PACIFIC HOUSE, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

INDEX

HAIMS, BUZZEO & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
STAMFORD, CONNECTICUT

INDEPENDENT AUDITORS' REPORT

Rafael Pagan, Jr.
Pacific House, Inc.
137 Henry Street, Suite 205
P.O. Box 1252
Stamford, CT 06901

Report on the Financial Statements

We have audited the accompanying financial statements of Pacific House, Inc., which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Board of Directors
Pacific House, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pacific House, Inc., as of June 30, 2017 and 2016, and the changes in its net assets, functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, 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 September 25, 2017, on our consideration of Pacific House, Inc.'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 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 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 Pacific House, Inc.'s, internal control over financial reporting and compliance.

Haims, Buzzeo & Company, P.C.

Certified Public Accountants

Stamford, CT
September 25, 2017

EXHIBIT "A"

PACIFIC HOUSE, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30,

ASSETS	2017	2016
Cash and Cash Equivalents	$ 451,022	$ 592,561
Grants Receivable	1,744,769	1,920,034
Contract Advance	50,000	-
Other Receivable	14,840	24,615
Prepaid Expenses	67,955	15,160
Short Term Investments	11,544	11,537
Mortgage Costs – Net	20,282	20,282
Land, Building, and Equipment, Net	8,018,821	7,578,123
TOTAL ASSETS	$ 10,379,233	$ 10,162,312
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts Payable and Accrued Expenses	$ 218,193	$ 349,507
Deferred Revenue and Refundable Deposits	3,181,478	2,675,317
Notes Payable	3,530,522	3,311,473
Total Liabilities	$ 6,930,193	$ 6,336,297
Unrestricted Net Assets		
Undesignated	(1,451,796)	(643,331)
Net Investment in Land, Building and Equipment	4,508,581	4,286,932
Total Unrestricted Net Assets	3,056,785	3,643,601
Temporarily Restricted	392,255	182,414
TOTAL NET ASSETS	3,449,040	3,826,015
TOTAL LIABILITIES AND NET ASSETS	$ 10,379,233	$ 10,162,312

See accompanying notes and
independent auditors' report.

PACIFIC HOUSE, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30,

	2017			2016		
	Unrestricted	Temporarily	Total	Unrestricted	Temporarily	Total
PUBLIC SUPPORT AND REVENUE						
Grants and Fees from Governmental agencies	$ 1,327,681	$ -	$ 1,327,681	$ 1,501,643	$ -	$ 1,501,643
Rental Income	360,822	-	360,822	303,905	-	303,905
Contributions received directly	387,320	362,855	750,175	576,822	-	576,822
Contributions received through United Way agencies	76,778	-	76,778	69,245	-	69,245
In-Kind Contributions	241,722	-	241,722	185,374	-	185,374
Special events, net of expenses of $64,784 and $163,900	254,315	-	254,315	631,867	-	631,867
Miscellaneous Income	-	-	-	4,678	-	4,678
Net assets released from restrictions	153,014	(153,014)	-	3,713	(3,713)	-
Total Public Support and Revenue	2,801,652	209,841	3,011,493	3,277,247	(3,713)	3,273,534
EXPENSES						
Program Services:						
Emergency Shelter	1,553,813	-	1,553,813	1,740,069	-	1,740,069
Permanent Housing	1,007,846	-	1,007,846	472,416	-	472,416
Housing Development	285,003	-	285,003	178,722	-	178,722
Total Program Services	2,846,662	-	2,846,662	2,391,207	-	2,391,207
Supporting Services:						
Management and General	262,565	-	262,565	288,150	-	288,150
Fundraising	279,241	-	279,241	194,389	-	194,389
Total Supporting Services	541,806	-	541,806	482,539	-	482,539
Total Expenses	3,388,468	-	3,388,468	2,873,746	-	2,873,746
Change in Net Assets	(586,816)	209,841	(376,975)	403,501	(3,713)	399,788
NET ASSETS						
Beginning of Year	3,643,601	182,414	3,826,015	3,240,100	186,127	3,426,227
End of Year	$ 3,056,785	$ 392,255	$ 3,449,040	$ 3,643,601	$ 182,414	$ 3,826,015

See accompanying notes and independent auditors' report.

