

PACIFIC HOUSE, INC.
AND SUBSIDIARY
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

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HAIMS, BUZZEO & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
STAMFORD, CT.

INDEPENDENT AUDITOR'S REPORT

Rafael Pagan, Jr.
Pacific House, Inc. and Subsidiary
137 Henry Street, Suite 205
Stamford, CT 06902

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Pacific House, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related consolidated notes to the financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Pacific House, Inc. and Subsidiary as of June 30, 2023 and 2022, and the changes in its consolidated 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 audit 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Pacific House, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pacific House, Inc. and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated 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 consolidated 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 consolidated 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
- 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 consolidated financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pacific House, Inc. and Subsidiary'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 consolidated financial statements as a whole. 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated 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 December 5, 2023 on our consideration of Pacific House, Inc. and Subsidiary's internal control over consolidated 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 consolidated financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pacific House, Inc. and Subsidiary's internal control over consolidated financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pacific House, Inc. and Subsidiary's internal control over consolidated financial reporting and compliance.

Haines, Bruzzone + Company, P.C.

Certified Public Accountants

Stamford, CT

December 5, 2023

PACIFIC HOUSE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30,

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
Current Assets:		
Cash and Cash Equivalents	\$ 1,776,004	\$ 1,180,607
Short Term Investments	224,709	168,643
Grants Receivable	761,944	979,067
Other Receivable - Net of Allowance for Doubtful Accounts	206,353	93,287
Prepaid Expenses	10,073	12,020
<u>Total Current Assets</u>	<u>\$ 2,979,083</u>	<u>\$ 2,433,624</u>
Fixed Assets:		
Mortgage Costs - Net	29,822	31,752
Construction in Progress	839,029	514,188
Land, Buildings, and Equipment - Net	20,336,218	20,179,237
<u>Total Fixed Assets</u>	<u>21,205,069</u>	<u>20,725,177</u>
<u>TOTAL ASSETS</u>	<u>\$ 24,184,152</u>	<u>\$ 23,158,801</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 637,748	\$ 211,930
Deferred Revenue and Refundable Deposits	647,633	678,115
Notes Payable - Current Portion	165,820	439,533
<u>Total Current Liabilities</u>	<u>\$ 1,451,201</u>	<u>\$ 1,329,578</u>
Long - Term Liabilities:		
Deferred Revenue and Refundable Deposits	7,367,299	7,699,452
Notes Payable - Long - Term Portion	6,762,560	6,924,533
<u>Total Long -Term Liabilities</u>	<u>14,129,859</u>	<u>14,623,985</u>
<u>Total Liabilities</u>	<u>\$ 15,581,060</u>	<u>\$ 15,953,563</u>
<u>NET ASSETS</u>		
Net Assets:		
Net Assets Without Donor Restrictions		
Undesignated	(6,208,673)	(6,604,613)
Net Investment in Land, Buildings, and Equipment	14,276,689	13,370,959
<u>Total Net Assets Without Donor Restrictions</u>	<u>8,068,016</u>	<u>6,766,346</u>
With Donor Restrictions	535,076	438,892
<u>Total Net Assets</u>	<u>8,603,092</u>	<u>7,205,238</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 24,184,152</u>	<u>\$ 23,158,801</u>

PACIFIC HOUSE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30

	2023			2022		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
PUBLIC SUPPORT AND REVENUE						
Grants and Fees from Governmental agencies	\$ 4,299,439	\$ -	\$ 4,299,439	\$ 3,966,018	\$ -	\$ 3,966,018
Rental Income	1,378,932	-	1,378,932	1,244,577	-	1,244,577
Contributions received directly	76,000	550,333	626,333	89,000	622,500	711,500
Contributions received through United Way agencies	17,500	-	17,500	15,000	-	15,000
In-Kind Contributions	144,064	-	144,064	137,070	-	137,070
Special events, net of expenses of \$152,530 and \$128,671	925,403	-	925,403	1,058,733	-	1,058,733
Investment Income	1,870	-	1,870	3,976	-	3,976
Net assets released from restrictions	454,149	(454,149)	-	1,419,173	(1,419,173)	-
Total Public Support and Revenue	7,297,357	96,184	7,393,541	7,933,547	(796,673)	7,136,874
EXPENSES						
Program Services:						
Emergency Shelter	2,550,793	-	2,550,793	2,908,864	-	2,908,864
Permanent Housing	2,544,017	-	2,544,017	2,442,854	-	2,442,854
Housing Development	92,544	-	92,544	193,717	-	193,717
Total Program Services	5,187,354	-	5,187,354	5,545,435	-	5,545,435
Supporting Services Management and General Development	358,758	-	358,758	279,022	-	279,022
	449,575	-	449,575	418,138	-	418,138
Total Supporting Services	808,333	-	808,333	697,160	-	697,160
Total Expenses	5,995,687	-	5,995,687	6,242,595	-	6,242,595
Change in Net Assets	1,301,670	96,184	1,397,854	1,690,952	(796,673)	894,279
NET ASSETS						
Beginning of Year	6,766,346	438,892	7,205,238	5,075,394	1,235,565	6,310,959
End of Year	\$ 8,068,016	\$ 535,076	\$ 8,603,092	\$ 6,766,346	\$ 438,892	\$ 7,205,238

PACIFIC HOUSE, INC. AND SUBSIDIARY
 CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
 YEAR ENDED JUNE 30, 2023

	Emergency Shelter	Permanent Housing	Housing Development	Total Programs	Management and General	Development	Total Support	Total Expenses
PERSONNEL COSTS								
Salaries	\$ 1,392,635	\$ 796,263	\$ 69,046	\$ 2,257,944	\$ 167,016	\$ 304,150	\$ 471,166	\$ 2,729,110
Employee Benefits	157,919	90,293	7,830	256,042	18,939	34,489	53,428	309,470
Payroll Taxes	107,635	61,542	5,336	174,513	12,908	23,507	36,415	210,928
Total Personnel Costs	\$ 1,658,189	\$ 948,098	\$ 82,212	\$ 2,688,499	\$ 198,863	\$ 362,146	\$ 561,009	\$ 3,249,508

