

STAMFORD ELDERLY HOUSING CORPORATION

22 Clinton Avenue
Stamford, Connecticut 06901

NOTICE OF BOARD MEETING

March 23, 2022

6:00 p.m.

To: Susan Rutz
Rich Ostuw
Lester McKoy
Bianca Shinn-Desras
Sheila Williams-Brown

AGENDA

- a. Call to Order
- b. Approve Minutes of October 27, 2021
- c. Resolution:
22-S-01: Accept Audited Financial Statements of Scofield Manor for Year
Ending September 30, 2021
- d. Adjourn

MINUTES OF THE MEETING OF
THE DIRECTORS OF THE
STAMFORD ELDERLY HOUSING CORPORATION
OCTOBER 27, 2021

The Board of Directors of the Stamford Elderly Housing Corporation held a meeting on Wednesday, October 27, 2021 via a Zoom meeting.

The meeting was called to order by Director Rutz at 7:22 p.m.

A. Attendees

Present: Susan Rutz
Rich Ostuw
Bianca Shinn-Desras
Sheila Williams-Brown

Present: Vin Tufo
Natalie Coard
Sam Feda
Jacqueline Figueroa
Lisa Reynolds

B. Approval of Minutes

Approval of minutes of the previous meeting of September 22, 2021.

➤ Director Williams-Brown moved, Director Rutz seconded.

The minutes were approved.

Ayes: Susan Rutz Nays: None
Rich Ostuw
Bianca Shinn-Desras
Sheila Williams-Brown

C. Resolution

21-S-03: Approve Operations Transfer Agreement for Scofield Manor Residential Care Home between Charter Oak Communities & Stamford Elderly Housing Corporation and Center Management, Inc.

➤ Director Rutz moved, Director Williams-Brown seconded.

The Resolution was passed.

Be it resolved by the Commissioners of the Housing Authority of the City of Stamford d/b/a Charter Oak Communities that the Operations Transfer Agreement between Charter Oak Communities & Stamford Elderly Housing Corporation and Center Management, Inc. be approved for execution.

Ayes: Susan Rutz Nays: None
Rich Ostuw
Bianca Shinn-Desras
Sheila Williams-Brown

D. Adjournment

At 7:25 p.m., as there was no other business before the Board, the meeting was adjourned after a motion duly made by Director Rutz and seconded by Director Williams-Brown.

STAMFORD ELDERLY HOUSING CORPORATION

22 Clinton Avenue
Stamford, Connecticut 06901

Board Meeting Date: March 23, 2022

Resolution Number: 22-S-01

RESOLUTION

Subject: Accept Audited Financial Statements of Scofield Manor for Year Ending September 30, 2021

Background: An Audit of the books and records of Stamford Elderly Housing Corporation has been performed for the year ending September 30, 2021. The audit is in accordance with Generally Accepted Auditing Standards (GAAS). The audit firm, Whittlesey PC, has issued an unqualified opinion on the Stamford Elderly Housing Corporation's Financial Statements for this audit period.

Resolution: Be it resolved by the Board of Commissioners of the Housing Authority of the City of Stamford that the audited financial statements of Scofield Manor for September 30, 2021 be accepted.

Lisa Reynolds
Staff Member Submitting Report



Headquarters
280 Trumbull St
24th Floor
Hartford, CT 06103
Tel: 860.522.3111
www.WAdvising.com

One Hamden Center
2319 Whitney Ave, Suite 2A
Hamden, CT 06518
Tel: 203.397.2525

14 Bobala Road #3
Holyoke, MA 01040
Tel: 413.536.3970

February 18, 2022

To the Board of Directors of
Scofield Manor

We have audited the financial statements of Scofield Manor (“the Company”) for the year ended September 30, 2021, and we have issued our report thereon dated February 18, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 17, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Scofield Manor are described in Note 2 to the financial statements. Except as noted below, no new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management’s estimate of depreciation expense is based on management’s assessment of the useful life of the asset.