PACIFIC HOUSE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

EXHIBIT "C"

	Emergency Shelter	Permanent Housing	Housing Development	Total Programs	Management and General	Fund Raising	Total Supportive Services	Total Expenses
PERSONNEL COSTS								
Salaries	$ 723,135	$ 346,215	$ 110,500	$ 1,179,850	$ 100,943	$ 181,331	$ 282,274	$ 1,462,124
Employee Benefits	130,165	66,780	12,172	209,117	17,434	11,889	29,323	238,440
Payroll Taxes	73,165	23,663	8,915	105,743	13,314	12,360	25,674	131,417
Total Personnel Costs	$ 926,465	$ 436,658	$ 131,587	$ 1,494,710	$ 131,691	$ 205,580	$ 337,271	$ 1,831,981
OTHER EXPENSES								
Client Support - Food	$ 175,398	$ 3,814	$ -	$ 179,212	$ -	$ -	$ -	$ 179,212
Program and Household	40,977	28,854	1,510	71,341	-	-	-	71,341
Office and IT	4,264	4,342	389	8,995	6,111	390	6.501	15,496
Telephone	10,053	2,943	990	13,986	5,100	1,073	6,173	20,159
Postage	322	153	153	628	892	4,034	4,926	5,554
Occupancy	160,855	159,931	3,384	324,170	11,546	3,891	15,437	339,607
General Insurance	25,498	39,444	4,382	69,324	1,149	1,149	2,298	71,622
Consultants	19,010	19,010	46,361	84,381	67,450	56,263	123,713	208,094
Legal and Accounting	2,600	9,236	1,300	13,136	16,379	520	16,899	30,035
Training and Education	2,472	-	-	2,472	923	590	1,513	3,985
Printing	15,877	2,753	324	18,954	4,253	4,253	8,506	27,460
Staff Travel and Conferences	13,535	2,946	900	17,381	11,594	1,220	12,814	30,195
Client Assistance	2,435	7,075	-	9,510	-	-	-	9,510
Dues and Subscriptions	1,894	500	-	2,394	3,605	278	3,883	6.277
Total Other Expenses	475,190	281,001	59,693	815,884	129,002	73,661	202,663	1,018,547
Total Expenses Before Depreciation and Provisions for Non-Food In-Kind Contributions	1,401,655	717,659	191,280	2,310,594	260,693	279,241	539,934	2,850,528
Provisions for Non-Food In-Kind Contributions	-	-	93,723	93,723	-	-	-	93,723
Depreciation	152,158	290,187	-	442,345	1,872	-	1,872	444,217
Total Expenses	**$ 1,553,813**	**$ 1,007,846**	**$ 285,003**	**$ 2,846,662**	**$ 262,565**	**$ 279,241**	**$ 541,806**	**$ 3,388,468**

EXHIBIT "C"

PACIFIC HOUSE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Emergency Shelter	Permanent Housing	Housing Development	Total Programs	Management and General	Fund Raising	Total Supportive Services	Total Expenses
PERSONNEL COSTS								
Salaries	$ 820,644	$ 177,433	$ 109,805	$ 1,107,882	$ 128,378	$ 127,825	$ 256,203	$ 1,364,085
Employee Benefits	147,426	28,351	14,400	190,177	15,792	14,622	30,414	220,591
Payroll Taxes	74,539	15,703	9,718	99,960	14,963	7,511	22,474	122,434
Total Personnel Costs	$ 1,042,609	$ 221,487	$ 133,923	$ 1,398,019	$ 159,133	$ 149,958	$ 309,091	$ 1,707,110
OTHER EXPENSES								
Client Support - food	$ 190,515	$ 7,115	$ -	$ 197,630	$ -	$ -	$ -	$ 197,630
Program and household	51,620	4,640	1,740	58,000	-	-	-	58,000
Office and IT	8,287	518	518	9,323	829	207	1,036	10,359
Telephone	10,189	3,057	1,019	14,265	5,095	1,019	6,114	20,379
Postage	286	115	115	516	859	4,353	5,212	5,728
Occupancy	161,063	91,269	-	252,332	13,422	2,684	16,106	268,438
General Insurance	19,495	38,275	7,213	64,983	1,710	1,710	3,420	68,403
Consultants	64,354	25,027	-	89,381	62,080	27,300	89,380	178,761
Legal and Accounting	2,505	4,453	1,392	8,350	18,925	557	19,482	27,832
Training and education	343	-	-	343	381	38	419	762
Printing	11,257	-	-	11,257	3,752	3,752	7,504	18,761
Staff travel and conferences	11,498	3,449	1,150	16,097	5,749	1,150	6,899	22,996
Client assistance	4,183	1,046	-	5,229	-	-	-	5,229
Dues and subscriptions	2,140	-	-	2,140	1,284	856	2,140	4,280
Other	15,390	1,351	1,349	18,090	8,099	805	8,904	26,994
Total Other Expenses	**553,125**	**180,315**	**14,496**	**747,936**	**122,185**	**44,431**	**166,616**	**914,552**
Total Expenses Before Depreciation and Provisions for Non-Food In-Kind Contributions	1,595,734	401,802	148,419	2,145,955	281,318	194,389	475,707	2,621,662
Provisions for Non-Food In-Kind Contributions	-	-	30,303	30,303	-	-	-	30,303
Depreciation	144,335	70,614	-	214,949	6,832	-	6,832	221,781
Total Expenses	**$ 1,740,069**	**$ 472,416**	**$ 178,722**	**$ 2,391,207**	**$ 288,150**	**$ 194,389**	**$ 482,539**	**$ 2,873,746**