OTHER EXPENSES								
Client Support - food Program and household Office and IT	\$ 79,010	\$ 37,525	\$ -	\$ 116,535	\$ 1,931	\$ -	\$ 1,931	\$ 118,466
Telephone	78,698	76,748	-	155,446	53,187	-	53,187	208,633
Postage	4,282	4,283	-	8,565	-	3,062	3,062	11,627
Occupancy	13,569	11,434	-	25,003	1,568	-	1,568	26,571
General Insurance	53	-	193	246	1,448	-	1,448	1,694
Consultants	225,816	577,542	-	803,358	18,321	-	18,321	821,679
Legal and Accounting	54,594	132,585	3,900	191,079	1,950	1,950	3,900	194,979
Training and education	60,968	1,270	-	62,238	50,261	71,690	121,951	184,189
Printing	3,781	7,939	3,402	15,122	18,903	3,780	22,683	37,805
Staff travel, conferences and other	2,235	1,706	-	3,941	649	-	649	4,590
Client assistance	1,911	-	-	1,911	2,658	315	2,973	4,884
Dues and subscriptions	5,936	7,822	-	13,758	-	-	-	13,758
Interest Expense	24,883	3,136	-	28,019	-	-	-	28,019
Darbury Project Expenses	2,837	118,674	2,837	124,348	2,387	2,837	2,387	130,022
Total Other Expenses	\$ 59,627	\$ -	\$ -	\$ 59,627	\$ 2,837	\$ 2,837	\$ -	\$ 59,627
Total Expenses Before Depreciation and Amortization and Provision for Non-Food In-Kind Contributions	\$ 618,200	\$ 980,664	\$ 10,332	\$ 1,609,196	\$ 156,100	\$ 83,634	\$ 239,734	\$ 1,848,930

Provisions for Non-Food In-Kind Contribution	2,276,389	1,928,762	92,544	4,297,695	354,963	445,780	800,743	5,098,438
Depreciation and Amortization	8,768	129,521	-	138,289	-	-	-	138,289
Total Expenses	\$ 265,636	\$ 485,734	\$ -	\$ 751,370	\$ 3,795	\$ 3,795	\$ 7,590	\$ 758,960
Total Expenses	\$ 2,550,793	\$ 2,544,017	\$ 92,544	\$ 5,187,354	\$ 358,758	\$ 449,575	\$ 808,333	\$ 5,995,687

PACIFIC HOUSE, INC. AND SUBSIDIARY
 CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
 YEAR ENDED JUNE 30, 2022

	Emergency Shelter	Permanent Housing	Housing Development	Total Programs	Management and General	Development	Total Support	Total Expenses
PERSONNEL COSTS								
Salaries	\$ 1,352,468	\$ 907,467	\$ 160,289	\$ 2,420,224	\$ 162,654	\$ 296,003	\$ 458,657	\$ 2,878,881
Employee Benefits	142,765	83,050	16,439	242,254	30,705	31,524	62,229	304,483
Payroll Taxes	108,961	72,297	6,922	188,180	14,423	23,665	38,088	226,268
Total Personnel Costs	\$ 1,604,194	\$ 1,062,814	\$ 183,650	\$ 2,850,658	\$ 207,782	\$ 351,192	\$ 558,974	\$ 3,409,632
OTHER EXPENSES								
Client Support - food	\$ 230,782	\$ 72,319	\$ -	\$ 303,101	\$ 1,115	\$ 183	\$ 1,298	\$ 304,399
Program and household	68,558	47,412	-	115,970	4,697	-	4,697	120,667
Office and IT	-	815	-	815	7,657	503	8,160	8,975
Telephone	18,131	12,902	43	31,076	4,667	44	4,711	35,787
Postage	227	14	-	241	2,975	69	3,044	3,285
Occupancy	383,254	476,677	-	859,931	14,598	-	14,598	874,529
General Insurance	51,783	120,720	-	176,886	557	557	1,114	178,000
Consultants	101,167	18,284	-	119,451	5,009	54,000	59,009	178,460
Legal and Accounting	2,900	6,360	2,582	11,842	14,822	2,900	17,722	29,564
Training and education	2,365	655	-	3,020	1,113	-	4,133	4,133
Printing	857	-	320	1,177	3,239	266	3,505	4,682
Staff travel, conferences and other	4,372	2,229	-	6,601	4,349	276	4,625	11,226
Client assistance	3,022	504	-	3,526	-	-	3,526	3,526
Dues and subscriptions	-	-	-	-	2,563	4,269	6,832	6,832
Interest Expense	1,555	135,390	1,555	138,500	1,554	1,554	3,108	141,608
Danbury Project Expenses	171,493	-	-	171,493	-	-	-	171,493
Total Other Expenses	\$ 1,040,466	\$ 894,281	\$ 8,883	\$ 1,943,630	\$ 68,915	\$ 64,621	\$ 133,536	\$ 2,077,166
Total Expenses Before Depreciation and Amortization and Provision for Non-Food In-Kind Contributions	2,644,660	1,957,095	192,533	4,794,288	276,697	415,813	692,510	5,486,798
Provisions for Non-Food In-Kind Contribution	-	-	1,184	1,184	-	-	-	1,184
Depreciation and Amortization	264,204	485,759	-	749,963	2,325	2,325	4,650	754,613
Total Expenses	\$ 2,908,864	\$ 2,442,854	\$ 193,717	\$ 5,545,435	\$ 279,022	\$ 418,138	\$ 697,160	\$ 6,242,595

