

MINUTES OF THE REGULAR BOARD MEETING OF
THE COMMISSIONERS OF THE
HOUSING AUTHORITY OF THE CITY OF STAMFORD
JUNE 28, 2023

A regular Board meeting of the Commissioners of the Housing Authority of the City of Stamford was held at 40 Clinton Avenue, Stamford, Connecticut and on the Zoom remote connection meeting platform on Wednesday, June 28, 2023.

Commissioner Ostuw called the meeting to order at 6:11 p.m.

A. Attendees

Board Members: Rich Ostuw
John Coff
Divya Malhotra
Lester McKoy
Sheila Williams-Brown

Absent: Jaelyn Williams

Advisory Board: Ari Goldstein
Ronice Latta

Present: Mayor Caroline Simmons
Vin Tufo
Natalie Coard
Bridget Fox
Jon Gottlieb
Lisa Reynolds
Jackie Figueroa
Sam Feda
Raul Gomez
Ken Montanez
Darnel Paulemon
Megan Shutes
Peter Stothart
Jan Tantimonico
Michele Tarulli
Chris Warren
Rob Velez
Christine Young

B. Approval of Minutes

- Approval of minutes of the COC Board Meeting of May 24, 2022

➤ Commissioner Ostuw moved; Commissioner Williams-Brown seconded.

The minutes were approved.

Ayes: Rich Ostuw
Lester McKoy
John Coff
Divya Malhotra
Sheila Williams-Brown

Nays: None

C. Public Comments – There was no public comment.

D. Board Committee Reports

Human Resources Committee – Commissioners Ostuw, Malhotra, McKoy and Williams-Brown and Mr. Tufo, Ms. Coard, Mr. Fedra, Ms. Reynolds, Mr. Montanez, Ms. Figueroa, Ms. Tantimonico, Mr. Stothart, Mr. Velez, Mr. Warren, Mr. Paulemon, Ms. Young and Mr. Gomez attended the Human Resources Committee meeting on 6/27/2023. Mr. Gomez discussed the 13 new hires and resignations since 1/2023; Mr. Gomez provided a general recruitment overview on the open positions and promotion for 06/2023. Ms. Tantimonico and Mr. Gomez discussed the 6-month calendar on recruitment initiatives, new hires, retention, employee engagement events and lessons learned.

Operations Committee – Commissioners Ostuw, Malhotra, McKoy and Williams-Brown and Mr. Tufo, Ms. Coard, Mr. Fedra, Ms. Reynolds, Mr. Montanez, Ms. Figueroa, Ms. Tantimonico, Mr. Stothart, Mr. Velez, Mr. Warren, Mr. Paulemon, Mr. Soares, Ms. Ball, Ms. Luzietti, Ms. Silverio, Ms. Young and Mr. Gomez attended the Operations Committee meeting on 6/27/2023. Mr. Fedra provided an overview of the 05/2023 Accounts Receivable (A/R) results and discussed the \$48k increase across all properties. The increase is in line with our tracking benchmarks as we assess A/R monthly, quarterly, and annually. Ms. Coard provided a leasing update at Lawnhill Terrace 4, which is the 34-unit final phase of the comprehensive renovations at Lawnhill Terrace. To date, there are 15 units leased. Six units are unavailable due to the water damage sustained from the sewer back up that took place 05/2023.

Ms. Figueroa presented HUD's new inspection protocol known as the National Standards for the Physical Inspection of Real Estate (NSPIRE). NSPIRE is an overhaul to HUD's 20-year-old REAC inspection process. Ms. Figueroa highlighted the main concerns with the REAC inspections that lacked consistency and did not provide the most accurate view of the property. The new model is designed to provide results that more accurately identify deficiencies, it promotes preventative maintenance and better living accommodations with a strong emphasis on health and safety. NSPIRE introduces a single inspection model that will be used in all HUD properties, including multifamily and the housing choice voucher program. Implementation of this new protocol will require staff training and updates to our internal policies that are expected to be presented to the Board for approval 09/2023.

Mr. Stothart presented an update of capital projects and procurement: 1) the Lawn Avenue Fire Restoration for a unit with a resolution for a contract with Titan Enterprises; 2) the replacement of the Wormser Congregate Dining Room and common area Air Conditioning unit project with a resolution to accept funding from the City of Stamford's Community Development Block Grant (CDBG) for \$47,600; and 3) the small Scofield Manor roof replacement, which is currently in the design phase as we work with the City of Stamford's engineering department. Mr. Stothart informed the Board of a new contract award to TPC for fire inspections, and the janitorial RFP that is currently out to bid.

Finance Committee – Commissioners Ostuw, Malhotra, McKoy and Williams-Brown and Mr. Tufo, Ms. Coard, Mr. Fedra, Ms. Reynolds, Mr. Montanez, Ms. Figueroa, Ms. Tantimonico, Mr. Stothart, Mr. Velez, Mr. Warren, Mr. Paulemon, Mr. Soares, Ms. Ball, Ms. Luzietti, Ms. Silverio, Ms. Young and Mr. Gomez attended the Finance Committee meeting on 6/27/2023. Mr. Paulemon provided an overview of the FY 2024 budget for Management, Administration and Enterprise (MAE) comprised of the revenues and expenses for the COC portfolio, including management services, executive and strategic leadership, Finance, HR and Technology departments. Also, the MAE budget includes our social service programs including Dovetail: SIP, Inc., Fairgate Farm and our BMR Services program. Mr. Paulemon presented the projected results for the current year budget (FY 2023) and the proposed budget for FY 2024 highlighting any significant variances. Variances for the program relate to several new positions supporting our growth and business needs and spending related to planned technology infrastructure replacements. Mr. Paulemon further described the projected cash flow for the program and provided three years of out-year projections.

Mr. Paulemon provided an overview of the FY 2024 Rippowam Corporation budget, which is the development and asset management function of the organization. Mr. Paulemon described the expected results for FY 2023 and presented the proposed budget for FY 2024, describing significant variances. The largest variance to the budget relates to investments in affordable housing and the addition of a Vice President to Rippowam Corporation including costs for salary, benefits, recruiting fees and possible relocation costs. This is needed to facilitate the

department's initial staff succession plan. Mr. Paulemon further described the projected cash flow for the associated budget and provided three years of out-year projections.