EXHIBIT "D"

PACIFIC HOUSE, INC.

STATEMENTS OF CASH FLOWS

JUNE 30,

CASH FLOWS OPERATING ACTIVITIES:	2017	2016
Change in net assets	($ 376,975)	$ 399,788
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Unamortized Discount on Non-Interest Bearing Loan	3,991	3,713
Depreciation and Amortization	444,217	221,781
Changes in operating assets and liabilities		
Grants and other receivables	185,040	912,685
Contract Advance	(50,000)	-
Prepaid expenses	(52,795)	8,038
Accounts payable and accrued expenses	(131,314)	118,806
Deferred revenue and refundable deposits	506,161	(201,422)
Net Cash Provided By Operating Activities	528,325	1,463,389
CASH FLOWS FROM INVESTING ACTIVITES:		
Purchase of property and equipment	(884,915)	(1,950,358)
Short Term Investments	(7)	(7,589)
Net Cash Used In Investing Activities	(884,922)	(1,957,947)
CASH FLOWS FINANCING ACTIVITES:		
Principal Payments on Notes Payable	(96,688)	(120,884)
Proceeds from Notes Payable	311,746	806,655
Net Cash Provided By Financing Activities	215,058	685,771
Net (Decrease) Increase in Cash and Cash Equivalents	(141,539)	191,213
CASH AND CASH EQUIVALENTS:		
Beginning of year	592,561	401,348
End of year	$ 451,022	$ 592,561
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS:		
Cash Paid During the Year for:		
Interest	$ 6,131	$ 9,368
Income Taxes	-	-
NON-CASH FINANCING ACTIVITIES:		
Note Payable City of Stamford in the amount of	101,427	-

See accompanying notes and
independent auditors' report.

1. The Organization

Pacific House, Inc. (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 lower Fairfield County.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

The Organization's financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Net Asset Classifications

The Organization reports information regarding its financial position and activities according to three net assets classification: unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets are not restricted by donors, or the donor imposed restrictions have expired. The unrestricted net assets include all funds over which the Board of Directors has full discretion as to use. The Board has designated a portion of the unrestricted net assets for Investment in Land, Building and Equipment.

Temporarily restricted net assets include funds that are subject to time or purpose restrictions designated by the donor or grantor which cannot be changed by the Board. When the time or purpose restriction is satisfied, the temporarily restricted assets are reclassified as unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions.

Permanently restricted net assets are net assets for which use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can otherwise be removed by actions of the Organization. The Organization has no permanently restricted net assets at June 30, 2017.

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.

Income Taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, it has not provided for income taxes in these financial statements. The Organization's Income Tax Return (Form 990) has not been examined for the past three years.

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.

2. Summary of Significant Accounting Policies (continued)

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.

Land, Building and Equipment

Property and equipment is stated at cost on the date of acquisition or at estimated fair market value on the date of donation, less accumulated depreciation. Expenditures for property and equipment in excess of $10,000 are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows: buildings and improvements (20 to 39), furniture and equipment (3 to 10 years) and vehicles (5 years).

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as nets assets released from restrictions.

Grants from Government Agencies

Grants from government agencies are conditioned upon the Organization incurring certain qualifying costs and are recognized as revenue as those costs are incurred.

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.

Functional Allocation of Expenses

The costs of providing the various program and supporting services has been summarized on a functional basis in the statement 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.

2. Summary of Significant Accounting Policies (continued)

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.

