

PACIFIC HOUSE, INC.  
FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2019 AND 2018

## INDEX

	<u>Page</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1
<u>FINANCIAL STATEMENTS:</u>	
<u>EXHIBIT:</u>	
"A"    STATEMENTS OF FINANCIAL POSITION JUNE 30, 2019 and 2018	2
"B"    STATEMENTS OF ACTIVITIES YEARS ENDED JUNE 30, 2019 and 2018	3
"C"    STATEMENTS OF FUNCTIONAL EXPENSES YEARS ENDED JUNE 30, 2019 and 2018	4
"D"    STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2019 and 2018	5
Notes to Financial Statements	6-15
 <u>FEDERAL SINGLE AUDIT</u>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16-17
Report on Compliance for Each Major Program and on Control Over Compliance Required by the Uniform Guidance	18-19
Schedule of Expenditures of Federal Awards	20
Notes to Schedule of Expenditures of Federal Awards	21
Schedule of Findings and Questioned Costs	22-23
 <u>STATE SINGLE AUDIT</u>	
Report on Compliance for Each Major State Program and on Report on Internal Control Over Compliance Required by the State Single Audit Act	24-25
Schedule of Expenditures of State Financial Assistance	26
Notes to Schedule of Expenditures of State Financial Assistance	27
Schedule of Findings and Questioned Costs	28-29

# 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 06902

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Pacific House, Inc., (a nonprofit organization) which comprise the statements of financial position as of June 30, 2019 and 2018, 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 audits. 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, 2019 and 2018, and the changes in their net assets, and their 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 schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Act, are 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 October 31, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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  
October 31, 2019

## PACIFIC HOUSE, INC.

## STATEMENTS OF FINANCIAL POSITION

JUNE 30,

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash and Cash Equivalents	\$ 763,606	\$ 1,580,827
Short Term Investments	17,060	9,267
Grants Receivable	2,334,371	1,672,570
Contract Advance	-	40,000
Other Receivable	10,038	5,590
Prepaid Expenses	41,180	44,794
<u>Total Current Assets</u>	<u>3,166,255</u>	<u>3,353,048</u>
Fixed Assets:		
Mortgage Costs – Net	18,761	19,775
Land, Building, and Equipment, Net	11,293,003	9,274,448
<u>Total Fixed Assets</u>	<u>11,311,764</u>	<u>9,294,223</u>
<u>TOTAL ASSETS</u>	<u>\$ 14,478,019</u>	<u>\$ 12,647,271</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 272,737	\$ 345,108
Deferred Revenue and Refundable Deposits	1,379,898	2,731,494
Notes Payable – Current Portion	498,034	814,049
<u>Total Current Liabilities</u>	<u>2,150,669</u>	<u>3,890,651</u>
Long Term Liabilities:		
Deferred Revenue and Refundable Deposits	3,241,262	1,411,799
Notes Payable	4,741,055	3,730,183
<u>Total Long Term Liabilities</u>	<u>7,982,317</u>	<u>5,141,982</u>
<u>Total Liabilities</u>	<u>\$ 10,132,986</u>	<u>\$ 9,032,633</u>
<u>NET ASSETS</u>		
Net Assets:		
Net Assets Without Donor Restrictions:		
Undesignated	(2,769,898)	(1,682,221)
Net Investment in Land, Building and Equipment	6,072,675	4,749,991
<u>Total Net Assets Without Donor Restrictions</u>	<u>3,302,777</u>	<u>3,067,770</u>
With Donor Restrictions	1,042,256	546,868
<u>Total Net Assets</u>	<u>4,345,033</u>	<u>3,614,638</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 14,478,019</u>	<u>\$ 12,647,271</u>

See accompanying notes and independent auditors' report.