PACIFIC HOUSE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

JUNE 30,

<u>CASH FLOWS OPERATING ACTIVITIES:</u>	<u>2023</u>	<u>2022</u>
Change in Net Assets	\$ 1,397,854	\$ 894,279
Adjustments to Reconcile Changes in Net Assets to Net Change in Cash from Operating Activities		
Unamortized Discount on Non-Interest Bearing Loan	6,159	5,730
Depreciation and Amortization	758,960	754,613
Changes in Operating Assets and Liabilities		
Grants and Other Receivables	104,057	194,376
Prepaid Expenses	1,947	(12,020)
Accounts Payable and Accrued Expenses	425,818	(9,308)
Deferred Revenue and Refundable Deposits	(362,635)	(487,601)
<u>Net Change in Cash Provided By Operating Activities</u>	<u>\$ 2,332,160</u>	<u>\$ 1,340,069</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Increase in Construction in Progress	(324,841)	(29,942)
Purchase of Property and Equipment	(914,011)	(532,282)
Short Term Investments	(56,066)	(146,995)
<u>Net Change in Cash Used In Investing Activities</u>	<u>\$ (1,294,918)</u>	<u>\$ (709,219)</u>
<u>CASH FLOWS FINANCING ACTIVITIES:</u>		
Principal Payments on Notes Payable and Line of Credit	(1,538,845)	(285,872)
Proceeds from Notes Payable and Line of Credit	1,097,000	169,575
<u>Net Change in Cash Used In Financing Activities</u>	<u>\$ (441,845)</u>	<u>\$ (116,297)</u>
<u>Net Increase in Cash and Cash Equivalents</u>	<u>595,397</u>	<u>514,553</u>
<u>CASH AND CASH EQUIVALENTS:</u>		
Beginning of year	1,180,607	666,054
End of year	<u>\$ 1,776,004</u>	<u>\$ 1,180,607</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOWS:</u>		
Cash Paid During the Year for:		
Interest	\$ 133,140	\$ 141,631
Income Taxes	-	-

1. Nature of Activities

Pacific House, Inc. and Subsidiary (formerly) Shelter for the Homeless, Inc. (the “Organization”) is a not-for-profit organization which provides emergency shelter, case management, recovery and young adult services to the homeless including supportive housing and housing development serving Fairfield County. 3 Lake Avenue Extension, LLC (Limited Liability Company) is a wholly owned subsidiary of Pacific House, Inc. which owns the facility in Danbury, Connecticut.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The consolidated financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, the accounts of the Organization are reported in the following net asset categories:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of Organization’s management and the Board of Directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization, or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Federal and State Income Taxes

The Internal Revenue Service has determined that Pacific House, Inc. is exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Consequently, Pacific House, Inc. is exempt from federal and state income taxes and no provision for income taxes has been made in the accompanying financial statements.

Cash and Cash Equivalents

For cash flow purposes, the Organization considers all highly liquid investments purchased with an initial maturity of three months or less at the time of purchase to be cash equivalents, except for a money fund with an investment company.

Investments

The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents, except for those short-term investments managed by the Organization’s investment managers as part of their long-term investment strategies.

2. Summary of Significant Accounting Policies (continued)

Other Receivable

Other receivable consists of receivables for rental income, other receivable are stated at unpaid balances, less an allowance for doubtful accounts. The allowance is based on management's experience. The Organization's policy is to charge off uncollectible accounts receivable when management determines the receivable will not be collected. The allowance for doubtful accounts at June 30, 2023 and 2022 was \$89,988 and \$46,889 respectively.

Land, Building and Equipment

Fixed assets are recorded at cost. Depreciation of fixed assets is computed on the straight-line basis over the estimated useful lives of the assets ranging from three to forty years. Repairs and maintenance are charged to expense as incurred. Leasehold improvements are depreciated over the shorter of the useful life of the asset or the remaining life of the lease. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected on the statements of activities.

Grants and Contracts

Governmental grants and contracts are generally considered to be exchange transactions rather than contributions. Revenue from cost reimbursement grants and contracts is recognized to the extent of costs incurred. Grant and contract receipts in excess of revenue recognized are presented as refundable advances.

Contributions

Contributions and gifts, including unconditional promises to give, are recognized as revenues in the period made. Promises to give that are restricted by the donor to a specific purpose that has not been met as of the statement of financial position date are shown as increases in net assets with donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed Materials, Meals and Services

Contributed materials, meals and services are recorded at fair value when donated and are reflected as in-kind contributions in the statements of activities.

In addition, a substantial number of volunteers have contributed their time to the Organization's program and supporting services; however, none of these services meet the requirements for financial statement recognition.

2. Summary of Significant Accounting Policies (continued)***Functional Allocation of Expenses***

The costs of providing the various program and supporting services has been summarized on a functional basis in the consolidated statements of activities and change in net assets. Accordingly, certain costs have been allocated among the program and supporting services benefited. Overhead expenses including occupancy, telephone and insurance are allocated to functional areas based upon space used or actual usage if specifically identifiable. The allocations of salary and related expenses for management and supervision of program service functions are made by management based on the estimated time spent on the various program service functions.

Compensated Absences

Employees of the Organization are entitled to paid time off (which includes vacation and sick time), depending upon length of service. The Organization's policy is for the employees to use their paid time off in the current year. If the paid time off is not utilized by September 30 of the following year then it cannot be carried into the following year, and it is forfeited. Only under certain circumstances does management allow for an employee to carry unused paid time off to the following year.