Advertising Costs

The Organization expenses advertising costs as they are incurred.

3. Concentration of Risk

Cash, cash equivalents and investments held on deposit by various financial institutions may be in excess of federally insured amounts; however, risk is managed by maintaining all deposits in high quality financial institutions.

Approximately 44% and 45%, for the years ended June 30, 2017 and 2016 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.

4. Investments

Investments at June 30, consisted of the following:

	2017	2016
Short term money market instruments	$ 11,544	$ 11,537

5. 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.

5. 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, 2017 and 2016.

	Total	Level 1	Level 2	Level 3
June 30, 2017				
Money Market Fund	11,544	11,544	-	-
Total	$ 11,544	$ 11,544	$ -	$ -

	Total	Level 1	Level 2	Level 3
June 30, 2016				
Money Market Fund	11,537	11,537	-	-
Total	$ 11,537	$ 11,537	$ -	$ -

6. Land, Buildings, And Equipment

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

	2017	2016
Land	$ 1,145,052	$ 1,145,052
Buildings and Improvements	9,141,284	8,351,041
Equipment	515,794	421,122
Subtotal	10,802,130	9,917,215
Less Accumulated Depreciation	2,783,309	2,339,092
Total	$ 8,018,821	$ 7,578,123

Depreciation expense amounted to $444,217 and $221,781 for the fiscal years June 30, 2017 and 2016 respectively.

7. Notes Payable

Notes payable consist of the following at June 30:

	2017	2016
Note payable to First County Bank in the amount of $76,000, monthly principal and interest installments of $902 through April 2017 (effective interest rate of 7.5%). The mortgage was secured by the property located at 58 Stone Street, Stamford, CT.	$ -	$ 9,525
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.	57,206	53,215
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

7. **Notes Payable (continued)**	2017	2016
Non-interest bearing Note payable to Corporation for Supportive Housing original amount of $50,000. Principal and interest due the earlier of closing of predevelopment or construction or April 1, 2016. The interest rate is 0% for initial 24 months, ending April 2016, 6% thereafter. The note is unsecured.	31,010	50,000
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. 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
Non-interest bearing Note payable to the City of Stamford in the amount of $291,074. No monthly payments of principal required provided that the property remains very low income housing for fifteen (15) years from the date of occupancy of the project or until November 30, 2025, whichever shall occur later. The mortgage is secured by the property located at 190 Stillwater Avenue, Stamford, CT.	291,074	291,074
Note payable to First County Bank in the amount of $235,953.83, monthly principal and interest installments of $1,467.76 through May 1, 2034 (effective interest rate of 4.3%). The mortgage is secured by the property located at 104 Richmond Hill Avenue, Stamford, CT.	211,887	220,060

7. Notes Payable (continued)

	2017	2016

Construction Loan payable to First County Bank up to $1,300,000, dated January 29, 2015. Principal may be advanced and readvanced from the date hereof and continuing until the Adjustment Date, as define herein (the "Construction Period"), so long as no Event of Default, as defined in the Agreement or as set forth herein, has occurred, each advance hereunder shall bear interest at a rate equal to the Prime Rate on a floating basis (so that any change in said Prime Rate shall effect an adjustment of the rate of interest payable hereunder as of the date of any such change) (the initial "Interest Rate"). The Construction Period shall not exceed twelve (12) months.

Conversion of the construction loan to a permanent loan ("Permanent Period") shall occur no later than twelve (12) months of the date hereof upon achieving each of the following conditions: 1.) the completion of construction, evidenced by the issuance of a certificate of occupancy for each address; 2.) Borrower's ability to demonstrate a debt service coverage of 1.20: 1x; 3.) continued compliance with the terms and conditions of financing from the Federal Home Loan Bank of Boston (FHLBB) Affordable Housing Program, necessary to secure the direct grant in the amount of $400,000 (the "AHP Direct Subsidy") and the interest rate subsidy from FHLBB (the "AHP Advance Subsidy", and, collectively with the AHP Direct Subsidy, the "AHP Loan") to assist in the maintenance of the Revised Interest Rate, as defined herein, of this Loan, which is an AHP Subsidized Advance; and 4.) that there be no occurrence of a default beyond any applicable grace period under or demand for the payment of any other note or obligation of Borrower to the Holder or the occurrence of a default beyond any applicable grace period under or demand for the payment of additional obligations of Borrower to other funding sources. The date upon which the last of subparagraphs 1-4 above shall occur, shall be referred to as the "Adjustment Date."