Mr. Paulemon provided an overview of the FY 2024 Housing Choice Voucher (HCV) Program budget, which is the largest single program administered by COC. The \$30M budget supports more than 2,000 vouchers that house nearly 5,000 people in our community. Mr. Paulemon described the expected results for FY 2023 and presented the proposed budget for FY 2024, describing significant variances. The variances are related to staffing needed to support the expected current and out-year expected program growth. The program is expected to continue to grow supporting our planned conversions from units in the Public Housing Portfolio. However, final HUD federal budget appropriations will govern our level and pace of growth. Mr. Paulemon further described the projected reserve levels provided for five years of out-year projections based on our current assumptions.

Ms. Silverio described four tenant A/R write-offs that exceeded the \$5,000 threshold for Board approval. The four A/R balances total \$47,359 for Oak Park, Lawnhill Terrace Phase 2 and Stamford Manor Addition. Ms. Silverio provided the history for each write-off highlighting assistance received, court actions and other pertinent information. The resolution will be submitted to the Board 6/28/2023 for approval.

Ms. Reynolds discussed the concept of utilizing Board liaison roles for the Finance and Technology departments. The function of the role would be a conduit between the Board of Commissioners, board committee and the operating departments. Enhancing lines of communication between the Board and staff will help us to improve the level and type of information shared with the Board and should provide a new level of collaboration and Board engagement. Commissioners Coff and Malhotra have agreed to pilot the concept with us, and we appreciate their commitment and support. The quarterly Cyber Security Sub-Committee meeting was held 6/26/2023. Topics discussed included the current status of the findings from our last Cyber Security Assessment (CSA), along with current and emerging concerns about cyber security and prevention measures.

E. **Mayor's Statement / Open Discussion** – Mayor Caroline Simmons stated that COC's partnership with the City and its essential role are important and appreciated for the health and wellness in our community. Mayor Simmons provided updates with respect to the City's housing policy and the vision and goals to build a more inclusive, equitable and vibrant city that is affordable for all. Mayor Simmons reported that the city completed an affordable housing plan and is working to implement a number of components of the plan. An executive order will be signed shortly including a number of provisions: 1) to support the equivalent of 1,000 new or substantially renovated affordable units by 2025 in partnership with COC and others in the city; 2) policy updates to make it easier to develop and upgrade our affordable housing supply to include rezoned parcels around the Stamford train station for higher density; 3) the city is considering increasing the threshold for the below market rate (BMR) program and the requirements for new developments to support or include affordable components; and 4) the city will direct more budget resources towards affordable housing, as it has in the 2024 capital budget. Mayor Simmons discussed partnering with COC and other providers on increasing the housing development fund and expanding homeownership opportunities.

Mr. Tufo stated that many people want to come and live in Stamford because they believe in the opportunities that Mayor Simmons is proposing. More importantly, the public and private sectors should work together, and not just in one area but all areas coming together. Mr. Tufo described how COC is different than other housing authorities in the way in which COC engages with the private sector to include tax credits that become affordable housing dollars along with other institutions that work to bring private dollars to the work we do. Additionally, COC works with many institutions to make affordable housing work better and more efficient with a range of solutions being proactive such as COC's division that partners with BMR owners and provides leasing, and recertification services.

F. **Resolutions** –

23-16: Acceptance of Charter Oak Communities Write-Off of Tenant Accounts Receivable Balances Over \$5,000

- Commissioner Williams-Brown moved; Commissioner Malhotra seconded.

Be it resolved by the Commissioners of the Housing Authority of the City of Stamford that the uncollectable funds of \$47,358.90 be written off to reduce current A/R balances.

The resolution was passed.

Ayes: Rich Ostuw Nays: None
Lester McKoy
John Coff
Divya Malhotra
Sheila Williams-Brown

23-17: Approve the Management, Administrations & Enterprise (MAE) operating budget for the twelve-month period ending June 30, 2024

➤ Commissioner McKoy moved; Commissioner Coff seconded.

Be it resolved by the Commissioners of the Housing Authority of the City of Stamford d/b/a Charter Oak Communities that the Budget for the Management, Administrations & Enterprise are adopted for the fiscal year starting July 1, 2023 through June 30, 2024.

The resolution was passed.

Ayes: Rich Ostuw Nays: None
Lester McKoy
John Coff
Divya Malhotra
Sheila Williams-Brown

23-18: Approve the Housing Choice Voucher Program (HCVP) operating budget for the twelve-month period ending June 30, 2024.

➤ Commissioner McKoy moved; Commissioner Coff seconded.

Be it resolved by the Commissioners of the Housing Authority of the City of Stamford d/b/a Charter Oak Communities that the operating budget for the Housing Choice Voucher Program are adopted for the fiscal year starting July 1, 2023 through June 30, 2024.

The resolution was passed.

Ayes: Rich Ostuw Nays: None
John Coff
Lester McKoy
Sheila Williams-Brown
Divya Malhotra

23-19: Award Contract for Fire Restoration work at 197 Custer Street to Titan Enterprises, Inc.

➤ Commissioner McKoy moved; Commissioner Coff seconded.

Be it resolved by the Housing Authority of the City of Stamford d/b/a Charter Oak Communities that the Executive Director is authorized to enter into a contract with Titan Enterprises, Inc, for Fire Restoration at 197 Custer Street. The cost of this procurement amount is not to exceed \$278,000.00. Further Board approval will be required if the contract amount exceeds 110% of the authorized amount.

The resolution was passed.

Ayes: Rich Ostuw Nays: None

John Coff
Lester McKoy
Sheila Williams-Brown
Divya Malhotra

23-20: Accept City of Stamford Year 49 Community Development Block Grant (CDBG) for Replacement of the Dining Room Air Conditioning units at Wormser Congregate

➤ Commissioner McKoy moved; Commissioner Coff seconded.

Be it resolved by the Commissioners of the Housing Authority of the City of Stamford that the Executive Director is authorized to accept \$47,600.00 YR 49 CDBG Grant from the City of Stamford for the Replacement of the Dining Room Air Conditioning Units at Wormser Congregate. The Executive Director is authorized to execute a contract and related documents, including requests for payment from this grant.

The resolution was passed.

Ayes: Rich Ostuw Nays: None
John Coff
Lester McKoy
Sheila Williams-Brown
Divya Malhotra

G. Executive Session - No Executive Session was held.

H. Adjournment - At 7:07 p.m., after a motion duly made by Commissioner Malhotra and seconded by Commissioner Williams-Brown the Board meeting was adjourned.

Natalie Coard
Executive Director

Agenda

Human Resources Committee Meeting

July 25, 2023

5:00 P.M.

1. Recruitment Update
 - a. New Hires
 - b. Promotions
 - c. Open Positions
2. Connecticut Municipal Employees Retirement System (rebasings of the contribution rate)
3. The Guard – Berkshire Hathaway (workers compensation)
4. Employee Engagement Events
5. Update

Agenda

Operations Committee Meeting

July 25, 2023

5:30 P.M.