Management’s estimate of the allowance for uncollectible accounts is based on the review of individual activity, recent loss experienced, current housing conditions and other pertinent factors.

Management’s estimate of net realizable amounts from third-party payors is based on management’s determination that government reimbursement principles have been properly applied and that no material adjustments will occur as a result of a government audit.

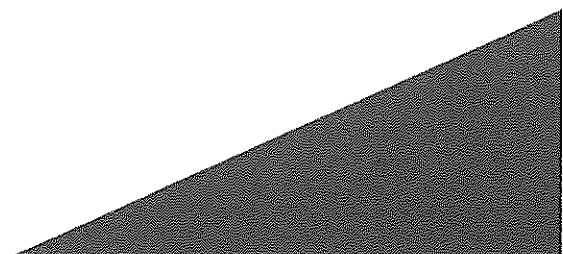
Management’s estimate of donated use of facility is based off of comparable facilities in Connecticut.

We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.



Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 18, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our audit, we became aware of conditions that raise substantial doubt about the Company's ability to continue as a going concern. We discussed these conditions with management along with management's plans to address them, and in our professional judgement substantial doubt remains. Therefore, we have included the following disclosure in the independent auditors' report on the financial statements, as it is fundamental to users' understanding of the financial statements.

Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 11 to the financial statements, increased costs related to the COVID-19 pandemic raise substantial doubt about the ability of Scofield Manor to continue as a going concern if funding is not secured to mitigate these costs. Our opinion is not modified with respect to this matter.

Other Matter

We would like to bring the following matter to your attention. This matter has been disclosed in the independent auditors' report on the financial statements, as in our professional judgement they are relevant to users' understanding of the financial statements.

Other Matter – Presentation

The financial statements presented herewith are limited to the operations of Scofield Manor. The accompanying financial statements are not intended to present the financial position of Stamford Elderly Housing Corporation as of September 30, 2021 and 2020 or the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The information contained in this letter is intended solely for the use of the board of Directors of Scofield Manor and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Whittlesey PC

Whittlesey PC
Hartford, CT

SCOFIELD MANOR

Independent Auditors' Report

Financial Statements

September 30, 2021 and 2020



ASSURANCE | ADVISORY | TAX | TECHNOLOGY



Headquarters
280 Trumbull St
24th Floor
Hartford, CT 06103
Tel: 860.522.3111
www.WAdvising.com

One Hamden Center
2319 Whitney Ave, Suite 2A
Hamden, CT 06518
Tel: 203.397.2525

14 Bobala Road #3
Holyoke, MA 01040
Tel: 413.536.3970

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Scofield Manor

We have audited the accompanying financial statements of Scofield Manor (the "Company") (a residential care home operated by the Stamford Elderly Housing Corporation), which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

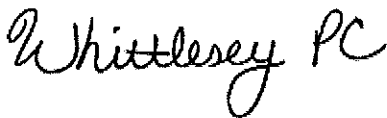
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Scofield Manor as of September 30, 2021 and 2020 and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 11 to the financial statements, increased costs related to the COVID-19 pandemic raise substantial doubt about the ability of Scofield Manor to continue as a going concern if funding is not secured to mitigate these costs. Our opinion is not modified with respect to this matter.

Other Matter – Presentation

The financial statements presented herewith are limited to the operations of Scofield Manor. The accompanying financial statements are not intended to present the financial position of Stamford Elderly Housing Corporation as of September 30, 2021 and 2020 or the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Whittlesey PC". The signature is written in a cursive, flowing style.