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

	2019			2018		
	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUE</b>						
Grants and Fees from Governmental agencies	\$ 1,904,240	\$ -	\$ 1,904,240	\$ 1,359,214	\$ -	\$ 1,359,214
Rental Income	536,250	-	536,250	440,643	-	440,643
Contributions received directly	345,739	500,000	845,739	339,879	158,903	498,782
Contributions received through United Way agencies	69,000	-	69,000	76,115	-	76,115
In-Kind Contributions	181,227	-	181,227	362,262	-	362,262
Special events, net of expenses of \$251,984 and \$329,427	771,022	-	771,022	950,925	-	950,925
Investment Income	476	-	476	1,165	-	1,165
Net assets released from restrictions	4,612	(4,612)	-	4,290	(4,290)	-
<b>Total Public Support and Revenue</b>	<b>3,812,566</b>	<b>495,388</b>	<b>4,307,954</b>	<b>3,534,493</b>	<b>154,613</b>	<b>3,689,106</b>
<b>EXPENSES</b>						
Program Services:						
Emergency Shelter	1,566,489	-	1,566,489	1,558,536	-	1,558,536
Permanent Housing	1,244,959	-	1,244,959	1,033,973	-	1,033,973
Housing Development	201,942	-	201,942	369,102	-	369,102
<b>Total Program Services</b>	<b>3,013,390</b>	<b>-</b>	<b>3,013,390</b>	<b>2,961,611</b>	<b>-</b>	<b>2,961,611</b>
Supporting Services:						
Management and General	300,898	-	300,898	263,359	-	263,359
Development	263,271	-	263,271	298,538	-	298,538
<b>Total Supporting Services</b>	<b>564,169</b>	<b>-</b>	<b>564,169</b>	<b>561,897</b>	<b>-</b>	<b>561,897</b>
<b>Total Expenses</b>	<b>3,577,559</b>	<b>-</b>	<b>3,577,559</b>	<b>3,523,508</b>	<b>-</b>	<b>3,523,508</b>
Change in Net Assets	235,007	495,388	730,395	10,985	154,613	165,598
<b>NET ASSETS</b>						
Beginning of Year	3,067,770	546,868	3,614,638	3,056,785	392,255	3,449,040
End of Year	<u>3,302,777</u>	<u>1,042,256</u>	<u>4,345,033</u>	<u>3,067,770</u>	<u>546,868</u>	<u>3,614,638</u>

See accompanying notes and independent auditors' report.

PACIFIC HOUSE, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2019

	<u>Emergency Shelter</u>	<u>Permanent Housing</u>	<u>Housing Development</u>	<u>Total Programs</u>	<u>Management and General</u>	<u>Development</u>	<u>Total Support</u>	<u>Total Expenses</u>
<b>PERSONNEL COSTS</b>								
Salaries	\$ 747,458	\$ 461,156	\$ 91,182	\$ 1,299,796	\$ 133,657	\$ 208,273	\$ 341,930	\$ 1,641,726
Employee Benefits	155,221	88,855	11,802	255,878	30,833	14,422	45,255	301,133
Payroll Taxes	90,805	30,437	9,545	130,787	10,711	16,634	27,345	158,132
Total Personnel Costs	\$ 993,484	\$ 580,448	\$ 112,529	\$ 1,686,461	\$ 175,201	\$ 239,329	\$ 414,530	\$ 2,100,991
<b>OTHER EXPENSES</b>								
Client Support - Food Program and Household Office and IT	\$ 167,583	\$ 7,724	\$ -	\$ 175,307	\$ 4,907	\$ 1,527	\$ 6,434	\$ 181,741
Telephone	38,057	42,788	-	80,845	6,410	192	6,602	87,447
Postage	6,517	3,085	-	9,602	10,734	2,797	13,531	23,133
Occupancy	7,219	6,560	1,080	14,859	6,223	512	6,735	21,594
General Insurance	76	152	153	381	1,362	5,867	7,229	7,610
Consultants	131,636	197,712	3,150	332,498	14,000	3,500	17,500	349,998
Legal and Accounting	29,571	57,749	4,685	92,005	1,708	1,708	3,416	95,421
Training and Education	22,840	52,899	49,371	125,110	39,418	264	39,682	164,792
Printing	2,541	11,420	1,247	15,208	15,747	461	16,208	31,416
Staff Travel and Conferences	2,712	1,064	-	3,776	2,016	165	2,181	5,957
Client Assistance	1,120	540	-	1,660	1,946	6,240	8,186	9,846
Dues and Subscriptions	8,789	2,331	-	11,120	12,784	709	13,493	24,613
Interest Expense	4,122	156	-	4,278	-	-	-	4,278
Total Other Expenses	3,204	1,231	-	4,435	5,251	-	5,251	9,686
	-	51,840	-	51,840	-	-	-	51,840
	425,987	437,251	59,686	922,924	122,506	23,942	146,448	1,069,372
<b>Total Expenses Before Depreciation and Amortization And Provisions for Non-Food In-Kind Contributions</b>	1,419,471	1,017,699	172,215	2,609,385	297,707	263,271	560,978	3,170,363
<b>Provisions for Non-Food In-Kind Contributions Depreciation and Amortization</b>	-	-	29,727	29,727	-	-	-	29,727
	147,018	227,260	-	374,278	3,191	-	3,191	377,469
<b>Total Expenses</b>	\$ 1,566,489	\$ 1,244,959	\$ 201,942	\$ 3,013,390	\$ 300,898	\$ 263,271	\$ 564,169	\$ 3,577,559