1. June 2023 Accounts Receivable Update and Arrears
2. Lawnhill 4 Leasing Update
3. Housing Opportunities Through Modernization Act (HOTMA) implementation
4. Procurement & Capital Projects Update

Agenda

Finance Committee Meeting

July 25, 2023

6 P.M.

1. Housing Choice Voucher (Budget Authority and Funding Model) – Alexis, Sam, Jackie
2. Review of 12/31/23 Audited Financials (Glenbrook and SCCIC) - Sam
3. Executive Summary (Firewall Replacement) - Ken
4. Audit Update (for FYE 6/30/23) - Alexis
5. Other

**GLENBROOK ROAD ELDERLY HOUSING CORPORATION
HUD PROJECT NO. 017-38052**

Independent Auditors' Report
Financial Statements
and Supplementary Information

December 31, 2022 and 2021



ASSURANCE | ADVISORY | TAX | TECHNOLOGY

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Glenbrook Road Elderly Housing Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Glenbrook Road Elderly Housing Corporation, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Glenbrook Road Elderly Housing Corporation as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Glenbrook Road Elderly Housing Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Glenbrook Road Elderly Housing Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Glenbrook Road Elderly Housing Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Glenbrook Road Elderly Housing Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as shown on pages 14 to 15 is presented for purposes of additional analysis, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2023 on our consideration of Glenbrook Road Elderly Housing Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Glenbrook Road Elderly Housing Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Glenbrook Road Elderly Housing Corporation's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Whittlesey PC".

Hartford, Connecticut
June 2, 2023

GLENBROOK ROAD ELDERLY HOUSING CORPORATION

Statements of Financial Position

December 31, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 304,500	\$ 434,085
Tenant accounts receivable, net	8,465	970
Total current assets	312,965	435,055
Deposits held in trust		
Tenant security deposits	14,371	11,107
Restricted deposits and funded reserves:		
Mortgage escrow deposits	67,293	-
Working capital escrow	181,893	180,780
Replacement reserve	308,583	268,860
Painting reserve	42,727	42,003
Total restricted deposits and funded reserves	600,496	491,643
Fixed assets:		
Land and land improvements	5,001	5,001
Construction in progress	-	1,061,757
Buildings	7,552,550	5,133,317
Building equipment	624,231	624,231
Furniture and fixtures	127,322	127,323
	8,309,104	6,951,629
Accumulated depreciation	(2,664,420)	(2,461,594)
Net fixed assets	5,644,684	4,490,035
Total assets	\$ 6,572,516	\$ 5,427,840

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

GLENBROOK ROAD ELDERLY HOUSING CORPORATION

Statements of Financial Position (Continued)

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 25,886	\$ 29,063
Accounts payable - construction	259,867	293,048
Mortgage payable, current portion	83,707	-
Prepaid revenues	8,423	7,260
Total current liabilities	<u>377,883</u>	<u>329,371</u>
Deposits liabilities:		
Tenant security deposits payable	<u>14,348</u>	<u>11,107</u>
Long-term liabilities:		
Mortgage payable, net	4,477,130	3,441,686
Due to related party	349,725	349,725
Developer fee payable	384,435	264,299
Total long-term liabilities	<u>5,211,290</u>	<u>4,055,710</u>
Total liabilities	<u>5,603,521</u>	<u>4,396,188</u>
Net assets:		
Net assets without donor restrictions	<u>968,995</u>	<u>1,031,652</u>
Total liabilities and net assets	<u>\$ 6,572,516</u>	<u>\$ 5,427,840</u>

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

GLENBROOK ROAD ELDERLY HOUSING CORPORATION

Statements of Activities and Changes in Net Assets

For the years ended December 31, 2022 and 2021

	2022	2021
Revenue		
Rental revenue:		
Tenant charges	\$ 378,408	\$ 398,078
Tenant assistance payments	552,056	486,550
Gross potential rent	930,464	884,628
Less vacancies	(199,867)	(236,856)
Net rental revenue	730,597	647,772
Financial	3,832	805
Other	31,921	6,007
Total revenue	766,350	654,584
Expenses		
Operating expenses:		
Administrative	184,404	186,129
Operating and maintenance	112,826	120,091
Taxes and insurance	118,621	74,433
Utilities	69,976	68,582
Total operating expenses	485,827	449,235
Change in net assets before other expenses	280,523	205,349
Other expenses:		
Depreciation	202,826	38,765
Interest	131,913	-
Imputed interest	8,441	-
Residual receipts reserve relinquished to CHFA	-	1,894,205
Total other expenses	343,180	1,932,970
Change in net assets	(62,657)	(1,727,621)
Net assets without donor restrictions, beginning of year	1,031,652	2,759,273
Net assets without donor restrictions, end of year	\$ 968,995	\$ 1,031,652

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

GLENBROOK ROAD ELDERLY HOUSING CORPORATION

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

Cash flows from operating activities		
Change in net assets	\$ (62,657)	\$ (1,727,621)
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	202,826	38,765
Imputed interest	8,441	-
Residual receipts reserve relinquished to CHFA	-	1,894,205
Changes in:		
Tenant accounts receivable, net	(7,495)	(970)
Accounts payable and accrued expenses	(3,177)	(4,612)
Prepaid revenues	1,163	5,444
Due to related party	-	11,000
Tenant security deposits payable	3,241	(1,641)
	<u>142,342</u>	<u>214,570</u>
Net change in cash from operating activities		
Cash flows from investing activities		
Payments for buildings and construction in progress	(1,270,520)	(3,074,055)
Net (deposits to)/withdrawals from and interest retained in:		
Mortgage escrow deposits	(67,293)	-
Working capital escrow	(1,113)	(236)
Replacement reserve	(39,723)	(538)
	<u>(1,378,649)</u>	<u>(3,074,829)</u>
Net change in cash from investing activities		
Cash flows from financing activities		
Proceeds from mortgage payable	1,296,426	3,145,124
Principal payments on mortgage payable	(121,391)	-
Payments for deferred loan costs	(64,325)	(85,743)
Net change in cash from financing activities	<u>1,110,710</u>	<u>3,059,381</u>
Net change in cash, cash equivalents and restricted cash	(125,597)	199,122
Cash, cash equivalents, and restricted cash at beginning of year	<u>487,195</u>	<u>288,073</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 361,598</u>	<u>\$ 487,195</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 131,913</u>	<u>\$ -</u>
Noncash investing and financing activities:		
Construction in progress funded by accounts payable	<u>\$ -</u>	<u>\$ 557,347</u>

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

GLENBROOK ROAD ELDERLY HOUSING CORPORATION

Notes to the Financial Statements

December 31, 2022 and 2021

NOTE 1 – ORGANIZATION

Glenbrook Road Elderly Housing Corporation (the “Corporation”) is a nonprofit corporation established in 1975 to provide housing for low-income elderly families in the Stamford, Connecticut area. The Corporation operates a 44-unit housing complex known as Glenbrook Manor.