Hartford, Connecticut
February 18, 2022

SCOFIELD MANOR

Statements of Financial Position

September 30, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 115,732	\$ 113,844
Resident accounts receivable, net of allowance for doubtful accounts of \$12,658 in 2021 and \$12,868 in 2020	113,109	122,362
Food service receivable	3,576	2,707
Grants receivable	362,912	106,000
Prepaid expenses	4,382	21,246
Total current assets	599,711	366,159
Restricted reserves and deposits:		
Replacement reserve	45,074	45,051
Operating reserve	19,207	19,198
Residents' funds	15,622	18,305
Marie R. White fund	5,531	5,529
Total restricted reserves and deposits	85,434	88,083
Property and equipment, net	319,561	108,452
Total assets	\$ 1,004,706	\$ 562,694
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 95,225	\$ 105,754
Accrued payroll and related expenses	9,491	46,442
Accrued vacation	33,684	52,184
Due to residents	15,622	18,305
Due to related party	557,873	165,854
Due to third-party payers	101,018	148,997
Total current liabilities	812,913	537,536
Net assets		
Without donor restrictions:		
Undesignated	121,981	(44,620)
Board designated - replacement reserve	45,074	45,051
Board designated - operating reserve	19,207	19,198
Board designated - Marie R. White fund	5,531	5,529
Total net assets without donor restrictions:	191,793	25,158
Total liabilities and net assets	\$ 1,004,706	\$ 562,694

The accompanying notes are an integral part of the financial statements.

SCOFIELD MANOR

Statements of Activities and Changes in Net Assets

For the years ended September 30, 2021 and 2020

	2021	2020
Revenue		
Gross potential resident services	\$ 2,316,847	\$ 2,311,455
Vacancy loss	(341,586)	(256,883)
Net resident services revenue	<u>1,975,261</u>	<u>2,054,572</u>
Grant income - City of Stamford	230,000	106,000
Grant income - FEMA	129,966	-
Contributed use of facility	153,173	144,230
Food service	203,914	197,434
Other revenue	39	56,946
Total revenue	<u>2,692,353</u>	<u>2,559,182</u>
Expenses		
Resident services:		
Ordinary	1,679,145	1,586,363
COVID-19-related	335,269	315,824
Total resident services	<u>2,014,414</u>	<u>1,902,187</u>
Property and maintenance	477,263	440,351
General and administrative	<u>522,497</u>	<u>516,790</u>
Total expenses	<u>3,014,174</u>	<u>2,859,328</u>
Change in net assets from operations	<u>(321,821)</u>	<u>(300,146)</u>
Other changes		
Community development block grant	255,510	-
Grant income - FEMA prior year reimbursements	<u>232,946</u>	<u>-</u>
Change in net assets	166,635	(300,146)
Net assets, beginning of year	<u>25,158</u>	<u>325,304</u>
Net assets, end of year	<u>\$ 191,793</u>	<u>\$ 25,158</u>

The accompanying notes are an integral part of the financial statements.

SCOFIELD MANOR

Statements of Functional Expenses

For the years ended September 30, 2021 and 2020

	2021	2020
Program services		
Resident services		
Ordinary resident services		
Salaries and wages	\$ 633,045	\$ 646,744
Employee benefits and payroll taxes	373,423	387,361
Food service	536,569	471,290
Contracted services	109,159	57,235
Materials and supplies	26,949	23,733
Total ordinary resident services	1,679,145	1,586,363
COVID-19-related resident services		
Wages, employee benefits and payroll taxes	19,061	55,527
Relocation	-	5,367
Contracted services	293,086	231,985
Materials and supplies	23,122	22,945
Total COVID-19-related resident services	335,269	315,824
Total resident services	2,014,414	1,902,187
Property and maintenance		
Salaries and wages	46,317	43,555
Employee benefits and payroll taxes	32,985	18,702
Contracted services	102,616	97,594
Utilities	81,373	89,801
Depreciation	44,401	31,781
Donated use of facility	153,173	144,230
Materials and supplies	12,519	12,663
Insurance	3,879	2,025
Total property and maintenance	477,263	440,351
Total program services	2,491,677	2,342,538
General and administrative		
Salaries and wages	152,567	147,399
Employee benefits and payroll taxes	75,104	76,055
Contracted services	56,490	50,872
Management fees	132,715	129,859
Legal and accounting	36,620	39,252
COVID-19-related legal	6,708	7,448
Insurance	26,061	20,972
Office supplies and expense	31,781	29,035
Membership dues and subscriptions	3,882	3,098
Provision for bad debts	-	12,644
Advertising	569	156
Total general and administrative	522,497	516,790
Total expenses	\$ 3,014,174	\$ 2,859,328

The accompanying notes are an integral part of the financial statements.