-4-



PACIFIC HOUSE, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2018

	<u>Emergency Shelter</u>	<u>Permanent Housing</u>	<u>Housing Development</u>	<u>Total Programs</u>	<u>Management and General</u>	<u>Development</u>	<u>Total Support</u>	<u>Total Expenses</u>
<b>PERSONNEL COSTS</b>								
Salaries	\$ 726,172	\$ 371,512	\$ 86,539	\$ 1,184,223	\$ 115,559	\$ 179,137	\$ 294,696	\$ 1,478,919
Employee Benefits	139,955	86,558	8,936	235,449	23,596	13,019	36,615	272,064
Payroll Taxes	77,044	30,437	9,545	117,026	10,711	16,635	27,346	144,372
Total Personnel Costs	\$ 943,171	\$ 488,507	\$ 105,020	\$ 1,536,698	\$ 149,866	\$ 208,791	\$ 358,657	\$ 1,895,355
<b>OTHER EXPENSES</b>								
Client Support - Food Program and Household Office and IT Telephone Postage	\$ 175,206	\$ 9,525	\$ -	\$ 184,731	\$ 4,619	\$ 1,527	\$ 6,146	\$ 190,877
Occupancy	55,196	26,981	2,187	84,364	-	-	-	84,364
General Insurance	4,341	4,341	391	9,073	6,258	313	6,571	15,644
Consultants	11,331	3,399	1,133	15,863	5,665	1,133	6,798	22,661
Legal and Accounting Training and Education	315	126	126	567	946	4,794	5,740	6,307
Printing	161,945	199,631	3,502	365,078	17,512	3,502	21,014	386,092
Staff Travel and Conferences	27,388	43,948	4,682	76,018	1,710	1,710	3,420	79,438
Client Assistance	17,000	47,000	47,000	111,000	40,305	65,792	106,097	217,097
Dues and Subscriptions	2,600	12,320	1,300	16,220	16,417	480	16,897	33,117
Interest Expense	1,490	1,350	-	2,840	-	109	109	2,949
Total Other Expenses	482,675	371,395	60,321	914,391	111,006	89,747	200,753	1,115,144
<b>Total Expenses Before Depreciation and Amortization And Provisions For Non-Food In-Kind Contributions</b>	1,425,846	859,902	165,341	2,451,089	260,872	298,538	559,410	3,010,499
<b>Provisions for Non-Food In-Kind Contributions Depreciation and Amortization</b>	-	-	203,761	203,761	-	-	-	203,761
	132,690	174,071	-	306,761	2,487	-	2,487	309,248
<b>Total Expenses</b>	\$ 1,558,536	\$ 1,033,973	\$ 369,102	\$ 2,961,611	\$ 263,359	\$ 298,538	\$ 561,897	\$ 3,523,508