The project is operated under the Section 8 program of the U.S. Department of Housing and Urban Development (“HUD”) and is regulated as to rent charges and operating methods. The mortgage is insured by HUD under Section 231 of the National Housing Act.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Corporation’s significant accounting policies consistently applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The Corporation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America; consequently, the Corporation recognizes revenue as it is earned rather than received. The expenses are recognized when the obligation is incurred. Net assets and revenues, expenses and gains are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Corporation and changes therein are classified as follows:

Net assets without donor restrictions – Net assets not subject to donor restrictions.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions.

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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with financial institutions and other debt securities that are readily convertible into cash and purchased with original maturities of three months or less.

Concentration of Credit Risk

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Restricted Cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total of the same amounts shown in the statements of cash flows.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 304,500	\$ 434,085
Tenant security deposits	14,371	11,107
Painting reserve	<u>42,727</u>	<u>42,003</u>
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	<u>\$ 361,598</u>	<u>\$ 487,195</u>

Tenant Accounts Receivable, net

Accounts receivable from tenants are carried at the original amount billed less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by using historical experience applied to an aging of accounts receivable. Accounts receivable from tenants are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. Allowances for other non-tenant receivables are reviewed annually.

Fixed Assets

Fixed assets are recorded at cost. The cost of maintenance and repairs is charged to expense as incurred; additions, renewals and betterments over \$5,000 are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period.

Depreciation of property and equipment is calculated on the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	27.5 - 40 years
Land improvements	15 - 20 years
Building equipment	7 years
Furniture and fixtures	7 years

On September 8, 2020, the Corporation closed on a construction loan for ongoing renovations to the property. Costs incurred for the renovation are classified as construction in progress on the statements of financial position until placed in service. The renovation was completed and placed in service during the year ended December 31, 2022. The construction loan was converted to a permanent loan subsequent to year end, in April 2023.

Income Taxes

The Corporation has been granted a tax-exempt status by the Internal Revenue Service under Code Section 501(c)(4). The Corporation is not a private foundation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Impairment of Long-Lived Assets

The Corporation reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. There were no impairment losses recognized during the years ended December 31, 2022 and 2021.

Mortgage Payable, Net

The Corporation's mortgage payable is presented net of deferred financing costs. The deferred financing costs of \$150,068 and \$85,743 at December 31, 2022 and 2021, respectively, are being amortized over the life of the mortgage on the straight line method which is not materially different from the effective interest method, and is recorded as imputed interest on the statement of activities and changes in net assets.

Revenue Recognition

Rental revenue attributable to residential leases is recorded when due from residents, generally upon the first day of each month. Rental payments received in advance are deferred until earned. Leases are for periods of up to one year, with rental payments due monthly. All leases between the Corporation and tenants of the property are operating leases. Other income results from fees for late payments, cleaning, damages, and laundry facilities and is recorded when earned.

Functional allocation of expenses

The costs of providing program and other activities have been summarized on a functional basis in Note 10 to the financial statements. Accordingly, certain costs have been allocated among the program and supporting services benefited. All expenses are allocated based on direct costs.

Subsequent Events Measurement Date

The Corporation monitored and evaluated subsequent events for footnote disclosures or adjustments required in its financial statements for the year ended December 31, 2022 through June 2, 2023, the date on which financial statements were available to be issued.

NOTE 3 – RESTRICTED DEPOSITS AND FUNDED RESERVES

Working Capital Escrow

As part of the construction loan with Merchants Capital, the Corporation is required to maintain a balance in a working capital escrow. Funds from this escrow will be held by Merchants Capital, the lender, and can be drawn upon only with the authorization of Merchants Capital. The reserve was funded with a \$180,544 deposit upon initial closing of the loan on September 8, 2020. At December 31, 2022 and 2021, the working capital escrow account balance was \$181,893 and \$180,780, respectively.

NOTE 3 – RESTRICTED DEPOSITS AND FUNDED RESERVES (CONTINUED)

Replacement Reserve

In accordance with the HUD Regulatory Agreement, the Corporation is required to maintain a replacement reserve. The replacement reserve funds were held by CHFA, to be used for replacement of the property, and were moved to Merchants Capital during the year ended December 31, 2021. The replacement reserve was funded for the years ended December 31, 2022 and 2021, with a balance of \$308,583 and \$268,860, respectively.

Painting Reserve

The Corporation maintains a painting reserve to ensure adequate funds are set aside to cover the cost of painting the project. The funds are maintained in a separate FDIC insured account. At December 31, 2022 and 2021, the painting escrow account balance was \$42,727, and \$42,003, respectively.

NOTE 4 – MORTGAGE PAYABLE, NET

Mortgage payable, net consists of the following as of December 31,:

	<u>2022</u>	<u>2021</u>
On September 8, 2020, the Corporation closed on a construction loan of up to \$9,027,200 with Merchants Capital Corporation. Interest accrues during the construction period at 2.9%. Interest only payments are due through the completion of construction. In April 2023, the construction loan was converted to a permanent loan and principal and interest at a per annum rate of 2.9% is due in equal monthly installments on the first day of each and every month in accordance with a 40 year amortization schedule. Any remaining unpaid indebtedness, together with unpaid interest, shall be due and payable forty years after the commencement of the permanent loan.	\$ 4,702,464	\$ 3,527,429
Less deferred financing costs, net	(141,627)	(85,743)
Less current portion of mortgage payable	<u>(83,707)</u>	<u>-</u>
Mortgage payable, net	<u>\$ 4,477,130</u>	<u>\$ 3,441,686</u>

Scheduled principal payments on the mortgage payable, net are as follows for the years ended December 31,:

	<u>Principal</u>
2023	\$ 83,707
2024	128,631
2025	132,411
2026	136,302
2027	140,308
Thereafter	<u>4,081,105</u>
	<u>\$ 4,702,464</u>

NOTE 5 – RENTAL REVENUE

Tenants' rents are subsidized by HUD under its Section 8 Housing Assistance Payments (“HAP”) Contract. This contract provides assistance to those tenants who qualify by meeting certain HUD established criteria, including maximum income limitations. Rent subsidies totaled \$552,056 for the year ended December 31, 2022 which is approximately 76% of effective rental revenue. For the year ended December 31, 2021 rent subsidies totaled \$486,550 which was approximately 75% of effective rental revenue.