3. Newly adopted accounting standards

In May 2014, the Financial Accounting Standards Board Issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"). Effective July 1, 2019, the Organization adopted ASU 2014-09 on a retrospective basis. The modifications under ASU 2014-09 were applied to all of the Organization's contracts with customers. No practical expedients were applied. The majority of the Organization's revenue is derived from contributions from Federal and State agencies which are accounted for under ASU 2018-08. Therefore, adoption of ASU 2014-09 had no impact on the recognition of revenue or on the opening balance of net assets.

The Organizations adopted FASB ASU 2018-08, Clarifying the Scope and the Accounting Guidance of Contributions Received and Contributions Made. This standard assists entities in evaluation whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organizations adopted the provisions of ASU 2018-08 on July 1, 2019 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There is no effect on net assets in connection with the implementation of ASU 2018-08.

Reclassification

Certain reclassifications have been made to the June 30, 2023 financial statements to conform to the June 30, 2022 financial statements presentation.

Subsequent Events

Pacific House, Inc. and Subsidiary monitored and evaluated any subsequent events for footnote disclosures of adjustments required in its financial statements for the fiscal year ended June 30, 2023 through December 5, 2023 on which the financial statements were available to be issued.

4. Concentration of Credit Risk

Financial instruments that potentially subject Pacific House, Inc. and Subsidiary to concentrations of credit risk consist principally of temporary cash investments in banks in excess of the U.S. Federal Deposits Insurance Corporation (FDIC) insured \$250,000 limit and all investments in money market and government reserve funds. Periodically, the balance of cash maintained at the financial institution may be in excess of the FDIC insurance limit. As of June 30, 2023, and 2022 Pacific House, Inc. and Subsidiary has an uninsured bank balance of \$1,173,508 and \$642,911 respectively.

Approximately 58% and 57%, for the years ended June 30, 2023 and 2022 of support and revenue is provided by government grants. As with all government funding, these grants and fees may be subject to reduction or termination in future years. Any significant reduction in these grants and fees could have a significant negative impact on the Organization's program services.

5. Investments

Investments at June 30, consisted of the following:

	2023	2022
Money market instruments	\$ 200,000	\$ 161,335
Mutual Funds	-	7,308
Schwab Bank Deposit	24,709	-
<u>Total</u>	\$ 224,709	\$ 168,643

6. Fair Value Measurement

Accounting standards establish a framework for measuring fair value. The framework sets forth a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets of liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below.

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs to the valuation methodology that are unobservable and supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

PACIFIC HOUSE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Fair Value Measurement (continued)

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used by the Organization. There have been no changes in the methodologies used at June 30, 2023 and 2022.

<u>June 30, 2023</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Fund	\$ 280,000	\$ 200,000	\$ -	\$ -
Mutual Fund	24,709	24,709	-	-
<u>Total</u>	<u>\$ 224,709</u>	<u>\$ 224,709</u>	<u>\$ -</u>	<u>\$ -</u>
<u>June 30, 2022</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Fund	\$ 161,335	\$ 161,335	\$ -	\$ -
Mutual Fund	7,308	7,308	-	-
<u>Total</u>	<u>\$ 168,643</u>	<u>\$ 168,643</u>	<u>\$ -</u>	<u>\$ -</u>

7. Land, Buildings, And Equipment

At June 30, Land, Buildings and Equipment consist of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 2,521,117	\$ 2,521,117
Buildings and Improvements	23,047,469	22,162,974
Equipment	<u>815,582</u>	<u>786,066</u>
<u>Subtotal</u>	26,384,168	25,470,157
Less Accumulated Depreciation	<u>6,047,950</u>	<u>5,290,920</u>
<u>Total</u>	<u>\$ 20,336,218</u>	<u>\$ 20,179,237</u>

Depreciation and amortization expense amounted to \$758,960 and \$754,613 for the fiscal years June 30, 2023 and 2022 respectively.

PACIFIC HOUSE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Notes Payable	<u>2023</u>	<u>2022</u>
Notes payable consist of the following at June 30:		
Non-interest bearing Note payable to the City of Stamford, in the amount of \$240,000 due April 2037. Present value of note discounted for interest rate (imputed at 7.5%). The mortgage is secured by the property located at 58 Stone Street, Stamford, CT.	\$ 88,286	\$ 82,127
Non-interest bearing Note payable to the City of Stamford, in the amount of \$140,000 due February, 2042. The mortgage is secured by the property located at 38 Ann Street, Stamford, CT.	140,000	140,000
Non-interest bearing Note payable to the City of Stamford, in the amount of \$60,000. The loan is for thirty years and is due June 2043. No interest will be charged and no monthly payments or principal required provided that no default occurs under the conditions of the loan agreement. The mortgage is secured by the property located at 38 Ann Street, Stamford, CT.	60,000	60,000
Non-interest bearing Note payable to the City of Stamford, in the amount of \$86,151. No interest will be charged and no monthly payments or principal required provided that the property is not sold or transferred prior to the expiration of the twenty (20) year period and is due August, 2032. The mortgage is secured by the property located at 597 Pacific Street, Stamford, CT.	86,151	86,151
Non-interest bearing Note payable to the City of Stamford, in the amount of \$360,000. No interest will be charged and no monthly payments or principal required provided that the property is not sold or transferred prior to the expiration of twenty (20) years and is due February 2033. The mortgage is secured by the property located at 23 Spruce Street, Stamford, CT.	360,000	360,000