## PACIFIC HOUSE, INC.

## STATEMENTS OF CASH FLOWS

JUNE 30,

<u>CASH FLOWS OPERATING ACTIVITIES:</u>	<u>2019</u>	<u>2018</u>
Change in Net Assets	\$ 730,395	\$ 165,598
Adjustments to Reconcile Changes in Net Assets to Net Change in Cash from by Operating Activities		
Unamortized Discount on Non-Interest Bearing Loan	4,612	4,290
Depreciation and Amortization	377,469	309,248
Changes in Operating Assets and Liabilities		
Grants and Other Receivables	(666,249)	81,449
Contract Advance	40,000	10,000
Prepaid Expenses	3,614	23,161
Accounts Payable and Accrued Expenses	(72,371)	126,918
Deferred Revenue and Refundable Deposits	<u>477,869</u>	<u>961,815</u>
<u>Net Change in Cash Provided By Operating Activities</u>	<u>895,339</u>	<u>1,682,479</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of Property and Equipment	(2,395,010)	(1,568,661)
Short Term Investments	<u>(7,793)</u>	<u>2,277</u>
<u>Net Change in Cash Used In Investing Activities</u>	<u>(2,402,803)</u>	<u>(1,566,384)</u>
<u>CASH FLOWS FINANCING ACTIVITIES:</u>		
Principal Payments on Notes Payable	(312,735)	(68,641)
Proceeds from Notes Payable	<u>1,002,978</u>	<u>1,082,351</u>
<u>Net Change in Cash Provided By Financing Activities</u>	<u>690,243</u>	<u>1,013,710</u>
<u>Net (Decrease) Increase in Cash and Cash Equivalents</u>	<u>(817,221)</u>	<u>1,129,805</u>
<u>CASH AND CASH EQUIVALENTS:</u>		
Beginning of year	<u>1,580,827</u>	<u>451,022</u>
End of year	<u>\$ 763,606</u>	<u>\$ 1,580,827</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOWS:</u>		
Cash Paid During the Year for:		
Interest	\$ 51,840	\$ 21,859
Income Taxes		

See accompanying notes and  
independent auditors' report.

NOTES TO FINANCIAL STATEMENTS

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**1. Nature of Activities**

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**

***Basis of Presentation***

The financial statements of Pacific House, Inc. comply with the Financial Statements of Not-for-Profit Organizations topic of the FASB Codification. Under this topic, Pacific House, Inc. reports information regarding its financial position and activities according to the following net asset classifications:

*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 Pacific House, Inc.'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 Pacific House, Inc. 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)**

***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.

***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.

## NOTES TO FINANCIAL STATEMENTS

**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.

*New Accounting Pronouncement*

For the year ended June 30, 2019, Pacific House, Inc. adopted the Financial Accounting Standard Board's Accounting Standards Update ("ASU") No. 2016-14 – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return among not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. Key changes required by ASU 2016-14 are the net asset classes used in these financial statements and recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service.

A summary of the net asset classification driven by the adoption of ASU 2016-14 as of July 1, 2018 is presented below:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
As previously presented:			
Undesignated	(\$ 1,682,221)	\$ -	(\$ 1,682,221)
Net Investment in Land, Building, and Equipment	4,749,991	-	4,749,991
Temporarily Restricted	<u>-</u>	<u>546,868</u>	<u>546,868</u>
	3,067,770	546,868	3,614,638
Reclassifications to implement ASU 2016-14 Capital Gifts	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets, as reclassified July 1, 2018	<u>\$ 3,067,770</u>	<u>\$ 546,868</u>	<u>\$ 3,614,638</u>

*Reclassification*

Certain reclassifications have been made to the June 30, 2018 financial statements to conform to the June 30, 2019 presentation.