This note shall be paid as follows: Commencing March 1, 2015 and on the first day of each month thereafter during the Construction Period, Borrower shall make consecutive monthly payments of interest only at the Initial Interest Rate. Commencing on the first day of the first month of the Permanent Period, and on the first day of each month thereafter, and continuing until the Maturity Date, as defined herein, the Borrower shall make consecutive monthly payments of principal and interest, at the rate per annum equal to the 20 year fixed rate at the Federal Home Loan Bank of Boston plus two percentage points, which shall be determined as the closing of the Loan (the "Revised Interest Rate", and collectively, with the Initial Interest Rate, the "Interest Rate") in an amount sufficient to amortize the then outstanding principal balance of the Loan over a term of twenty (20) years.

7. Notes Payable (continued)	2017	2016
In the event the conditions for conversion to the Permanent Period have been met by the Adjustment Date, to the Holder's sole satisfaction, unless sooner paid, the entire outstanding indebtedness evidenced by this Note, including but not limited to all outstanding and unpaid interest as herein provided, shall be due and payable in full on February 1, 2035 (the "Maturity Date").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 3.50%.	1,300,000	1,300,000
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 for the first twenty four (24) months. 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.	281,448	281,448
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 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 Berkley Street, Stamford, CT.	400,000	400,000
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.	60,000	60,000
Revolving Line of Credit from First County Bank in the amount of $150,000, payments of interest only, variable rate based on "The Wall Street Prime Rate" plus 1.00% percentage points, current interest rate of 4.25%. The line of credit is unsecured and payable on demand.	60,486	-

7. Notes Payable (continued)	2017	2016
Non-interest bearing Note payable to the City of Stamford up to an amount of $301,615. All sums due under the NSP Program Loan shall be due and payable not later than June 1, 2056; 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.	101,427	-
Non-interest bearing Note payable to the City of Stamford in the amount of $50,932. The loan is for twenty 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 597 Pacific Street, Stamford, CT.	50,933	-
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. The mortgage is secured by the property located at 597 Pacific Street, Stamford, CT.	13,000	-
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	-
Non-interest bearing Note payable to the City of Stamford up to an amount of $120,000. No monthly payments of principal required provided that the property remains very low income housing for twenty (20) years from the date of occupancy of the project. The mortgage is secured by the property located at 190 Stillwater Avenue, Stamford, CT.	2,400	-
	$ 3,530,522	$ 3,311,473

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 a temporarily restricted contribution and the discount is being accelerated to maturity value over the life of the loan.

7. Notes Payable (continued)

Maturities of the notes payable principles are as follows:

Year Ended June 30,		
2018	$	1,685,947
2019		13,708
2020		14,453
2021		15,241
2022 and Thereafter		1,801,173
	$	3,530,522

8. Net Assets and Net Assets Released from Restriction

Temporarily restricted net assets consist of the following at June 30:

	2017	2016
Contributions for Future Periods	$ 178,423	$ 182,414
Young Adult Program	64,977	-
Housing Development	148,855	-
	$ 392,255	$ 182,414

Net assets release from restrictions during the years ended June 30, consist of the following:

	2017	2016
Contributions for Future Periods	$ 3,991	$ 3,713
Young Adult Program	149,023	-
	$ 153,014	$ 3,713

9. Concentrations of Credit Risk

Financial instruments that potentially subject Pacific House, Inc. to concentrations of credit risk consist principally of temporary cash investments in banks in excess of the U.S. Federal Deposit 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 intuition may be in excess of the FDIC insurance limit. As of June 30, 2017 and 2016, Pacific House, Inc. has an uninsured bank balance of $28,770 and $32,719 respectively.

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. Retirement expense was $16,678 and $18,557 for the years ended June 30, 2017 and 2016 respectively.

11. Contingencies – Government Audit

Pacific House, Inc.'s 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, 2017.

12. Lease Commitments

Pacific House, Inc. leased office space in Stamford, Connecticut, through December 2015. As of January 2016, the lease is on a month to month basis. In addition the Organization had leased storage space on a month to month basis which ended on May 31, 2017. Rental expense totaled $33,556 and $33,550 for the years ended June 30, 2017 and 2016 respectively.

The Organization also leases office equipment under a long-term operating lease expiring in April 2020.