PACIFIC HOUSE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2023	2022
8. Notes Payable (continued)		
Non-interest bearing NSP Loan Agreement with the City of Stamford modified from \$554,000 to \$854,000. No monthly payments of principal required provided that the property remains very low income housing for forty (40) years from the date of occupancy of the project or until June 1, 2056, whichever shall occur later. The mortgage is secured by the property located at 190 Stillwater Avenue, Stamford, CT.	854,000	854,000
Mortgage payable to First County Bank in the amount of \$235,954, monthly principal and interest installments of \$1,547.19 through May 1, 2034 (effective interest rate of 5.125%). The mortgage is secured by the property located at 104 Richmond Hill Avenue, Stamford, CT.	156,182	167,132
Mortgage payable to First County Bank in the amount of \$1,290,006, monthly principal and interest installments of \$7,790.41 through February 1, 2035. The mortgage is secured by the properties located at 23 Spruce Street, 38 Ann Street, and 17 Berkeley Street, Stamford, CT. The current interest rate is 2.50%. The loan was converted to a mortgage on December 1, 2017.	937,460	1,011,835
Construction to Permanent Mortgage Loan payable to First County Bank up to \$703,389 dated, December 23, 2015. The term of the loan will be up to 22 years commencing on the first day of the month following the date of closing. Interest only until project is completed. Once the project is completed evidenced by Certificate of Occupancy the Loan shall convert to a twenty five (25) year loan payable in monthly principal and interest payments. For the first year borrower may take advances up to \$500,000 for construction costs. The interest rate will be fixed for 20 years at Federal Home Loan Bank of Boston 20 year rate plus two hundred seventy five (275) basis points with a twenty five year amortization period. The mortgage is secured by the properties located at 190 Stillwater Avenue and 104 Richmond Hill Avenue, Stamford, CT. The interest rate was 5.50%. The loan was converted on October 1, 2019 in the amount of \$703,389, monthly principal and interest installment of \$4,054.52. The current interest rate is 3.25% and matures on May 1, 2039.	599,559	630,184
Note payable to Federal Home Loan Bank of Boston Affordable Housing Program in the amount of \$400,000. This note shall be satisfied and the borrower shall be entitled to release of the Security Agreement upon the expiration of fifteen (15) years of operation (August 1, 2029) of the Project in accordance with the appropriate levels of performance which were originally committed in the AHP agreement from the date of completion or issuance of the Project's Certificate of Occupancy. The note is secured by the property located at 23 Spruce Street, 38 Ann Street, and 17 Berkeley Street, Stamford, CT	400,000	400,000

PACIFIC HOUSE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Notes Payable (continued)	<u>2023</u>	<u>2022</u>
<p>Non-Interest bearing Note payable to the City of Stamford, in the amount of \$60,000. No monthly payments of principal required provided that the property remains very low income housing for fifteen (15) years from the date of the project or until November 30, 2025 whichever shall occur later. The mortgage is secured by the property located at 23 Spruce Street, Stamford, CT.</p>	60,000	60,000
<p>Revolving Line of Credit from First County Bank limit is \$350,000, with interest payments of a variable rate, calculated based on “The Wall Street Prime Rate” plus 1.00% percentage points, current interest rate of 8.25%, for a total interest rate of 9.25%. The line of credit was unused as of June 30, and 2023 and 2022.</p>	-	-
<p>Non-interest bearing Note payable to the City of Stamford, up to an amount of \$120,000. All sums due under the NSP Program Loan shall be due and payable not later than August 20, 2035; however, if the Borrower complies with all of the terms and conditions in the Loan Agreement, Note and Mortgage, the principal amount shall be forgiven. The mortgage is secured by the property located at 190 Stillwater Avenue, Stamford, CT.</p>	120,000	120,000
<p>Non-interest bearing Note payable to the City of Stamford, in the amount of \$50,933. The loan is for twenty years and is due March, 2037. No interest will be charged and no monthly payments or principal required provided that no default occurs under the conditions of the loan agreement. The mortgage is secured by the property located at 597 Pacific Street, Stamford, CT.</p>	50,933	50,933
<p>Non-interest bearing Note payable to the City of Stamford, in the amount of \$13,000. No interest will be charged and no monthly payments or principal required provided that the property is not sold or transferred prior to the expiration of the twenty (20) year period and is due March, 2037. The mortgage is secured by the property located at 597 Pacific Street, Stamford, CT.</p>	13,000	13,000

PACIFIC HOUSE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2023	2022
8. Notes Payable (continued)		
Non-interest-bearing Note payable to City of Stamford, in the amount of \$60,000, for the rehabilitation of rental housing units located at 20-28 Fairfield Avenue in Stamford, CT. The loan is due on June 24, 2032.	60,000	60,000
Non-interest-bearing Note payable to City of Stamford, in the amount of \$80,000, for the rehabilitation of rental housing units located at 20-28 Fairfield Avenue in Stamford, CT. The loan is due on June 24, 2036.	80,000	80,000
Non-interest-bearing Note payable to City of Stamford, in the amount of \$80,000, for the rehabilitation of rental housing units located at 20-28 Fairfield Avenue in Stamford, CT. The loan is due on June 24, 2040.	80,000	80,000
Non-interest-bearing Note payable to City of Stamford, in the amount of \$120,000, for the rehabilitation of rental housing units located at 20-28 Fairfield Avenue in Stamford, CT. The loan is due on June 24, 2051.	120,000	120,000
Mortgage payable to First County Bank in the amount of \$280,000 interest only commencing August 1, 2019 until October 1, 2023 at which time principal and all outstanding interest is due. The mortgage is secured by the property located at 36 Ann Street, Stamford, CT. The current interest rate is 4.75%	-	280,000
Mortgage payable to First County Bank in the amount of \$1,000,000 interest only during the first twenty-four (24) months. After 24-months, the loan will convert to a 23-year amortization schedule with monthly principal and interest payments. The loan was converted to a mortgage on March 1, 2022. The interest rate shall be fixed for five years based on the five-year Federal Home Loan Bank of Boston Regular Classic Advance Rate plus a margin equal to 225 basis points (2.25%) interest rate changes will then occur every five years thereafter. The mortgage is secured by the properties located at 20-22-24-26-28 Fairfield Avenue Stamford, CT. The current interest rate is 4.31%.	963,291	991,536