*Subsequent Events*

Pacific House, Inc. monitored and evaluated any subsequent events for footnote disclosures of adjustments required in its financial statements for the fiscal year ended June 30, 2019 through October 31, 2019 on which the financial statements were available to be issued.

PACIFIC HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

**3. 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 institution may be in excess of the FDIC insurance limit. As of June 30, 2019 and 2018, Pacific House, Inc. has an uninsured bank balance of \$473,076 and \$1,061,232 respectively.

Approximately 42% and 34%, for the years ended June 30, 2019 and 2018 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:

	<u>2019</u>	<u>2018</u>
Short term money market instruments	<u>\$ 17,060</u>	<u>\$ 9,267</u>

**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 or 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.

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, 2019 and 2018.

<u>June 30, 2019</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Fund	<u>17,060</u>	<u>17,060</u>	<u>-</u>	<u>-</u>
<u>Total</u>	<u>\$ 17,060</u>	<u>\$ 17,060</u>	<u>\$ -</u>	<u>\$ -</u>

PACIFIC HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

**5. Fair Value Measurement (continued)**

<u>June 30, 2018</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Fund	9,267	9,267	-	-
<u>Total</u>	<u>\$ 9,267</u>	<u>\$ 9,267</u>	<u>\$ -</u>	<u>\$ -</u>

**6. Land, Buildings, And Equipment**

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

	<u>2019</u>	<u>2018</u>
Land	\$ 1,351,117	\$ 1,145,052
Buildings and Improvements	12,710,382	10,705,652
Equipment	<u>676,281</u>	<u>512,794</u>
<u>Subtotal</u>	14,737,780	12,363,498
Less Accumulated Depreciation	<u>3,444,777</u>	<u>3,089,050</u>
<u>Total</u>	<u>\$ 11,293,003</u>	<u>\$ 9,274,448</u>

Depreciation and amortization expense amounted to \$377,469 and \$309,248 for the fiscal years June 30, 2019 and 2018 respectively.

**7. Notes Payable**

Notes payable consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
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.	\$ 66,109	\$ 61,496
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. The mortgage is secured by the property located at 597 Pacific Street, Stamford, CT.	86,151	86,151

PACIFIC HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

**7. Notes Payable (continued)**

	<u>2019</u>	<u>2018</u>
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 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	306,449
Note payable to First County Bank in the amount of \$235,954, monthly principal and interest installments of \$1,630.59 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.	194,497	204,725
Mortgage payable to First County Bank. 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.	1,207,511	1,269,530
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 current interest rate is 5.50%. The loan was converted on October 1, 2019 at an interest rate of 3.25%.	703,388	597,962



PACIFIC HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

7. Notes Payable (continued)	<u>2019</u>	<u>2018</u>
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 was increased from \$150,000 to \$250,000, payments of interest only, variable rate based on "The Wall Street Prime Rate" plus 1.00% percentage points, current interest rate of 6.50%. The line of credit is payable on demand.	250,000	140,486
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 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.	120,000	120,000
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 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	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	13,000

PACIFIC HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

7. Notes Payable (continued)	2019	2018
<p>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.</p>	23,500	23,500
<p>Loan Payable to Corporation for Supportive Housing in the amount of \$150,000. Interest rate 6% accrued and paid at maturity date, non-amortizing. Maturity date earlier of Borrowers receipt of State of Connecticut Housing Tax Credit funds or July 1, 2020. The loan is for pre-development costs for the front building at 100 S Main St., Norwalk, CT.</p>	150,000	150,000
<p>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 190 Stillwater Avenue and 104 Richards Hill Avenue, Stamford, CT.</p>	<u>500,000</u> \$ 5,239,089	<u>500,000</u> \$ 4,544,232

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 principles are as follows:

Year Ended June 30,	
2020	\$ 498,034
2021	100,953
2022	104,229
2023	107,729
2024 and Thereafter	4,428,144
	<u>\$ 5,239,089</u>