Future minimum rental payments are as follows:

2018	$	8,580
2019		8,580
2020		7,150

13. Tax Filing Compliance

Pacific House, Inc. was in compliance with applicable federal and state regulations as of June 30, 2017 and 2016 relative to the remitting of employee withholding taxes and filing to payroll tax returns and all other annually regulatory information filings.

14. Subsequent Events

The Organization's management evaluated subsequent events through report letter date.

HAIMS, BUZZEO & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
STAMFORD, CONNECTICUT

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*

Independent Auditor's Report

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

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 Pacific House, Inc., which comprise the statement of financial position as of June 30, 2017 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 25, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pacific House, Inc.'s internal control over financial reporting (internal control) to determine 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 Pacific House, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Pacific House, Inc.'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 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 may exist that have not been identified.

To the Board of Directors
Pacific House, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pacific House, Inc.'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 the determination of financial statement amounts. 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 result of that testing, and not to provide an opinion on the effectiveness of Pacific House, Inc. internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Pacific House, Inc. internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Haims, Buzzeo & Company, P.C.
Certified Public Accountants

Stamford, CT
September 25, 2017

HAIMS, BUZZEO & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
STAMFORD, CONNECTICUT

Report on Compliance for Each Major Federal Program;
Report On Internal Control over Compliance; and Report on Schedule
of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Pacific House, Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Pacific House, Inc.'s major federal programs for the year ended June 30, 2017. Pacific House, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statues, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal guidelines.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Pacific House, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pacific House, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Pacific House, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Pacific House, Inc. 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 year ended June 30, 2017.

To the Board of Directors
Pacific House, Inc.

Report On Internal Control over Compliance

Management of Pacific House, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pacific House, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pacific House, Inc.'s 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 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 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.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Pacific House, Inc. as of and for the year ended June 30, 2017 and have issued our report thereon dated September 25, 2017, which contained an unmodified opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived form 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 schedule of expenditures of federal awards is fairly state in all material respects in relation the financial statements as a whole.

Haims, Buzzeo & Company, P.C.
Certified Public Accountants

Stamford, CT
September 25, 2017

PACIFIC HOUSE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass Through Grantor/Program Title	Contract Number	CFDA Number		Federal Expenditures
U.S. Department of Housing and Urban Development:				
Direct Award – Supportive Housing Program – (S. Main St)	CT025L1E031502	**14.267**	$	46,240
Direct Award – Supportive Housing Program (Berkeley Street)	CT0096LIE031508	**14.235**		94,031
Direct Award - Shelter Plus Care Program (Berkeley VIII)	CT0160LIE031505	**14.235**		21,662
Total Emergency Shelter Grant Programs				161,933
Pass – through Connecticut Department of Housing	15DOH0101CN	**14.231**		79,640
Direct Award – Continuation of Care Homeless Assistance (Beacon II)	CT0234L1E081301	**14.267**		34,086
Pass – through Department of Mental Health & Addiction Services	17MHA2032	**14.267**		55,198
Pass – through Department of Mental Health & Addition Services	17MHA2033	**14,267**		7,595
Community Development Block Grants				
Pass – through City of Stamford, CT		**14.213**		31,500
Pass – through Town of Greenwich, CT		**14.218**		16,250
Pass – through City of Stamford, CT		**14.213**		87,324
Total Community Block Grants				135,074
Neighborhood Stabilization Program				
Pass – through Connecticut Department of Economic and Community Development		**14.218**	*	392,385
Pass – through Connecticut Department of Economic and Community Development		**14.256**	*	360,000
Total Neighborhood Stabilization Program				752,385
Pass-Through from City of Stamford Housing Section 8 Program		**14.195**		55,940
Home Investment Partnership Program		**14.239**	*	153,267
Total U.S. Department of Housing and Urban Development				1,435,118
U.S. Department of Health and Human Services:				
Substance Abuse & Mental Health Services Projects of Regional & National Significance		93.243		52,000
Access to Recovery ATR I		93.275		800
Social Services Block Grants				
Pass – through Connecticut Department of Housing	15DOH0101CN	93.667		425,501
Pass – through Connecticut Department of Housing	15DOH0101CN	93.568		4,542
Total U.S. Department of Health and Human Services				482,843
Department of Homeland Security				
Direct Award – Emergency Food and Shelter National Board Program	142204-004	97.024		6,494
Total Expenditures of Federal Awards			$	1,924,455

Note: *Represents outstanding loan balance.
The schedule of expenditures of federal awards has been prepared on the accrual basis of accounting

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule) includes the federal award activity of Pacific House, Inc. under programs of the federal government for the year ended June 30, 2017. 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., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Pacific House, Inc.

