$1,536	\$735	\$1,105	\$1,997	\$263	\$305	\$601
Cumulative Cash Flow													
Net Cash @ 100% of full rev		\$4,104	\$2,797	\$4,499	\$3,785	\$4,171	\$4,452	\$4,229	\$4,660	\$3,398	\$4,766	\$6,458	\$6,796
Net Cash @ 90% of full rev		\$2,224	\$917	\$2,619	\$1,905	\$2,211	\$2,482	\$2,239	\$2,580	\$1,318	\$2,686	\$4,378	\$4,716
Net Cash @ 85% of full rev		\$1,284	\$23	\$1,679	\$965	\$1,231	\$1,497	\$1,244	\$1,540	\$278	\$1,646	\$3,338	\$3,676
Net Cash @ 80% of full rev		\$344	\$963	\$739	\$25	\$251	\$512	\$249	\$500	\$762	\$606	\$2,298	\$2,636
Net Cash @ 75% of full rev		\$596	\$1,903	\$201	\$915	\$729	\$473	\$746	\$540	\$1,802	\$434	\$1,258	\$1,596
Net Cash @ 67% vacancy		\$2,396	\$3,703	\$2,001	\$2,715	\$2,329	\$2,048	\$2,271	\$1,840	\$3,102	\$1,734	\$42	\$296
Running at least \$5K to \$10K in arrears - some of the residents that get behind leave and we have hole in the revenue= bad debt													

Solutions

- Sell 11 and 19/21 Faulkner Place to:
 - Reduce our expenses - but also reduces revenue
 - Reduction in rooms → should result in higher occupancy rate
 - Pay off our creditors → no debt, except for one mortgage
 - Pay down the existing mortgage on the three Francis Street houses
 - Provide some extra funds to help cover operating costs until we decide what we need to do next
- Put Faulkner Place properties up for sale as soon as we get okay from bank - 2-3 weeks from now
- We need the members' agreement to continue running the houses on Francis Street, allowing the Board to explore alternatives and decide on the best course of action for the future

Sale of Faulkner Place Properties

\$ 175,000	Estimated Sale Proceeds
<u>\$ 8,750</u>	<u>Real Estate Commission</u>
<u>\$ 64,020</u>	Today's payoff for loan XXXX298
\$ 102,230	
<u>\$ 60,000</u>	Reduction of loan XXXX333 (pay down of 22.8%)
\$ 42,230	Remaining funds for creditors and operating expenses
<u>\$ 17,335</u>	<u>Pay Creditors</u>
\$ 24,895	To cover operating costs until we get Drug Court/Oxford House or until we sell/transfer three Francis Street properties

Extra \$, Reduce Payments, Approval

- Unknown sales price, set \$60k min. to pay down mortgage
- if properties sell for more than \$175k, we split the difference. Half of the extra to pay down mortgage and half of the extra to us to pay creditors and operating expenses.
- After the payoff of loan (Faulkner) and a \$60,000 reduction of loan amount (Francis), the bank MAY reduce the monthly payments for Francis St. based on the reduced amount of the loan.
- Need final bank approval. Expect bank approval in about two weeks from 3/22/17-Probably the 2nd or 3rd week of March.

Solutions

- The extra funds will make sure that we do not run out of funds until we figure out how to manage better:
 - WE will be to able to afford at MOST one house manager (not paid but get a free room). Need one for MASH. Maybe just reduced rent.
 - Join the Mass. Assoc. of Sober Houses (MASH)
 - Operate until the Drug Court has funds to start moving people into the houses. They should have funding by December; They operate houses and fund us
 - Operate until Oxford House decides to take over one or more of the three houses.
 - Donate the properties to another nonprofit in Pittsfield. They assume mortgage and all costs.
 - Or failing all that, until we sell the remaining buildings and terminate

Solutions

- If Co-Act has not solved the problems by December, 2017 and the Drug Court/ Oxford House does not come through, put the Francis Street properties up for sale in December, 2017.
- The extra funding (\$24,895) will carry Co-Act at least through June, 2018 even at 67% occupancy! (Assumes Paul's apt generates \$800/m starting in August, 2017.)
- If bank will reduce monthly mortgage payment on the Francis Street properties, we will be able to last beyond June, 2018 by some amount, depending on the amount of reduction. The current mortgage on Francis is \$1,961/m
- The extra funds will allow us to pay off creditors!