**8. Net Assets**

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

	2019	2018
Net book value of fixed assets	\$ 6,072,675	\$ 4,749,991
General use	<u>(2,769,898)</u>	<u>(1,682,221)</u>
	<u>\$ 3,302,777</u>	<u>\$ 3,067,770</u>

PACIFIC HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

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**8. Net Assets (continued)**

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

	<u>2019</u>	<u>2018</u>
Building	<u>\$ 1,042,256</u>	<u>\$ 546,868</u>

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

	<u>2019</u>	<u>2018</u>
Contributions for Future Periods	<u>\$ 4,612</u>	<u>\$ 4,290</u>
	<u>\$ 4,612</u>	<u>\$ 4,290</u>

**9. 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 \$26,952 and \$23,495 for the years ended June 30, 2019 and 2018 respectively.

**10. 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 \$25,950 for both years ended June 30, 2019 and 2018 respectively.

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

Future minimum rental payments are as follows:

2020	\$ 7,150
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**11. Availability and Liquidity**

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

	<u>2019</u>
Cash and cash equivalents	\$ 173,043
Grants receivable	90,915
Accounts receivable	<u>6,795</u>
	<u>\$ 270,753</u>

Less amounts not available to be used within one year:

Net assets with donor restrictions	<u>-</u>
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Financial assets available to meet general expenditures over the next twelve months \$ 270,753

**11. Availability and Liquidity (continued)**

The Organization's goal is generally to maintain assets to meet 30 days of operating expenses. The Organization also has a \$250,000 line of credit to utilize for expenses if needed.

**12. 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" are of June 30, 2019.

**13. Subsequent Events**

On September 10, 2019, the Organization obtained a mortgage loan (the "Loan") for \$280,000 towards the purchase of a property in Stamford, Connecticut. The loan is collateralized by the property purchased. The term of the loan is for twenty-four (24) months with an option to extend for an additional twelve (12) months by the Organization. Interest expense will be paid monthly and the outstanding principal and any interest is due in full when the term of the loan ends.

# 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 Auditors' 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. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019 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 October 31, 2019.

## **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  
October 31, 2019

# HAIMS, BUZZEO & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
STAMFORD, CONNECTICUT

## Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

### Independent Auditors' 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, 2019. 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 statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal guidelines.

#### **Auditors' 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, 2019.



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 the 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, 2019, and have issued our report thereon dated October 31, 2019, 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 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 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 federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Haims, Buzzco & Company, P.C.*

Certified Public Accountants

Stamford, CT  
October 31, 2019

PACIFIC HOUSE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Contract Number</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Housing and Urban Development:</b>			
Direct Award – Continuum of Care Program (Berkeley House)	CT0096LIE031609	14.267	\$ 23,508
Direct Award – Continuum of Care Program (Berkeley House)	CT0096LIE031710	14.267	70,523
Direct Award – Continuum of Care Program (Beacon III)	CT0256LIE031704	14.267	91,929
Direct Award – Continuum of Care Program (Berkeley House)	CT0096LIE031811	14.267	30,082
Pass – through Department of Mental Health & Addition Services	17MHA22656	14.267	325,890
Pass – through from AIDS Connecticut		14.267	<u>26,554</u>
Total Continuum of Care Program			<u>568,486</u>
Pass – through Connecticut Department of Housing	15DOH0101CN	14.231	79,640
Pass – through from AIDS Connecticut		14.231	<u>6,280</u>
Total Emergency Solutions Grant Program			<u>85,920</u>
<b>Community Development Block Grants</b>			
Pass – through City of Stamford, CT		14.218	15,381
Pass – through Town of Greenwich, CT		14.218	5,585
Pass – through City of Stamford, CT		14.218	* 173,583
Pass – through Supportive Housing Works		14.218	<u>40,000</u>
Total Community Block Grants			<u>234,549</u>
<b>Neighborhood Stabilization Program</b>			
Pass – through Connecticut Department of Economic and Community Development		14.218	* 994,000
Pass – through Connecticut Department of Economic and Community Development		14.256	* <u>360,000</u>
Total Neighborhood Stabilization Program			1,354,000
Pass – through from City of Stamford Housing Section 8 Program		14.195	41,712
Pass – through from City of Stamford Home Investment Partnership Program		14.239	* <u>240,000</u>
Total U.S. Department of Housing and Urban Development			<u>2,524,667</u>
<b>U.S. Department of Health and Human Services:</b>			
<b>Social Services Block Grants</b>			
Pass – through Connecticut Department of Housing	15DOH0101CN	93.667	300,776
Pass – through Connecticut Department of Housing	15DOH0101CN	93.568	<u>5,443</u>
Total U.S. Department of Health and Human Services			<u>306,219</u>
<b>Department of Homeland Security</b>			
Direct Award – Emergency Food and Shelter National Board Program	142204-004	97.024	<u>10,810</u>
Total Expenditures of Federal Awards			<u>\$ 2,841,696</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.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2019