SCOFIELD MANOR

Statements of Cash Flows

For the years ended September 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 166,635	\$ (300,146)
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Provision for bad debts	-	12,644
Depreciation	44,401	31,781
Changes in operating assets and liabilities:		
Resident accounts receivable	9,253	(17,512)
Food service receivable	(869)	15,888
Grants receivable	(256,912)	(106,000)
Prepaid expenses	16,864	(1,712)
Accounts payable	(10,529)	59,707
Accrued payroll and related expenses	(36,951)	11,315
Accrued vacation	(18,500)	20,087
Due to residents	(2,683)	(12,864)
Due to related party	392,019	245,469
Due to third-party payers	(47,979)	33,952
Net change in cash from operating activities	254,749	(7,391)
Cash flows from investing activities		
Payments for property and equipment	(255,510)	-
Net change in cash from investing activities	(255,510)	-
Net change in cash	(761)	(7,391)
Cash and restricted cash, beginning of year	201,927	209,318
Cash and restricted cash, end of year	\$ 201,166	\$ 201,927
Reconciliation to cash and restricted cash		
Cash	\$ 115,732	\$ 113,844
Restricted reserves and deposits	85,434	88,083
Total cash and restricted cash	\$ 201,166	\$ 201,927

The accompanying notes are an integral part of the financial statements.

SCOFIELD MANOR

Notes to the Financial Statements

For the years ended September 30, 2021 and 2020

NOTE 1 – SUMMARY OF ORGANIZATION

Nature of Operations

Scotfield Manor (the "Company") is a residential care home operated by Stamford Elderly Housing Corporation ("SEHC") pursuant to an operating lease agreement dated October 1, 1989 between the City of Stamford (City or Lessor) and Stamford Elderly Housing Corporation (Lessee). The Company serves as a Long-Term Care Facility consisting of 50 beds to accommodate residents under the governance of the State of Connecticut Department of Social Services ("DSS") Medicaid reimbursement program. Management continues to secure funding in the form of an operating grant from the City of Stamford to sustain the facilities capital needs and supplement costs associated with tenant services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Under these standards, the Company is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that expire by the passage of time, can be fulfilled by actions pursuant to the stipulations, or which may be perpetual.

As of September 30, 2021 and 2020, all of the Company's activities and net assets were without donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates include assessing the gross potential resident services, the collectability of accounts receivable, the extent of contractual allowances, and the estimated useful lives of long-lived assets, among others. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the September 30, 2020 financial statements to conform to the September 30, 2021 financial statement presentations.

Subsequent Events

The Company monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for the year ended September 30, 2021 through February 18, 2022, the date on which financial statements were available to be issued.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Company provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of residents to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Company's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Property and Equipment

The Company capitalizes expenditures for property and equipment in excess of \$2,500. Property and equipment are recorded at cost. Expenditures for maintenance and repairs are charged to expense as incurred. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and the resulting gain or loss is reflected in the statement of activities and changes in net assets. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets, which range from 5 to 10 years. Leasehold improvements are amortized over the lesser of the terms of the related leases or lives of the improvements.

The Company continually evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of its long-lived assets or whether the remaining balance of its long-lived assets should be evaluated for possible impairment. If and when such factors, events or circumstances indicate that long-lived assets should be evaluated for possible impairment, the Company will determine the fair value of the asset by making an estimate of expected future cash flows over the remaining lives of the respective assets and compare that fair value with the carrying value of the assets in measuring their recoverability. In determining the expected future cash flows, the assets will be grouped at the lowest levels for which there are cash flows. There were no impairment losses recorded in 2021 or 2020.