NOTE 6 – RELATED PARTY TRANSACTIONS

COC, management agent, holds corporate powers over the Corporation. The Corporation has entered into a management agreement with COC to pay a management fee based on Total Income, as defined in the Management and Affirmative Fair Marketing Agreement. The management fee is 6% of total income collected, as approved by HUD. For the years ended December 31, 2022 and 2021, the Corporation incurred management fees of \$43,836 and \$38,906, respectively.

All payroll and related services are provided by COC. Additionally, limited and shared expenses are paid for or allocated through the COC revolving fund. At December 31, 2022 and 2021, the amounts owed (to)/from COC's revolving fund were \$(3,718) and \$1,653, respectively. These amounts are included in cash and cash equivalents on the Statements of Financial Position.

The Corporation incurs a bookkeeping fee of \$7.50 per unit per month charged by COC based on HUD approval. For the years ended December 31, 2022 and 2021, the Corporation incurred bookkeeping fees in the amount of \$3,023 and \$2,925, respectively.

As part of the closing on the construction loan, the Corporation was advanced \$349,725, in funding from Rippowam Corporation “Rippowam”, to be repaid upon completion of the renovation. Rippowam is a controlled affiliate of COC, as a majority of the members of the board of directors of Rippowam are also members of the board of directors of HACS. As of December 31, 2022 and 2021, this amount remains unpaid, and will be paid at a future date with available cash flow.

The Corporation entered into an agreement with the developer for the project (the “Development Agreement”). The agreement called for a development fee of \$480,544 payable to Rippowam for services rendered to the Corporation for overseeing the construction of the project. Any unpaid development fees are paid from net cash flow. \$360,408 of developer fee was incurred during the year ended December 31, 2021. Payments of \$96,109 were made, leaving an outstanding balance of \$264,299. The remaining developer fee of \$120,136 was incurred as the construction was completed during the year ended December 31, 2022. The outstanding balance as of December 31, 2022 is \$384,435.

NOTE 7 – RESIDUAL RECEIPTS RESERVE RELINQUISHED TO CHFA

During the year ended December 31, 2021 the Residual Receipts Reserve was relinquished to CHFA, as the Corporation moved the replacement reserve held by CHFA to its new lender, Merchants Capital. The amount that was relinquished to CHFA, \$1,894,205 is shown as a non-operating expense on the Statement of Operations for the year ended December 31, 2021.

NOTE 8 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Corporation has \$304,500 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and cash equivalents and restricted deposits and funded reserves. Only amounts related to restricted deposits and funded reserves anticipated to be used more than one year after the statement of financial position date have been excluded from the above amount.

As regulated by HUD, financial assets of the Corporation are intended to be sufficient to meet its general expenditures, liabilities and other obligations as they become due. Project operations are designed to break-even and not result in either surplus cash or a deficit in surplus cash.

NOTE 9 – FUNCTIONAL ALLOCATION OF EXPENSES

The functional allocation of expenses for the years ended December 31, 2022 and 2021 was as follows:

2022			
	Program	Management and General	Total
Administrative	\$ 78,916	\$ 105,488	\$ 184,404
Operating and maintenance	112,826	-	112,826
Taxes and insurance	118,621	-	118,621
Utilities	69,976	-	69,976
Depreciation	202,826	-	202,826
Interest	131,913	-	131,913
Imputed interest	8,441	-	8,441
	<u>\$ 723,519</u>	<u>\$ 105,488</u>	<u>\$ 829,007</u>

2021			
	Program	Management and General	Total
Administrative	\$ 86,948	\$ 99,181	\$ 186,129
Operating and maintenance	120,091	-	120,091
Taxes and insurance	74,433	-	74,433
Utilities	68,582	-	68,582
Depreciation	38,765	-	38,765
	<u>\$ 388,819</u>	<u>\$ 99,181</u>	<u>\$ 488,000</u>

SUPPLEMENTARY INFORMATION

GLENBROOK ROAD ELDERLY HOUSING CORPORATION
HUD PROJECT #017-35308
Computation of Shelter Rent

For the year ended December 31, 2022

Rental income:	730,597
Less: Housing Assistance Payments	<u>(552,056)</u>
Tenant charges	178,541
Less: Dwelling and non-dwelling utilities	<u>(69,976)</u>
Shelter rent	108,565
Shelter rent percentage	<u>10%</u>
Portion of shelter rent to be paid	<u><u>\$ 10,857</u></u>

See Note to Computation of Shelter Rent.

GLENBROOK ROAD ELDERLY HOUSING CORPORATION
HUD PROJECT #017-35308
Note to Computation of Shelter Rent

December 31, 2022

NOTE 1 - TAX ABATEMENT

The Corporation signed an agreement with the City of Stamford which provides a tax abatement of 100% of all real property taxes assessed on the Project. The Corporation is to pay the City of Stamford a payment equal to 10% of their Shelter Rent, which is defined as the total of all charges to all Tenants of the Project for dwelling rents and non-dwelling rents, less the costs to the Corporation of all dwelling and non-dwelling utilities.

INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Partners of
Glenbrook Road Elderly Housing Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Glenbrook Road Elderly Housing Corporation which comprise the statement of financial position as of December 31, 2022 and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 2, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Glenbrook Road Elderly Housing Corporation's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Glenbrook Road Elderly Housing Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Glenbrook Road Elderly Housing Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Glenbrook Road Elderly Housing Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Hartford, Connecticut
June 2, 2023

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Commissioners of
Glenbrook Road Housing Corporation

Report on Compliance for the Major HUD Programs

Opinion on the Major HUD Programs

We have audited Glenbrook Road Elderly Housing Corporation's compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide") that could have a direct and material effect on Glenbrook Road Elderly Housing Corporation's major U.S. Department of Housing and Urban Development ("HUD") programs for the year ended December 31, 2022. Glenbrook Road Elderly Housing Corporation's major HUD programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Glenbrook Road Elderly Housing Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major HUD programs for the year ended December 31, 2022.