PACIFIC HOUSE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2023	2022
8. Notes Payable (continued)		
Non-interest-bearing Note payable to the City of Stamford, in the amount of \$23,500. No interest will be charged and no monthly payments or principal required provided that the property is not sold or transferred prior to the expiration of twenty (20) years and is due March 2037. The mortgage is secured by the property located at 597 Pacific Street, Stamford, CT.	23,500	23,500
Note Payable to Federal Home Loan Bank of Boston Affordable Housing Program in the amount of \$500,000. This note shall be satisfied and the borrower shall be entitled to release of the Security Agreement upon the expiration of fifteen (15) years of operation (January 15, 2035) of the Project in accordance with the appropriate levels of performance which were originally committed in the AHP agreement from the date of completion or issuance of the Project's Certificate Occupancy. The note is secured by the properties located at 190 Stillwater Avenue and 104 Richmond Hill Avenue, Stamford, CT.	500,000	500,000
Note Payable to Federal Home Loan Bank of Boston Affordable Housing Program in the amount of \$500,000. This note shall be satisfied and the borrower shall be entitled to release of the Security Agreement upon the expiration of fifteen (15) years of operation of the Project in accordance with the appropriate levels of performance which were originally committed in the AHP agreement from the date of completion or issuance of the Project's Certificate of Occupancy. The note is secured by the property located at 100 South Main Street (front building).	500,000	500,000
Construction Loan payable to First County Bank in the amount of \$550,000 interest only until June 30, 2022. The loan was converted to a 22 year mortgage on August 1, 2022. Under the terms of the mortgage principal and interest are payable in equal monthly payments amortized over a 30 year period with a balloon payment due upon the maturity date. The mortgage is secured by the property located at 100 South Main Street, Norwalk CT. The interest rate is 2.2%.	538,176	550,000
Note Payable SBA Loan – In July 2020 the Organization obtained a \$150,000 disaster loan from the U.S. Small Business Administration under the terms of the loan principal and interest are payable over 30 years. The interest rate is 3%.	137,842	143,668
	\$ 6,928,380	\$ 7,464,066

PACIFIC HOUSE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Notes Payable (continued)

The non-interest-bearing loan from the City of Stamford is reflected at the present value of the loan of \$240,000. The difference between the discounted loan payable and the amount due upon maturity has been reflected as net assets with donor restrictions and the discount is being accelerated to maturity value over the life of the loan.

Maturities of the notes payable principals are as follows:

Year Ended June 30,	
2024	165,820
2025	171,270
2026	177,714
2027	182,533
2028 and there after	<u>6,231,043</u>
<u>Total</u>	<u>\$ 6,928,380</u>

9. Net Assets

Net assets without donor restrictions are comprised of the following Board-designated net assets at June 30:

	2023	2022
Net book value of fixed assets	\$ 14,276,689	\$13,370,959
General use	<u>(6,208,673)</u>	<u>(6,604,613)</u>
<u>Total</u>	<u>\$ 8,068,016</u>	<u>\$ 6,766,346</u>

Net assets with donor restrictions consist of the following at June 30:

	2023	2022
Building	\$ 322,104	\$ 410,920
Young Adult Program	11,972	11,972
Foundations	185,000	-
Automobile Purchase	<u>16,000</u>	<u>16,000</u>
<u>Total</u>	<u>\$ 535,076</u>	<u>\$ 438,892</u>

Net assets were released from donor restrictions when expenses were incurred or time lapsed to satisfy the restricted purposed specified by the donors for the years ended June 30 as follows:

	2023	2022
Contributions for Future Periods	\$ 32,000	\$ 163,028
Housing	<u>422,149</u>	<u>1,256,145</u>
<u>Total</u>	<u>\$ 454,149</u>	<u>\$ 1,419,173</u>

10. Retirement Plan

The Organization maintains a 403(b)-salary deferred retirement plan for its employees under the provisions of the Internal Revenue Code Section 403(b). The employees may elect to defer amounts according to the maximum allowed under Federal guidelines. The plan allows the Organization to make discretionary contributions which are determined annually. The discretionary contributions were \$50,600 and \$48,991 for the years ended June 30, 2023 and 2022 respectively.

11. Lease Commitments

Pacific House, Inc. and Subsidiary leased office space in Stamford, Connecticut, through December 2015. As of January 2016, the lease is on a month to month basis. Rental expense totaled \$25,950 for the years ended June 30, 2023 and 2022 respectively.

The Organization also leases Copier equipment on a month to month basis.

12. Availability and Liquidity

Financial assets available to meet general expenditures in the next twelve months:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,377,754	\$ 697,612
Grants receivable	566,745	747,505
Accounts receivable	<u>169,393</u>	<u>91,987</u>
<u>Total</u>	<u>\$ 2,113,892</u>	<u>\$ 1,537,104</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(\$ 27,972)	(\$ 27,972)
	<u>\$ 2,085,920</u>	<u>\$ 1,509,132</u>

The Organization’s goal is generally to maintain assets to meet 60 days of operating expenses. The Organization also has a \$350,000 line of credit to utilize for expenses if needed.

13. Contingencies – Government Audit

Pacific House, Inc. and Subsidiary various grants and contracts are subject to audit by appropriate governmental agencies. Acceptance of final costs incurred under these grants and contracts resides with the grantors. As of the date of these statements, the materiality of adjustments to final costs, if any, are not material. There are no costs remaining as unresolved “questions costs” as of June 30, 2023.

14. Lawsuit and Contingencies

Pacific House, Inc. and Subsidiary is a defendant in two lawsuits as result of its normal operations. The Organization has insurance coverage in place and no material financial exposure is expected.

15. Commitments and Contingencies

Pacific House, Inc. and Subsidiary purchased the former Super 8 Hotel building in Danbury, Connecticut on February 10, 2021, for \$4,625,000, to operate as a Shelter. The purchase was facilitated by acquisition and operational grants from the State of Connecticut Department of Housing.