Accrued Vacation

Each year, the Company's employees earn one day paid vacation for each completed month plus one additional day for each completed year of service up to 13 years not to exceed 25 total days paid vacation annually. For employees hired after January 1, 2020, the vacation accrual was reduced to 8 days in the first year of service and 17 days maximum. Total paid vacation days are made available in full on July 1, the beginning of Charter Oak Communities' ("COC") fiscal year. Employees may not carry more than 12 days from one fiscal year to the next without written approval by the Executive Director. Employees are entitled to use any accumulated vacation days prior to termination. Upon termination, employees shall be paid for all accrued but unused vacation days up to the month of termination.

Revenue Recognition

As a Long-Term Care Facility, the Company's primary revenue stream is earned by providing resident services. Resident services are accounted for as reciprocal exchange transactions in which the Company's performance obligations are to provide services to its residents on a daily or monthly basis, including room, board, healthcare, and other contractually agreed-upon services. The Company also provides food service to Wormser Congregate, a senior living community in Stamford, and accounts for these services as reciprocal exchange transactions in which the Company's performance obligations are to procure, prepare, and deliver food and linens to the facility. The Company recognizes resident services revenue and food service revenue as its performance obligations are met in the amount reflecting the consideration that the Company expects to be entitled to in exchange for providing services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The contractual relationships with residents may involve Medicaid as a third-party payer. For the years ended September 30, 2021 and 2020, approximately 95% and 96%, respectively, of net resident services revenue was received from the State of Connecticut Department of Social Services (“DSS”) under the Medicaid program. Transaction prices for the services rendered, other than for private pay patients, are regulated by Medicaid. Revenue under third-party payer agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party settlements are provided in the period the related services are rendered and are recorded on the statements of financial position as “Due to third-party payers”. Due to third-party payers consisted of estimated overpayments of \$101,018 and \$148,997 as of September 30, 2021 and 2020, respectively.

Differences between the estimated amounts accrued and interim and final settlements are reported in revenue in the year of settlement. During the years ended September 30, 2021 and 2020, third-party settlements and adjustments resulted in revenue of \$-0- and \$38,999, respectively. These amounts are reported as part of “Other revenue” on the statements of activities and changes in net assets.

Laws and regulations governing the Medicaid program are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Reimbursement rates established by the State of Connecticut are subject to audit. Management believes that the government reimbursement principles have been properly applied and that no material adjustments will occur as a result of the audit.

Gross Potential and Net Resident Service Revenue

Net resident service revenue is reported as gross potential resident services less vacancies. The amount of gross potential resident services is calculated by multiplying the 50 beds available throughout the year by the applicable DSS or private pay daily rate. Net resident service revenue reflects the net realizable amounts from residents and third-party payers in exchange for services rendered, in accordance with the principles above.

Grants and Contributions

All grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions that increases net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Conditional grants and contributions – that is, those with a measurable performance or other barrier and a right of return – are not recognized as revenue until the conditions on which they depend are substantially met.

Expense Allocation

The costs of providing various program and supporting services have been summarized on a functional basis in the statements of activities and changes in net assets. These costs include direct and indirect costs that have been allocated, on a consistent basis, among the program and supporting services benefited. Employee benefits have been allocated based on salaries and wages. All other costs have been directly allocated based on time and effort.

Income Taxes

The Company is a nonprofit organization other than a private foundation and is exempt from federal and state income tax under Section 501(c)(4) of the Internal Revenue Code and similar statutes.

NOTE 3 – PROPERTY AND EQUIPMENT, NET

Property and equipment are as follows as of September 30,:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	507,853	\$ 252,342
Furniture and equipment	<u>790,595</u>	<u>790,595</u>
Total	1,298,448	1,042,937
Less accumulated depreciation	<u>(978,887)</u>	<u>(934,485)</u>
Property and equipment, net	<u>\$ 319,561</u>	<u>\$ 108,452</u>

NOTE 4 – RELATED PARTY TRANSACTIONS

The Company is related to the Housing Authority of the City of Stamford d/b/a Charter Oak Communities (“COC”) by common board membership. All staff utilized by the Company are employees of COC. In addition, all operating expenses of the Company are paid out of a Revolving Fund operated by COC. On a monthly basis, COC charges the Company the direct costs of the Company including the cost of its staff, including payroll taxes and benefits, and all other operating expenses. The amounts advanced are noninterest bearing and are due on demand. At September 30, 2021 and 2020, respectively, \$557,873 and \$165,854 was due to COC.