Basis for Opinion on the Major HUD Programs

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Guide. Our responsibilities under those standards and the Guide are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Glenbrook Road Elderly Housing Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major HUD programs. Our audit does not provide a legal determination of Glenbrook Road Elderly Housing Corporation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Glenbrook Road Elderly Housing Corporation's HUD programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to error or fraud, and express an opinion on Glenbrook Road Elderly Housing Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for the resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Glenbrook Road Elderly Housing Corporation's compliance with the requirements of the HUD programs as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Glenbrook Road Elderly Housing Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Glenbrook Road Elderly Housing Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of Glenbrook Road Elderly Housing Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

Whittlesey PC

Hartford, Connecticut
June 2, 2023

GLENBROOK ROAD ELDERLY HOUSING CORPORATION

HUD PROJECT #017-35308

Schedule of Expenditures of Federal Awards

For the year ended December 31, 2022

	Federal Assistance Listing Number	Pass-Through Agency	Pass-Through Award Number	Amounts Provided to Sub-recipients	Federal Financial Assistance Expenditures
Department of Housing & Urban Development (HUD)					
Section 8 Project-Based Cluster					
	14.195	Connecticut Housing Finance Authority	CT26-H037-006	\$ -	\$ 552,056
Section 8 Housing Assistance Payments Program				-	552,056
Total Section 8 Project-Based Cluster					
Mortgage Insurance Rental Housing for the Elderly - Section 231	14.138	N/A	N/A	-	3,527,429
Total Department of Housing & Urban Development				-	4,079,485
Total All Programs				\$ -	\$ 4,079,485

The accompanying notes are an integral part of this schedule.

GLENBROOK ROAD ELDERLY HOUSING CORPORATION
HUD PROJECT #017-35308

Notes to Schedule of Expenditures of Federal Awards
December 31, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Glenbrook Road Elderly Housing Corporation under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations of the Glenbrook Road Elderly Housing Corporation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Glenbrook Road Elderly Housing Corporation.

NOTE 2 – SUMMARY OF SPECIFIC ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

For the year ended December 31, 2022, Glenbrook Road Elderly Housing Corporation did not elect to use the 10% de minimis indirect cost rate allowed in the Uniform Guidance, section 414.

NOTE 4 – U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT LOAN PROGRAM

The Corporation has received a U.S. Department of Housing and Urban Development insured loan under Section 231 of the National Housing Act. The loan balance outstanding at the beginning of the period is included in the federal expenditures presented in the Schedule. The balance of the loan outstanding under CFDA #14.138 is \$4,702,464 and \$3,527,429 as of December 31, 2022 and 2021, respectively.

GLENBROOK ROAD ELDERLY HOUSING CORPORATION

HUD PROJECT #017-35308

Schedule of Findings and Questioned Costs

December 31, 2022

I. Summary of Auditors' Results:

Financial Statements

Type of auditors' report issued on whether the consolidated financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) of Uniform Guidance?

_____ yes X no

Identification of Major Programs

Name of Federal Program or Cluster	Federal CFDA Number
U.S. Department of Housing and Urban Development:	
Section 8 Housing Assistance Payments Program	14.195
Mortgage Insurance Rental Housing for the Elderly - Section 231	14.138
Dollar threshold used to distinguish between type A and type B programs	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u> X </u> Yes _____ No

GLENBROOK ROAD ELDERLY HOUSING CORPORATION
HUD PROJECT #017-35308
Schedule of Findings and Questioned Costs (Continued)
December 31, 2022

II. FEDERAL STATEMENT FINDINGS

No matters reported.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters reported.

IV. PRIOR AUDIT FINDINGS

No matters reported.

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 **Whittlesey**
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**SOUTHERN CONNECTICUT COMMUNITY
IMPROVEMENT CORPORATION**

Independent Auditors' Report

Financial Statements

December 31, 2022 and 2021



ASSURANCE | ADVISORY | TAX | TECHNOLOGY

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Southern Connecticut Community Improvement Corporation

Opinion

We have audited the accompanying financial statements of Southern Connecticut Community Improvement Corporation, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern Connecticut Community Improvement Corporation as of December 31, 2022 and 2021, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United State of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southern Connecticut Community Improvement Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Southern Connecticut Community Improvement Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

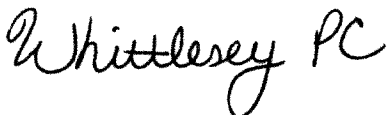
Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Southern Connecticut Community Improvement Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southern Connecticut Community Improvement Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Hartford, Connecticut
June 14, 2023

SOUTHERN CONNECTICUT COMMUNITY IMPROVEMENT CORPORATION

Statements of Financial Position

December 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets:		
Cash	\$ 12,529	\$ 277,512
Accounts receivable - other	263,150	-
Total current assets	275,679	277,512
Restricted reserves:		
Tenant security deposits	97,741	97,492
Total restricted reserves:	97,741	97,492
Other assets:		
Deferred rent receivable	90,511	72,319
Acquired in-place leases, net	582,765	684,116
Deferred leasing costs, net	13,187	15,480
Total other assets	686,463	771,915
Fixed assets:		
Building and improvements	6,507,470	6,500,576
Tenant improvements	610,000	610,000
Leasehold improvements	437,822	437,822
Less: accumulated depreciation	(762,822)	(528,108)
Net fixed assets	6,792,470	7,020,290
Total assets	\$ 7,852,353	\$ 8,167,209
LIABILITIES AND NET ASSETS		
Current liabilities:		
Due to related parties	\$ 10,334	\$ 5,603
Prepaid revenue	-	18
Total current liabilities	10,334	5,621
Deposit liabilities:		
Tenant security deposits	97,492	97,492
Total liabilities	107,826	103,113
Net assets without donor restrictions	7,744,527	8,064,096
Total liabilities and net assets	\$ 7,852,353	\$ 8,167,209

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

SOUTHERN CONNECTICUT COMMUNITY IMPROVEMENT CORPORATION

Statements of Activities and Changes in Net Assets

For the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue		
Rental	\$ 373,709	\$ 373,709
Recoveries	117,236	135,237
Interest	250	-
Total revenue	<u>491,195</u>	<u>508,946</u>
Operating expenses		
Administrative	66,368	103,672
Utilities	31,984	28,378
Operating and maintenance	58,558	57,222
Taxes and insurance	83,958	82,934
Total operating expenses	<u>240,868</u>	<u>272,206</u>
Net income before other changes in net assets	<u>250,327</u>	<u>236,740</u>
Other changes in net assets		
Depreciation	234,714	234,714
Amortization	103,644	103,644
Transfer to related party	231,538	201,118
Total other changes in net assets	<u>569,896</u>	<u>539,476</u>
Changes in net assets	(319,569)	(302,736)
Net assets without donor restrictions, beginning of year	<u>8,064,096</u>	<u>8,366,832</u>
Net assets without donor restrictions, end of year	<u>\$ 7,744,527</u>	<u>\$ 8,064,096</u>