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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, 2019. 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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

PACIFIC HOUSE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

**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

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
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

X Yes    \_\_\_\_\_ No

PACIFIC HOUSE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

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**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, CONNECTICUT

## Report on Compliance for each Major State Program and Report on Internal Control over Compliance Required By the State Single Audit Act

### Independent Auditors' 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, 2019. Pacific House, Inc.'s major state programs are identified in the summary of auditors' results section of the accompanying schedule of state findings 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, 2019.



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 the 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, 2019, and have issued our report thereon dated October 31, 2019, 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 the 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 accounting standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly state in all material respects in relation to the financial statements as a whole.

*HAIMS, BUZZEO + COMPANY, P.C.*

Certified Accountants

Stamford, CT  
October 31, 2019



PACIFIC HOUSE, INC.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2019

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<u>State Grantor/ Pass Through Grantor/ Program Title</u>	<u>State Grant Program CORE – CT Number</u>	<u>Expenditures</u>
<b>Department of Housing</b>		
Predevelopment Cost	12065-DOH46920-40240	\$ 223,251
Emergency Shelter Services	11000-DOH46920-16149	<u>105,433</u>
Total Department of Housing		<u>328,684</u>
<b>Department of Mental Health and Addiction Services</b>		
Housing Supports & Services	11000-MHA53000-12035	10,986
Discharge & Diversion Services	11000-MHA53000-12330	200,767
Mental Health Service Grants	11000-MHA53000-16053	185,746
Pass Through Advanced Behavioral Health Inc. Managed Care/General Assistance	11000-MHA53000-12220	<u>1,200</u>
Total Department of Mental Health and Addiction Services		<u>398,699</u>
<b>Office of Policy and Management</b>		
Non Profit Grant Program	12052-OPM20830-43574	<u>244,396</u>
Total Expenditures of State Financial Assistance		<u>\$ 971,779</u>

PACIFIC HOUSE, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2019

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The accompanying schedule of expenditures of state financial assistance (the Schedule) includes state grant activity of Pacific House, Inc. under programs of the State of Connecticut for the fiscal year ended June 30, 2019. 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, and capital improvements.

**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 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.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2019

**I. SUMMARY OF AUDIT 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

*State Financial Assistance*

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency (ies) identified?  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 Section 4-236-24 of the Regulations to the State Single Audit Act?  Yes  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>
<b>Department of Housing</b>		
Predevelopment Cost	12065-DOH46920-40240	\$ 223,251
Emergency Shelter Services	11000-DOH46920-16149	105,433
<b>Department of Mental Health and Addiction</b>		
Discharge and Diversion Services	11000-MHA53000-12330	200,767
Mental Health Service Grants	11000-MHA43000-16053	185,746
<b>Office of Policy and Management</b>		
Non Profit Grant Program	12052-OPM20830-43574	244,396

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

PACIFIC HOUSE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2019

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**II. FINANCIAL STATEMENT FINDINGS**

- No matters were reported.

**III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

- No matters were reported.