In addition, COC provides management services including bookkeeping, personnel, information technology, strategic support, and other services to the Company. In the years ended September 30, 2021 and 2020, the Company incurred management fees in the amount of \$132,715 and \$129,859, respectively, for management services provided by COC. Management fees charged in 2021 and 2020 represent 5.5 percent of net operating revenue, as outlined in the management agreement.

Furthermore, in the year ended September 30, 2021, the Company received a Community Development Block Grant in the amount of \$255,510 that was passed through the City of Stamford and then COC to fund roof and gutter renovations.

The Company provides meals to Wormser Congregate, a state facility operated by COC. The total amount of this contract is reported as food service revenue in the accompanying statements of activities and changes in net assets. Amounts outstanding under this contract are included in food service receivable in the amount of \$3,576 and \$2,707 at September 30, 2021 and 2020, respectively.

NOTE 5 – VARIOUS RESTRICTED RESERVES AND DEPOSITS

The Company has approved the creation of a Replacement Reserve account and an Operating Reserve account. The reserve accounts are funded as follows:

1. Replacement Reserve – The Company funds a replacement reserve to be used for capital replacements and leasehold improvements (“Replacement Reserve”). This reserve account is funded by annual excess cash at a maximum of \$900 per unit or \$45,000 per year. There is no limit as to the total amount in the Replacement Reserve account. Withdrawals from this reserve are used for capital repairs and improvements and are subject to the approval of SEHC's Executive Director and the Board of Commissioners.

NOTE 5 – VARIOUS RESTRICTED RESERVES AND DEPOSITS (CONTINUED)

2. Operating Reserve – The Company funds an Operating Reserve to be used to pay, to the extent required, operating deficits, and revenue adjustments associated with Medicaid rate recaptures from the State. After funding the maximum annual Replacement Reserve amount, all remaining excess cash is deposited into a second reserve account to cover potential Operating Reserve. This account shall not exceed a \$525,000 reserve balance (three months of operating expenses). Once the maximum amount has been reached, excess funds shall be deposited to the Replacement Reserve account. Use of this reserve is subject to the recommendation of SEHC's Executive Director and approval by the Board of Commissioners.

The Marie R. White fund is available at the Board of Commissioners' discretion to be used to enhance the quality of life of the residents of the Company in accordance with the terms of the last will and testament of Marie R. White. The Board has designated that these funds will not be used to cover normal operating expenses.

NOTE 6 – LIQUIDITY AND AVAILABILITY OF FUNDS

The Company has a policy of structuring its financial assets to operate within a prudent range of financial soundness and stability and to maintain adequate liquid assets to meet obligations as they come due.

The following reflects the Company's financial assets available to meet cash needs for general expenditures within one year of September 30,:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 115,732	\$ 113,844
Resident accounts receivable, net	113,109	122,362
Grant receivable	362,912	106,000
Food service receivable	<u>3,576</u>	<u>2,707</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 595,329</u>	<u>\$ 344,913</u>

NOTE 7 – DONATED USE OF FACILITY

The Company leases its operating facility located at 614 Scofieldtown Road, Stamford, Connecticut, from the City of Stamford at a less than fair value rental. The lease, which required an annual rental of \$1 for the use of the facility and its premises, expired September 30, 1999. The Company continues to lease the facility under all terms and conditions of the expired lease. The estimated fair value of the annual rental of \$153,173 and \$144,230 in 2021 and 2020, respectively, is recorded in the financial statements as contributed use of facility revenue and donated use of facility expense.