Cash Flow with Faulkner Sold

	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
1 Net Cash @ 100% of full rev	\$24,607	\$649	\$1,163	\$571	\$1,728	\$1,057	\$1,207	\$2,167	\$1,299	\$1,647	\$2,167	\$1,299	\$1,647
2 Net Cash @ 90% of full rev	\$24,112	\$154	\$588	\$66	\$1,133	\$462	\$612	\$1,572	\$704	\$1,052	\$1,572	\$704	\$1,052
3 Net Cash @ 85% of full rev	\$23,864	\$93	\$301	\$187	\$836	\$165	\$314	\$1,274	\$406	\$754	\$1,274	\$406	\$754
4 Net Cash @ 80% of full rev	\$23,617	\$341	\$13	\$439	\$538	\$133	\$17	\$977	\$109	\$457	\$977	\$109	\$457
5 Net Cash @ 75% of full rev	\$23,369	\$588	\$274	\$692	\$241	\$430	\$281	\$679	\$189	\$159	\$679	\$189	\$159
6 Net Cash @ 67% vacancy	\$21,357	\$2,601	\$2,087	\$2,679	\$1,522	\$2,193	\$2,043	\$1,084	\$1,952	\$1,603	\$1,084	\$1,952	\$1,603
Cumulative Cash Flow													
7 Net Cash @ 100% of full rev	\$24,607	\$25,256	\$26,420	\$26,990	\$28,719	\$29,776	\$30,983	\$33,149	\$34,448	\$36,094	\$38,261	\$39,559	\$41,206
8 Net Cash @ 90% of full rev	\$24,112	\$24,266	\$24,855	\$24,920	\$26,054	\$26,516	\$27,128	\$28,699	\$29,403	\$30,454	\$32,026	\$32,729	\$33,781
9 Net Cash @ 85% of full rev	\$23,864	\$23,771	\$24,072	\$23,885	\$24,721	\$24,886	\$25,200	\$26,474	\$26,880	\$27,634	\$28,908	\$29,314	\$30,069
10 Net Cash @ 80% of full rev	\$23,617	\$23,276	\$23,290	\$22,850	\$23,389	\$23,256	\$23,273	\$24,249	\$24,358	\$24,814	\$25,791	\$25,899	\$26,356
11 Net Cash @ 75% of full rev	\$23,369	\$22,781	\$22,507	\$21,815	\$22,056	\$21,626	\$21,345	\$22,024	\$21,835	\$21,994	\$22,673	\$22,484	\$22,644
12 Net Cash @ 67% vacancy	\$21,357	\$18,756	\$16,670	\$13,990	\$12,469	\$10,276	\$8,233	\$7,149	\$5,198	\$3,594	\$2,511	\$559	\$1,044

Assuming Paul's apt starts to generate \$800/ in August, 2017

The infusion of cash

Where we hit wall

Explanation of Why Before and After Cash Flow is Not Much Different

- Rooms count is 10 less after sale; but since have less rooms, will be easier to maintain higher occupancy rate.
- Expenses drop by 42%; Revenue drops by 44%
- Cumulative cash flow is much different but actual month-month cash flow is about the same.
- Cumulative cash flow says we can operate to June, 2018 at 67% occupancy. Longer if higher occupancy rate.

- Sell 11 and 19/21 Faulkner Place to:
 - Reduce our expenses
 - Pay off our creditors
 - Pay down the existing mortgage on the three Francis Street houses
 - Provide some extra funds to help cover operating costs until we decide what we need to do
- Put Faulkner Place properties up for sale as soon as we get okay from bank - 2-3 weeks from now

Need Members Approval

- Continue to run the three remaining houses on Francis Street for the time being.
 1. Operate until the Drug Court has funds to start moving people into the houses. They should have funding by December. They will operate houses and pay Co-Act for use
 2. OR operate until Oxford House decides to take over one or more of the three houses.
 3. OR donate the properties to another nonprofit in Pittsfield. They assume mortgage and all costs.
 4. OR if Co-Act has not solved the problems by December, 2017 and the Drug Court/ Oxford House does not come through, put the Francis Street properties up for sale in December, 2017 and terminate!

Current Officers and Directors- Terms in Office

Current	Position	New Position	Term Ends
Jack Henderson	Director	Director	March, 2019
Jane Reusch	Director	Director	March, 2019
Paul Deslauriers	Clerk	Clerk	March, 2018
James Conroy	President	President	March, 2018
Patricia Neri	Director		March , 2017
William Schaepe	Treasurer		March, 2017

By-Laws, Article V, Section 2, page 4

Each member of the Board of Directors shall be a member of the Corporation whose membership dues are paid in full and shall hold office for up to a three-year term as submitted by the nominations committee.

Newly elected members of the Board of Directors who have not served before shall serve initial one-year terms. At the conclusion of the initial one-year term, members of the Board of Directors may serve additional three year terms. **Their terms shall be staggered so that at the time of each annual meeting, the terms of approximately one-third (1/3) of all members of the Board of Directors shall expire.**

Nominating Committee Submittal & Voting in of New Directors

- No suggestions- Open to Floor to nominate
- Members may nominate/elect new board members

Changes to By-Laws

- Article VII, Section 3, Page 8
- Change:
 - “The fiscal year shall be the calendar year.” to
 - “The fiscal year shall be from July 1st to June 30th.”