The Danbury facility was operated through April 2023 under the Governor of Connecticut's Executive Order, which has since expired. Pacific House, Inc. and Subsidiary application for zoning to continue operating as a Shelter out of the Danbury facility was not approved by the City of Danbury Zoning Department. Pacific House, Inc. and Subsidiary appealed the Zoning Department decision and lost.

The Danbury facility is no longer operational as at November 20, 2023.

The book value of the Danbury facility as at June 30, 2023 was \$4,368,821.

HAIMS, BUZZEO & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
STAMFORD, CT.

INDEPENDENT AUDITOR'S 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 Board of Directors
Pacific House, Inc. and Subsidiary
Stamford, Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to consolidated financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Pacific House, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 5, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Pacific House, Inc. and Subsidiary's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pacific House, Inc. and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of Pacific House, Inc. and Subsidiary'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 Pacific House, Inc. and Subsidiary's consolidated 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 the consolidated 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Haines, Buzzeeo + Company, P.C.

Certified Public Accountants

Stamford, CT
December 5, 2023

HAIMS, BUZZEO & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
STAMFORD, CT.

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

To the Board of Directors
Pacific House, Inc. and Subsidiary
Stamford, Connecticut

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Pacific House, Inc. and Subsidiary's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Pacific House, Inc. and Subsidiary's major federal programs for the year ended June 30, 2023 & 2022. Pacific House, Inc. and Subsidiary's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Pacific House, Inc. and Subsidiary's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended June 30, 2023 and 2022.

Basis for Opinion on Each Major Federal Program

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Pacific House, Inc and Subsidiary 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 each major federal program. Our audit does not provide a legal determination of Pacific House, Inc. and Subsidiary'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 Pacific House, Inc. and Subsidiary's federal programs.

Auditor's 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 fraud or error, and express an opinion on Pacific House, Inc. and Subsidiary'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 Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that 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 Pacific House, Inc. and Subsidiary's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, 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 Pacific House, Inc. and Subsidiary'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 Pacific House, Inc. and Subsidiary'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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Pacific House, Inc. and Subsidiary'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.

Other Matter

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance. Our opinion on each major federal program has not been modified.

Government Auditing Standards requires the auditor to perform limited procedures on Pacific House Inc. and Subsidiary's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Pacific House Inc. and Subsidiary's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal 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 type of compliance requirement of a federal 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 Auditor's 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 in internal control over compliance 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Haines, Buzzeeo + Company, P.C.

Certified Public Accountants

Stamford, CT
December 5, 2023

PACIFIC HOUSE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Contract Number</u>	<u>Passed Through to Subrecipients*</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:				
Direct Award – Continuum of Care Program (Berkeley House)	CT0096LIE032014		14.267	\$ 195,199
Direct Award – Consolidated Partners	CT0101L1E032215		14.267	84,512
Direct Award – Continuum of Care Program (Berkeley House)	CT0096LIE032015		14.267	39,040
Pass- through Department of Mental Health & Addiction Services	22MHA2032		14.267	337,049
Pass – through AIDS CT Inc.			14.267	44,833
				<u>700,633</u>
Pass – through Connecticut Department of Housing	15DOH0101CN	(25,725)	14.231	111,004
Pass – through Supportive Housing Works Inc.			14.231	1,296
Pass – through AIDS CT Inc.			14.231	15,034
				<u>127,334</u>
Pass – through Supportive Housing Works Inc.			14.218	60,500
Pass – through Supportive Housing Works Inc.	22MHA1068-3		14.238	196,681
Pass – through Supportive Housing Works Inc.			14.276	66,664
				<u>323,845</u>
Pass – through CT Department of Housing CDBG			14.218	8,650
Pass – through City of Stamford, CT CDBG			14.218	46,424
Pass – through Town of Greenwich, CT			14.218 *	173,583
Total Community Block Grants				<u>228,657</u>
Neighborhood Stabilization Program				
Pass – through Connecticut Department of Economic and Community Development			14218 *	994,000
Pass – through Connecticut Department of Economic and Community Development			14.256 *	360,000
				<u>1,354,000</u>
Pass-through from City of Stamford Housing Section 8 Program			14.195	287,656
Pass - through City of Stamford Home Investment Partnership Program			14.239 *	580,000
Total U.S. Department of Housing and Urban Development				<u>3,602,125</u>

PACIFIC HOUSE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Contract Number</u>	<u>Passed Through to Subrecipients*</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services:				
Social Services Block Grants				
Pass - through Connecticut Department of Housing	15DOH0101CN		93.667	382,573
Pass – through Connecticut Department Mental Health & Addiction Services			93.150	42,000
Total U.S Department of Health and Human Services				<u>424,573</u>
Department of Homeland Security				
Direct Award – Emergency Food and Shelter National Board Program	142204-004		97.024	20,000
Pass through State of Connecticut – Department of Housing			97.036	541,806
Total Department of Homeland Security				<u>561,806</u>
Department of The Treasury				
Pass through State of Connecticut – Department of Mental Health			21.027	47,555
Total Department of The Treasury				<u>47,555</u>
Total Expenditures of Federal Awards				<u>\$ 4,636,059</u>
			<u>\$ (25,725)</u>	

Note: *Represents outstanding loan balance.

The schedule of expenditures of federal awards has been prepared on the accrual basis of accounting

PACIFIC HOUSE, INC. AND SUBSIDIARY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Pacific House, Inc. and Subsidiary under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Pacific House, Inc. and Subsidiary it is not intended to and does not present the financial position, changes in net assets, or cash flows of Pacific House, Inc. and Subsidiary.

NOTE 2 – SUMMARY OF SIGNIFICANT 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.