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 Office of Management and Budget Circular A-122, Cost Principles for Non-Profit Organizations.

NOTE 3 – INDIRECT COST RATE

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

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' 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

Federal Awards

Internal control over compliance:		
• Material weakness(es) identified?	____Yes	X No
• Significant deficiency (ies)	____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 200.516(a) of the Uniform Guidance?	____Yes	X No

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

Federal Grantor Program	Federal CFDA Number	Pass – through Grantor's Number	Federal Expenditures
Neighborhood Stabilization Program	14.218		$ 392,385
Neighborhood Stabilization Program	14.256		360,000
U.S. Department of Health and Human Services:			
Social Services Block Grant	93.667		425,501

Programs with expenditures in excess of $750,000 were deemed to be type A programs. Programs with expenditures less than $750,000 were deemed to be type B programs.

Auditor Qualified as Low – Risk Auditee	X Yes	____No

SECTION II – FINANCIAL STATEMENT FINDING

- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated no significant deficiencies.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONS COSTS

- No Findings or Questioned Costs are reported relating to Federal Award Programs.

HAIMS, BUZZEO & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
STAMFORD, CONNECTICUT

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

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited Pacific House, Inc.'s compliance with the types of compliance requirements described in the Office of Policy and Management's Compliance Supplement that could have a direct and material effect on each of Pacific House, Inc.'s major state programs for the year ended June 30, 2017. Pacific House, Inc.'s major state programs are identified in the summary of auditors' results section of the accompanying schedule of finds and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Pacific House, Inc.'s major state programs based on our audit of the types of compliance requirements referred to above. 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 State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Pacific House, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Pacific House, Inc.'s compliance.

Opinion on Each Major State Program

In our opinion, Pacific House, Inc. 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 state programs for the year ended June 30, 2017.

To the Board of Directors
Pacific House, Inc.

Report on Internal Control over Compliance

Management of Pacific House, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pacific House, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pacific House, Inc.'s 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.

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.

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

We have audited the financial statements of Pacific House, Inc. as of and for the year ended June 30, 2017, and have issued our report thereon dated September 25, 2017 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the 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 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

Haims, Buzzeo & Company, P.C.

Certified Accountants

Stamford, CT
September 25, 2017

PACIFIC HOUSE, INC.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2017

State Grantor/ Pass Through Grantor/ Program Title	State Grant Program CORE – CT Number	Expenditures
Department of Housing		
Emergency Shelter Services	11000-DOH46920-16149	$ 25,788
Predevelopment Cost	12065-DOH46920-40240	537,909
Total Department of Housing		563,697
Department of Mental Health and Addiction Services		
Managed Care General Assistance	11000-MHA53000-12220	12,600
Housing Supports & Services	11000-MHA53000-12035	15,000
Discharge & Diversion Services	11000-MHA53000-12330	144,875
Mental Health Service Grants	11000-MHA53000-16053	162,164
Total Department of Mental Health and Addiction Services		334,639
Department of Labor		
Step Up Program	12052-DOL40000-43517	11,750
Office of Policy and Management		
Non Profit Grant Program	12052-OPM20830-43574	81,053
Total Expenditures of State Financial Assistance		$ 991,139

The accompanying schedule of expenditures of state financial assistance includes state grant activity of Pacific House, Inc. under programs of the State of Connecticut for the fiscal year ended June 30, 2017. 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Pacific House, Inc. conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit agencies. The following is a summary of the more significant policies relating to the aforementioned grant programs.

Basis of Accounting

The expenditures reported on the Schedule of Expenditures of State Financial Assistance 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 of Expenditures of State Financial Assistance.

PACIFIC HOUSE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2017

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:

STATE GRANTOR AND PROGRAM	STATE CORE – CT NUMBER	EXPENDITURES
Department of Housing		
Predevelopment Cost	12065-DOH46920-40240	$ 537,909

• Dollar threshold used to distinguish between type A and type B programs. $ 100,000

II. FINANCIAL STATEMENT FINDINGS

- We issued reports, dated September 25, 2017, 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*.

- Our report on compliance indicated no reportable instances of noncompliance.

- Our report on internal control over financial reporting indicated no significant deficiencies.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

- No Findings or Questioned Costs are reported relating to State Financial Assistance Programs.