Effective January 1, 2016, the City entered into a long-term ground lease with a third party for the land and improvements (i.e. the "facility"). Management does not currently believe this will have a material effect on the existing terms of the lease.

NOTE 8 – GRANTS

The Company was awarded an operating grant from the City of Stamford in the amount of \$230,000 and \$106,000 in 2021 and 2020, respectively. The City of Stamford recognizes the importance of the continuing needs serviced by the Company. These grant funds are being used to supplement the cost of essential services not covered by the Medicaid reimbursement rate such as medical services and reserves for future capital replacements. As of September 30, 2021 and 2020, \$0- and \$106,000, respectively, was receivable from the City of Stamford.

NOTE 9 – PENSION PLAN

The Company participates in the State of Connecticut Municipal Employees Retirement Fund, Plan B (a defined benefit plan). All full-time employees must participate in the plan with the employer. Employees covered by social security contributed 3.24 percent of their gross pay up to the social security taxable wage base and 6 percent thereafter, increasing after June 30, 2021 to 3.75 percent of gross pay up to the social security taxable wage base and 6.5 percent thereafter. The Company makes required contributions to fund the remaining cost as well as paying administrative costs of the plan. The Connecticut State Employees Retirement Commission administers the plan. Upon retirement, benefits are calculated using predetermined formulas. In the event the plan discontinues, the assets of the plan will be used to provide benefits to members. Pension expense for the years ended September 30, 2021 and 2020 was \$108,380 and \$107,263, respectively.

NOTE 10 – RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic. COVID-19 has caused significant disruption in the national and global economy. The Company’s operating activities, liquidity, and cash flows have been and may continue to be adversely affected by this global pandemic. As shown on the Statements of Functional Expenses, during the years ended September 30, 2021 and 2020, respectively, the Company incurred additional COVID-19-related resident services expenses of \$335,269 and \$315,824 and COVID-19 related legal expenses of \$6,708 and \$7,448, a total of \$341,977 and \$323,272 COVID-19-related expenses.

To mitigate the increased costs related to COVID-19, management of the Company applied for funding from the Federal Emergency Management Agency (“FEMA”). As of the date of these financial statements, FEMA has approved the reimbursement of \$129,966 of COVID-19-related expenses incurred during the year ended September 30, 2021, and \$232,946 of COVID-19-related expenses incurred during the year ended September 30, 2020, and these amounts are recognized as revenue under Grant income – FEMA and Grant income – FEMA prior year reimbursements, respectively, on the statement of activities for the year ended September 30, 2021. Management plans to submit further applications to FEMA for reimbursement of COVID-19-related expenses. However, management cannot predict the outcome of future applications to FEMA.

While the pandemic is expected to be temporary, there is uncertainty related to the duration. Therefore, while the Company expects this matter to negatively impact its operations, the related financial impact for the upcoming year cannot be reasonably estimated at this time.

NOTE 11 – GOING CONCERN CONSIDERATIONS

For the year ended September 30, 2021, the Company had expenses in excess of revenues from operations of \$321,821, which was attributable to the additional COVID-19-related expenses described in Note 10. Further, as of September 30, 2021, the Company had current liabilities substantially in excess of current assets. As the COVID-19 pandemic continues to necessitate additional expenses for the year ended September 30, 2022, these conditions raise substantial doubt about the ability of the Company to continue as a going concern if additional funding is not secured.

Management expects to apply to FEMA for reimbursement of further COVID-19-related expenses as noted in Note 10. However, management cannot predict, with certainty, the outcome of its actions to obtain additional funding to generate the additional liquidity needed to meet its obligations.

Headquarters

280 Trumbull Street, 24th Floor
Hartford, CT 06103
860.522.3111

One Hamden Center
2319 Whitney Avenue, Suite 2A
Hamden, CT 06518
203.397.2525

14 Bobala Road, 3rd Floor
Holyoke, MA 01040
413.536.3970

WAdvising.com

Whittlesey
Forward Advising™