Pacific House, Inc. and Subsidiary has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3- COVID 19 PROVIDER FUNDS and AMERICAN RESCUE PLAN ACT (“ARPA”) FUNDS
CFDA # 97.036 & 21.027

The schedule includes the following funds received as follows:

Pass through Connecticut Department of Housing - Disaster Grant CFDA Number 97.036 in the amount of \$541,806 and \$1,373,880 for the years ended June 30, 2023 and 2022 respectively.

Pass through Supportive Housing Works - Cares Act, CFDA Number 21.027 in the amount of \$6,511 for the year ended June 30, 2022.

Pass through Connecticut Department of Mental Health - ARPA Funds, CFDA Number 21.027 in the amount of \$47,555 and \$42,555 for the years ended June 30, 2023 and 2022 respectively.

NOTE 4 - PROPERTIES ACQUIRED & IMPROVEMENTS MADE WITH GRANT FUNDS

Funding sources generally retain a reversionary right to certain property acquired or improvements made with grant funds.

Pacific House, Inc. and Subsidiary have loans outstanding in the amount of \$2,107,583 which are reflected in the Notes to Consolidated Financial Statements.

PACIFIC HOUSE, INC.

AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency (ies) identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over compliance:

- Material weakness(es) identified? Yes No
- Significant deficiency (ies) Yes 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 200.516(a) of the Uniform Guidance? Yes No

Identification of Major Programs

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass – through Grantor's Number</u>	<u>Expenditures</u>
Neighborhood Stabilization Program	14.218		\$ 994,000
Disaster Grant	97.036		541,806
Neighborhood Stabilization Program	14.256		360,000

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditor Qualified as Low – Risk Auditee Yes No

PACIFIC HOUSE, INC.

AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2023

SECTION II – FINANCIAL STATEMENT FINDING

- No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONS COSTS

- No matters were reported.

HAIMS, BUZZEO & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

STAMFORD, CT.

Independent Auditors' Report on Compliance for Each Major State Program;
Report on Internal Control over Compliance; and Report on the Schedule of
Expenditures of State Financial Assistance Required by the State Single Audit Act

To the Board of Directors
Pacific House Inc. and Subsidiary
Stamford, CT

Report on Compliance for Each Major State Program Opinion on Each Major State Program

We have audited Pacific House Inc. and Subsidiary's compliance with the types of compliance requirements identified as subject to audit in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of Pacific House Inc. and Subsidiary's major state programs for the years ended June 30, 2023 and 2022. Pacific House Inc. and Subsidiary's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Pacific House Inc. and Subsidiary have complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the years ended June 30, 2023 and 2022.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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 State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Our responsibilities under those standards and the State Single Audit Act are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Pacific House Inc. and Subsidiary 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 each major state program. Our audit does not provide a legal determination of Pacific House Inc. and Subsidiary'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 Pacific House Inc. and Subsidiary's state 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 fraud or error, and express an opinion on 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 GAAS, *Government Auditing Standards*, and the State Single Audit will always detect material detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that 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 Pacific House Inc. and Subsidiary's compliance with the requirements of each major state program as a whole.

Report on Internal Control Over Compliance

A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state 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 type of compliance requirement of a state 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 However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal 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 State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the State Single Audit Act, 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 Pacific House Inc. and Subsidiary'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 Pacific House Inc. and Subsidiary'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 State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of Pacific House Inc. and Subsidiary'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 type of compliance requirement of a state 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 type of compliance requirement of a state 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been 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.

Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the consolidated financial statements of Pacific House Inc. as of and for the year ended June 30, 2023 & 2022, and have issued our report thereon dated December 5, 2023, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the comparative financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Haimus, Buzzeeo + Company, P.C.

Certified Public Accountants

December 5, 2023
Stamford, CT

PACIFIC HOUSE, INC. AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2023

STATE GRANTOR AND PROGRAM TITLE	STATE GRANT PROGRAM CORE-CT NUMBER	EXPENDITURES
Department of Housing		
AIDS Residential	11000-DOH46920-16149	\$ 1,601,386
Homelessness Prevention & Response Fund (Pass through from Corporation for Supportive Housing)	111000-DOH43665-12055	100,000
Pass Through From Connecticut Department of Social Services	12060-90756	4,088
Total Department of Housing		\$ 1,705,474
Department of Mental Health and Addiction Services		
Discharge & Diversion Services	11000-MHA53000-12330	\$ 222,868
Mental Health Services Grant	11000-MHA53000-16053	108,670
Total Department of Mental Health and Addiction Services		\$ 331,538
Total Expenditures of State Financial Assistance		\$ 2,037,012

PACIFIC HOUSE, INC. AND SUBSIDIARY

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2023

The accompanying schedule of expenditures of state financial assistance (the Schedule) includes state grant activity of Pacific House, Inc. and Subsidiary under programs of the State of Connecticut for the fiscal year ended June 30, 2023. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including housing, support services, capital acquisitions and improvements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Pacific House, Inc. and Subsidiary conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

The information in the schedule is presented based upon regulations established by the State of Connecticut, Office of Policy Management.

Basis of Accounting

The expenditures reported on the Schedule are reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule.

PACIFIC HOUSE, INC. AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2023

I. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued 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

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency (ies) identified? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? Yes X No

• The following schedule reflects the major programs included in the audit:

<u>STATE GRANTOR AND PROGRAM</u>	<u>STATE CORE – CT NUMBER</u>	<u>EXPENDITURES</u>
Department of Housing AIDS Residential	11000-DOH46920-16149	\$1,601,386

- Dollar threshold used to distinguish between type A and type B programs. \$ 200,000

PACIFIC HOUSE, INC. AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2023

II. FINANCIAL STATEMENT FINDINGS

- No matters were reported.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

- No matters were reported.