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

SOUTHERN CONNECTICUT COMMUNITY IMPROVEMENT CORPORATION

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (319,569)	\$ (302,736)
Adjustments to reconcile changes in net assets to net change in cash from operating activities:		
Depreciation	234,714	234,714
Amortization	103,644	103,644
Deferred rent receivable	(18,192)	(34,055)
(Increase)/decrease in:		
Tenants accounts receivable	-	10,386
Accounts receivable - affiliate	(263,150)	26,333
Increase/(decrease) in:		
Due to related parties	4,731	5,603
Prepaid revenue	(18)	18
Tenant security deposits	-	98
Net change in cash from operating activities	(257,840)	44,005
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for fixed assets	(6,894)	-
Net change in cash from investing activities	(6,894)	-
Net change in cash	(264,734)	44,005
Cash and restricted cash, at beginning of the year	375,004	330,999
Cash and restricted cash, at end of the year	\$ 110,270	\$ 375,004
Cash	\$ 12,529	\$ 277,512
Restricted cash:		
Tenant security deposits	97,741	97,492
	\$ 110,270	\$ 375,004

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

SOUTHERN CONNECTICUT COMMUNITY IMPROVEMENT CORPORATION

Notes to the Financial Statements

December 31, 2022 and 2021

NOTE 1 – ORGANIZATION

Southern Connecticut Community Improvement Corporation (“SCCIC”) is a nonprofit Corporation established in 2016. SCCIC was formed to develop, redevelop, manage, finance, sponsor, invest in, own and/or expand the availability of affordable housing for very low, low, and moderate-income individuals and families and mixed-income populations in the Southern Connecticut geographic area.

On September 12, 2019, SCCIC acquired 22,422 square feet of retail space, and a portion of the onsite parking garage (the “Property”), previously owned by Park 215, LP (“Park 215”). The Property began construction in 2016 and was owned as the retail portion of Park 215 until September 12, 2019. Tenants began taking occupancy in the Property in September 2018. The Property is a member of a Condo Association that includes other property not owned by SCCIC. Park 215 Condominium Association, Inc. (the “Condo Association”), was created to operate the common interest community. Certain costs incurred by the Condo Association are allocated to SCCIC.

Upon the commencement of the permanent mortgage of Park 215, LP on September 12, 2019 the fixed and related intangible assets of the Property were transferred to Charter Oak Communities and Rippowam Corporation, as a requirement of the limited partnership agreement. The transfer was made in consideration of the repayment on related party debt totaling \$7,167,494 and developer fee payable of \$703,699. The Property was then contributed by Charter Oak Communities and Rippowam Corporation to SCCIC in the amount of \$7,871,193 on September 12, 2019.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

SCCIC prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America; consequently, SCCIC recognizes revenue as it is earned rather than received. The expenses are recognized when the obligation is incurred. Net assets and revenues, expenses and gains are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of SCCIC and changes therein are classified as follows:

Net assets without donor restrictions – Net assets not subject to donor restrictions.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions.

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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Any accounts deemed uncollectible by SCCIC are written off against operating expenses as bad debt and will offset accounts receivable as an allowance for doubtful accounts. All leases between SCCIC and the Property tenants are operating leases. Management determines the allowance for doubtful accounts by using historical experience applied to an aging of accounts receivable. Allowances for accounts receivable are reviewed annually.

Purchase Accounting for Acquisition of Rental Property

The fair value of the rental property acquired is allocated to the acquired tangible assets, and identified intangible assets and liabilities, consisting of in-place leases, based in each case on their fair values.

The fair value of the tangible assets of an acquired property is determined by valuing the property as if it were vacant, and the "as-if-vacant" value is then allocated based on management's determination of the relative fair values of these assets. Management determines the as-if-vacant fair value of a property using methods similar to those used by independent appraisers. Factors considered by management in performing these analyses include an estimate of carrying costs during the expected lease-up periods, considering current market conditions and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rental revenue during the expected lease-up periods based on current market demand.

The aggregate value of other acquired intangible assets consists of in-place leases and tenant relationships. In-place leases are based on SCCIC's evaluation of the specific characteristics of each tenant's lease. Factors that are considered include estimates of carrying costs during hypothetical lease-up periods, considering current market conditions and cost to execute similar leases. Tenant relationships are measured by the nature and extent of the existing relationship with the tenants, the tenant's credit quality and expectation of lease renewal. The value of tenant relationships has not been separated from in-place lease value for the additional interest in real estate entities because such value and its consequence to amortization expense is estimated to be immaterial for SCCIC. Should future acquisition of properties result in allocating material amounts to the value of tenant relationships, an amount would be separately allocated and amortized over the estimated life of the relationship. The value of in-place leases is amortized to expense over the average life of the leases acquired, by utilizing the related square footage and remaining terms of the in place leases.

Capitalization and Depreciation

Fixed assets are recorded at fair market value as of the date acquired, and subsequent improvements are recorded at cost. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Assets Estimated Useful Lives

Building and improvements	40 years
Leasehold improvements – land lease	99 years
Tenant improvements	9 years

Repairs and maintenance are charged to operations as incurred. Replacements and improvements are capitalized.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SCCIC reviews fixed assets for impairment whenever events or changes in circumstances indicate that the carrying values may no longer be recoverable. Recoverability of carrying amounts is assessed by estimating future cash flows from the real estate investment. If the carrying amount of the fixed assets exceeds the probability-weighted undiscounted cash flows, the assets would be deemed to be impaired. Impairment would then be measured as the difference between the fair value of the fixed assets and its carrying amount. Fixed assets were not considered to be impaired in 2022 and 2021.

Revenue Recognition

Income is earned on a monthly basis pursuant to operating leases. The leases include free rent and rent steps which are recognized on a straight-line basis over the life of the associated leases. Deferred rent receivable represents rent recorded on a straight-line basis in excess of the amount billed. These amounts are recognized as earned per the lease agreement and are included in rental revenue in the statement of activities and changes in net assets. Expense recoveries are recognized in the same period that related expenses are incurred and are recorded in the accompanying statements of activities and changes in net assets.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in Note 10 to the financial statements. All administrative costs except property manager and assistant property manager payroll are classified as management and general. All other costs are classified as program.

Income Taxes

SCCIC has been granted a tax-exempt status by the Internal Revenue Service under Code Section 501(c)(3). SCCIC is not a private foundation.

Subsequent Events Measurement Date

SCCIC monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for the year ended December 31, 2022 through June 14, 2023, the date on which the financial statements were available to be issued.

NOTE 3 – AVAILABILITY AND LIQUIDITY OF RESOURCES

As of December 31, 2022 and 2021, SCCIC has \$275,679 and \$277,512 of financial assets available within one year of the statement of financial position, respectively, which consists solely of \$12,529 and \$277,512 of cash and \$263,150 and \$-0- of due from related parties, as of December 31, 2022 and 2021, respectively.

NOTE 4 – ACQUIRED IN PLACE LEASES, NET

During 2019, SCCIC recorded an intangible asset of \$912,156 associated with acquired in-place leases. Acquired leases were considered to be at fair value. The intangible asset is being amortized over the life of the respective leases, which is estimated at approximately 9 years. There was no impairment recorded for the intangible asset during 2022 or 2021. Amortization expense of in-place leases for the years ended December 31, 2022 and 2020 was \$101,351. Accumulated amortization of in-place leases was \$329,391 and \$228,040 as of December 31, 2022 and 2021, respectively. The estimated amortization of these acquired in place leases for each of the next five years is as follows:

<u>Year ending December 31,:</u>	
2023	\$ 101,351
2024	101,351
2025	101,351
2026	101,351
2027	101,351

NOTE 5 – DEFERRED LEASING COSTS, NET

Lease-up fees are amortized over the life of the commercial leases, which for both active leases is nine years. Accumulated amortization of deferred leasing costs was \$7,452 and \$5,159 as of December 31, 2022 and 2021, respectively. The estimated amortization of these costs for each of the next five years is as follows:

<u>Year ending December 31,:</u>	
2023	\$ 2,293
2024	2,293
2025	2,293
2026	2,293
2027	2,293

NOTE 6 – PROPERTY MANAGEMENT

The Property is being managed by Stone Harbour Management, LLC. The management fee agreement provides for a management fee of 4% of monthly gross rent collections. Property management expense was \$23,636 and \$24,265 for the years ended December 31, 2022 and 2021, respectively. The Property also reimburses Stone Harbour Management, LLC for salary expenses which relate to administrative, maintenance and operating tasks for the Property. These expenses were \$39,453 for the years ended December 31, 2022 and 2021.

As of the year ended December 31, 2022, an affiliate of the management company owed \$263,150 to the Property. The full amount was paid back to the property in February 2023. As of December 31, 2022, this amount is included in accounts receivable - other on the statements of financial position.

NOTE 7 – RELATED PARTY TRANSACTIONS

The Housing Authority of the City of Stamford, also known as Charter Oak Communities (“COC”) is the management agent, which holds corporate powers over SCCIC. Rippowam Corporation is a controlled affiliate of COC, as a majority of the members of the board of directors of Rippowam Corporation are also members of the board of directors of COC.

SCCIC owed \$10,334 and \$5,603 in total to Park 215 and the Condo Association as of December 31, 2022 and 2021, respectively.

During the years ended December 31, 2022 and 2021, \$231,538 and \$201,118, respectively, were transferred to Rippowam Corporation.

SCCIC has a ground lease with the COC, whereby SCCIC leases the land that the Property is located on. Annual base rent is \$1. The lease expires on November 2, 2114.

NOTE 8 – CONCENTRATIONS

SCCIC’s primary asset is its 22,422 square feet retail facility located in Stamford, Connecticut. Currently the Property has two tenants occupying a total of 11,956 square feet. If one of the two current tenants were to exit their lease early, it would have a material impact on SCCIC’s operations.

NOTE 9 – LEASES

The following is a schedule of minimum future base rentals due under operating leases from commercial tenants, as of December 31, 2022, assuming no option renewals or replacements upon expiration dates.

For the year ending December 31,:

2023	\$	360,545
2024		377,773
2025		387,147
2026		396,846
2027		406,788
Thereafter		310,280
	\$	<u>2,239,379</u>

NOTE 10 – FUNCTIONAL ALLOCATION OF EXPENSES

The functional allocation of expenses for the year ended December 31, 2022 was:

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Administrative	\$ 27,215	\$ 39,153	\$ 66,368
Operating and maintenance	58,558	-	58,558
Taxes and insurance	83,958	-	83,958
Utilities	31,984	-	31,984
Depreciation and amortization	338,358	-	338,358
	<u>\$ 540,073</u>	<u>\$ 39,153</u>	<u>\$ 579,226</u>

The functional allocation of expenses for the year ended December 31, 2021 was:

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Administrative	\$ 27,215	\$ 76,457	\$ 103,672
Operating and maintenance	57,222	-	57,222
Taxes and insurance	82,934	-	82,934
Utilities	28,378	-	28,378
Depreciation and Amortization	338,358	-	338,358
	<u>\$ 534,107</u>	<u>\$ 76,457</u>	<u>\$ 610,564</u>

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June 14, 2023

To the Board of Directors of
Southern Connecticut Community Improvement Corporation,

We have audited the financial statements of Southern Connecticut Community Improvement Corporation (the "Corporation") for the year ended December 31, 2022, and we will issue our report thereon dated June 14, 2023. 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 dated December 22, 2022. 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 the Corporation are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2022. We noted no transactions entered into by the Corporation 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 the estimated useful lives of the related assets. We evaluated the key factors and assumptions used to develop the depreciation calculation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the value of in place leases.

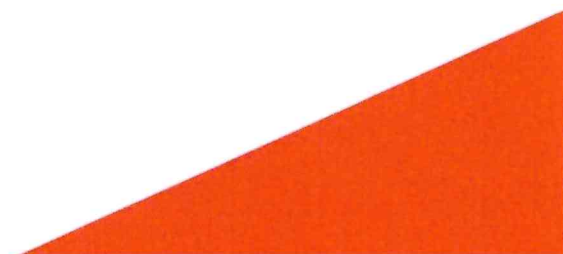
The financial statement disclosures are neutral, consistent, and clear.

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.



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 June 14, 2023.

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 Corporation'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.

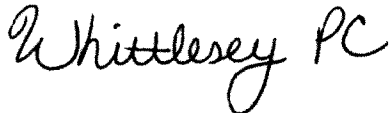
Other Audit Findings or Issues

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 Corporation's auditors.

It was noted during the audit that amounts were owed to the Corporation from an affiliate of the management company, Stone Harbor Management, using funds from the Corporation. These amounts were repaid subsequent to year end. When Charter Oak Communities management became aware of the amounts owed, policies and procedures were put in place to improve the related internal control processes.

This information is intended solely for the use of the Board of Directors and management of the Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

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

Whittlesey PC